

Labor Unions in Japan - Philosophy, Structure, Activities -

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1 Summary

The overwhelming majority of labor unions in Japan are enterprise unions. There have been two contrasting views on the Japanese enterprise unions. Some praises them as the most advanced organization of workers' representatives. They share information with the management and make efforts to present important interests of employees. As "skill" of employees is enterprise-specific, labor turnover is disadvantageous to employees. They prefer to remain in the same firm. Enterprise union as representative of employees defend interests of employees by participating in all important management decisions. Company interests and employees interests are compatible under enterprise unions. (e.g. Koike 1977)

Critical social scientists evaluate enterprise unions as too weak to present employees' interests. Because enterprise unions are in-company organization, social standard of working conditions is difficult to be realized. (e.g. Hyodo 1981)

This paper aims to give concrete information on labor unions in Japan and examines what they are. I take the car industry as an example, because it is one of the main industries in Japan and labor unions of the car industry are becoming more and more influential in the Japanese labor movement.

There is a confederation of labor unions in the car industry named Confederation of Japan Automobile Workers' Unions (JAW). There are three levels of the union organization in the automobile industry. At the industrial level there is JAW. At the enterprise level there are enterprise unions. Between the industrial and the enterprise levels there are federations of enterprise unions within each enterprise group such as Toyota group or Nissan group. Therefore, I have to examine philosophy, structure and activities at three levels of organization.

This paper is summarized as follows:

(1) So-called "industrial union" in the Japanese automobile industry (JAW) is quite different from industrial unions in Europe. JAW is a confederation of enterprise unions. The union officers of JAW are elected by the general meeting nominally, but with nomination by each enterprise group union in practice. JAW has no right to negotiate with employers' associations or individual company. It is the enterprise union that negotiate with individual company. There is no negotiation at the industrial level, at the regional level, or at the enterprise group level.

(2) There are two main activities of JAW. First, it coordinates interests of enterprise group unions for better working conditions (especially wage and working hours). Before negotiations on wage increase or reduction of working hours at the company level, JAW decides the common demands which each enterprise union should present to the company. JAW encourages enterprise unions to achieve the common demands. It is up to individual enterprise union if it can really achieve the demands or to what extent. Second, JAW presents and suggests industrial policies of the automobile industry to the government and the association of the automobile companies.

(3) The functions of enterprise group unions are similar to those of JAW. The main activities of enterprise group unions are to coordinate interests of enterprise unions and to decide common goal of working conditions within the enterprise group.

(4) Individual enterprise union negotiates with the company and concludes collective agreements. As collective agreements are concluded at each company level, it is difficult to realize social standardization of working conditions. Enterprise union are "amateur" unions. Full-time officers rotate frequently. Only employees of an enterprise can be elected as union officers of the enterprise union. During service as full-time officers they have still status as employees. The balance of power between the company and the enterprise union is settled strongly in favor of the company.

(5) In 1990 JAW published new industrial policies, which were considerably different from the industrial policies in the 1980s. The new policies are oriented toward structural change of the Japanese

automobile industry. JAW proposes longer model change cycle, reduction of number of car models and types, reexamination of relationship between car makers and suppliers and between car makers and dealers, reduction of working hours and so on. The automobile industry is the real problem of the trade conflict with other industrial countries. The Japanese automobile industry is not only criticized by the foreign countries but will be isolated even in Japan. Younger workers leave the automobile industry. The car makers themselves realize that the industry has to be changed. There is common understanding between the car makers and JAW. It is suspected that JAW began to propose new industrial policies when the car makers realize the critical situation of the industry.

2 Organization

There are many suppliers to car companies. Not a small number of enterprise unions of major suppliers are organized by other "industrial unions" such as Japanese Federation of Metal Industry Unions or Japanese Federation of Rubber Workers' Unions. In JAW enterprise unions of suppliers are members of Federation of Japan Auto Parts Workers' Unions (when suppliers are independent) or members of an enterprise group unions such as Federation of All Toyota Workers' Unions.

In this paper I take an enterprise union of a big car maker as an example. This company is named Yamato Motor Corporation (YMC) anonymously. The enterprise union of YMC is called Yamato Motor Workers' Union (YWU), and the enterprise group union within the Yamato group is named Federation of All Yamato Workers' Unions (AYWU).

2.1 JAW

Annual general meeting is the highest organ of JAW. It elects officers, decides all important activities of JAW. Delegates to the annual general meeting are elected by enterprise group unions such as Federation of All Toyota Workers' Union. How many delegates each enterprise group union can send depends on the number of union members of the enterprise group union. How enterprise group

union elects delegates can be determined by individual enterprise group union.

Officers are composed of one chairperson (full-time), 5 vice-chairpersons (all part-time), one general secretary (full-time), 3 assistant general secretaries (all full-time), 18 executive committee members (all part-time), 20 administrative members (all full-time), 5 special executive members (dispatched to upper organization such as "Rengo"), and 2 auditors (all part-time). Daily administration is carried out by full-time officers.

Nominally the annual general meeting can elect officers. In practice, officers are determined by negotiations between enterprise group unions. Annual general meeting confirms the decision merely. At present, Federation of All Toyota Workers' Unions and Federation of All Nissan Workers' Unions send 4 full-time officers respectively and the other enterprise group unions send one full-time officers respectively.

JAW has no wage table for full-time officers. JAW pay only three million Yen to each full-time officer annually. Each enterprise group union has to pay the rest amount of wage of the officers whom it sends out. The wage of each full-time officer is the wage amount which he (there are no women as full-time officers) could get if he worked as an employee in the company.

Full-time officers are of course officers of JAW and has to act taking the whole interests of JAW. However, they are always conscious of being sent from the enterprise group union or from the enterprise union. The fact that the large part of their wage is paid by the enterprise group union or enterprise union shows clearly that they are representatives of the enterprise group union concerned. Between a full-time officer and his enterprise group union there is formal and informal communication. He can get confidential information from his enterprise group union and his enterprise union by informal route. But he can get only formal information from the other enterprise group unions and enterprise unions.

Most full-time officers quit in two or four years. There are a few members who remain as full-time officers for long years. Even if they remain as full-time officers for long years, they are regarded as

representatives of the enterprise group union concerned. As stated later, most full-time officers of enterprise group unions and enterprise unions also quit in two or four years, JAW as a whole is an "amateur" union.

JAW employs 6 secretaries. They are all women and give auxiliary service. There are no staff employed by JAW for planning and research activities. Full-time officers are responsible for planning and research.

2.2 AYWU

2.2.1 Members

AYWU is a federation of enterprise unions within Yamato group. As well known, parts suppliers are organized pyramidal. Suppliers at the first level are big companies usually. Suppliers at the second level are smaller in number of employees and capital than suppliers at the first level. In case of YMC, it is estimated that there are ca. 170 suppliers at the first level, ca. 4,700 at the second level, and ca. 31,600 at the third level. It is impossible to organize all or large part of enterprise unions of suppliers.

According to the statute of AYWU, "AYWU organizes enterprise unions that agree with the program and the statute of AYWU in YMC group from production to sales." In 1991 AYWU organizes 244 enterprise unions. Of 244 enterprise unions 156 are sales dealer unions, 8 manufacturer unions (body and final assembly), 64 supplier unions, 9 equipment controller unions, 4 transporter unions, 3 other unions (enterprise unions of Yamato Co-op, driving schools). About 20% of 64 supplier unions are enterprise unions of suppliers at the second level. But the suppliers at the second level of which enterprise unions are members of AYWU sometimes deliver parts directly to YMC and therefore they are not suppliers at the second level in a strict sense.

AYWU does not organize all important suppliers at the first level. When JAW was established in 1972, JAW thought that it would cost money and time when JAW had direct contact to individual enterprise unions. Enterprise unions should be grouped into enterprise group union, and JAW will contact to enterprise group

unions. This was the reason why enterprise group unions are organized. When AYWU was established according to this idea in 1972, some big enterprise unions of suppliers in YMC group were already members of other "industrial unions". AYWU did not call for these enterprise unions to come to AYWU.

2.2.2 Union Officers

AYWU has 66 union officers. Additionally AYWU has 26 staff members mainly as auxiliary work force. Of 66 officers 11 officers are dispatched to JAW and other upper organization. 55 officers are responsible for planning and administration of AYWU

Among 55 officers, 34 are full-time officers and 21 are part-time officers. Like JAW, AYWU has no wage table for full-time officers. The wage of full-time officers are paid by the enterprise union from which they are dispatched. It means that only "rich" enterprise unions send full-time officers to AYWU.

The core enterprise union in AYWU is of course YWU, which dispatches 10 full-time officers and 17 staff members to AYWU. The chairperson, the general secretary, the assistant general secretary come from YWU.

All in all, officers of JAW and AYWU are nominally elected by annual general meeting concerned. In practice, however, they are dispatched by enterprise unions. Of course JAW or AYWU can say something who should be union officers of JAW or AYWU, it is enterprise unions that determines finally who are dispatched to JAW or AYWU. The fact that wage of full-time officers is paid by enterprise unions concerned show clearly that JAW and AYWU are federation of independent enterprise unions.

Like JAW, AYWU cannot negotiate with employers' association on working conditions. As usual in the Japanese labor union movement, enterprise unions negotiate with companies in the spring and in the autumn. Before enterprise unions present demands to companies, AYWU talks with employers' association of suppliers and of sales dealers in Yamato group. It is a talk , not negotiation. Only enterprise unions can negotiate with companies.

2.3 YWU

Enterprise unions are independent and totally self-managed unions. They can elect union officers, settle union program and statute, choose upper organization, and negotiate with the company on working conditions.

2.3.1 Membership

There are several types of employees in YMC as usual in Japanese big companies:

Regular employees: Usually they are employed on April 1 every year immediately after they graduate schools (Japanese schools end in March). They are expected to stay in YMC until the compulsory retirement age of 60 years old if they are male.

Temporary workers: They are employed usually for 6 months. Until 1970s most of them were farmers, who had little chance to get money during the winter. They came to the automobile industry after harvest of rice and returned to rice field in the spring. During work as temporary workers they lodged in company dormitories. Most of them were old or middle-aged. Though this type of temporary workers can be found now, in the 1980s a different type of temporary workers appeared. They are young and do not want to have any definite job. They work as temporary workers for several months, and when they think they have saved enough money, they do not come to factory. The number of this type increased during the "bubble boom" (1986-90). Under the very tight labor market the management recommended them to be promoted to regular employees, most of them refused and preferred being temporary workers.

Part-timers: Usually their working hours are shorter than those of regular employees. In some case, however, they work full-time. The definition of part-timers is very difficult. The most exact definition is as follows: Part-timers are those who are employed as part-timers. There is clear difference of wage and welfare between part-timers and regular employees.

"Skilled partners": The compulsory retirement age is 60 years old. As the labor market fell into severe labor shortage in the latter half of 1980s, car makers began to introduce reemployment system in the 1990s. YMC has introduced this system since September 1991. After having reached 60 years old, employees apply for "skilled partners". The management examines their career and determines if they are suitable for "skilled partners". The contract is for one year and can be extended until they reach 65 years old. They will work during the daytime without overtime. They can choose part-time (4 hours a day) or full-time (8 hours). The main purpose of this system is to fulfill labor shortage in production area. This system does not work at present, because when employees reach 60 years old, they retire at the end of March. How many employees are really reemployed is not known at present. Reportedly, however, among 400 retired employees in YMC only 13 employees applied at the beginning of January 1992 ("Nihon Kogyo Shinbun" of January 16, 1992). The situation of other car makers who have introduced reemployment system is similar to YMC. It is interpreted that work in car makers is so hard that production workers are reluctant to work moreover.

Employees of subcontractors in factories of YMC: Regular employees, temporary workers, part-timers, and "skilled partners" have employment contract with YMC. In the case of YMC factories, there are workers of subcontractors. YMC contract with subcontractors and the subcontractors employ workers. These workers are not employees of YMC.

Among these types of employees, only regular employees are members of YMC. When they are employed by YMC, they become union members automatically regardless if they are production workers or white collar workers. There is only one enterprise union in YMC.

The managerial hierarchy in YMC has become complicated since YMC introduced new personnel system in the area of clerks and engineers in 1989. Before 1989 the managerial hierarchy was simple. According to the collective agreement between YMC and YWU, employees who are promoted to middle managers with "qualification Kacho rank 2" and upwards lose membership of YWU. Until 1956 middle managers "Kacho" were members of YWU. YMC demanded YWU that "Kacho" should be non-unionized. 10 years after the war,

YWU was under leadership of the left. By organizing middle managers, YWU could interrupt managerial directions. That the middle managers became non-unionized told that leadership of the left ended.

2.3.2 Union Officers

All members of the executive committee (56 persons) are full-time officers and the other officers are part-time officers. Though there is a branch in each plant, branch organization plays no important role in union activities. The power is concentrated on the executive committee. It is mainly because all manufacturing plants are located in a narrow area and YMC is strongly managed by the headquarters. In 1991 the Committee on Reexamining Organization recommended that the power of branch should be strengthened. The committee argued that the distance between the executive committee and rank and file members is long because branch is powerless. Rank and file members have little chance to appeal their opinions to the executive committee. It makes rank and file members indifferent to union activities.

Full-time officers are elected by union members. All union members can stand as candidates. Full-time officers for important positions (a chairperson, four vice-chairpersons, one general secretary, 9 department chiefs, 20 full-time officers who are dispatched to upper organization such as AYWU or JAW)) are elected directly by all union members. The other full-time officers are elected in each branch. After elected, they need sanction of the second highest legislative organ ("council").

There are two types of candidates: candidates recommended by YWU and self-recommended candidates. The self-recommended candidate for important positions requires at least 50 supporters whose names are published in election newspaper. The self-recommended candidate for the other positions requires at least 15 supporters.

Until 1971 self-recommended candidates did not require 50 or 15 supporters. In the election in 1971, a communist employee stood as self-recommended candidate for chairperson and got 21% of all votes. They criticized YWU as too cooperative to the company and

ignoring workers' interests. Surprised by this result, YWU decided to revise the election rule. As the supporters of self-recommended candidates have to expect that they will be discriminated by both the company and the union, union members are reluctant to become supporters (Oki 1986). In the election in 1988 there were 7 self-recommended candidates. They got 3.7 - 5.2% of all votes.

The communist group can be ignored neither by the company nor the union. First, union members are under strong pressure from the company and the union not to vote for the communist group. In spite of these strong pressure, a part of employees vote for the communist group. The votes for them indicate dissatisfaction of employees against the company and the union. The company and the union are very sensitive to the election results. Second, there are several communists in the local assembly of the city in which most plants of YMC locate. They have close contact with self-recommended candidates group and often speak of the working conditions of YMC in the local assembly as being unbearable to workers. Third, annual wage increase is negotiated in every spring in YMC as usual in Japan. During negotiations between YMC and YWU, the self-recommended candidates group cooperate with left unions in the region. They gather at the gates of the headquarters and other plants and propagate their policies. They deliver pamphlets criticizing YMC and YWU to citizens. This action is named "Action against YMC". (Aichi Institute of Labor Relations 1990)

The self-recommended candidates group regards the stop of Saturday and Sunday work in 1987 as the biggest result of their activities. In 1987 YMC with approval of YWU decided to work on Saturday and Sunday in July and August. Instead, Monday and Tuesday were holidays. In Japan, electricity bill on Saturday and Sunday is cheaper than that on week days. Reportedly YMC could save 500 million Yen by working on Saturday and Sunday. But this change of holidays brought total confusion of daily life in the region. All suppliers had to work on Saturday and Sunday too because of Just-in-Time delivery. As in some other car makers holidays were Saturday and Sunday, suppliers could not take holidays in that summer. School and local events are usually scheduled on Saturday and Sunday. They had to be canceled because fathers could not attend. It was this group that criticized the weekend work at first. YMC abandoned weekend work in the next year. Though it is difficult say that how much this

group contributed to stop weekend work, their activities make YMC and YWU sensitive.

The selection process of candidates recommended by YWU is as follows: There are very influential supervisors in plants. They are often called "gods in manufacturing". They become members of an informal committee on selection of candidates. This committee has a guideline for selecting, according to which union officer rank should correspond to his managerial position. YWU accepts the proposal from the committee almost automatically.

It is very difficult for nominated candidates to refuse the nomination. When a full-time officer retires from union activities and returns to company's work depends on decision of the committee. Usually they serve two or four years as full-time officers and retire. There are only few officers who wish to serve as full-time officers for long years. As a top officer once said, "no one gets job in YMC in order to be a union officer." With frequent rotation of full-time officers, YWU is an "amateur" union.

There is no wage table for full-time officers. Their wage amount is the same as that they could get when they continued their job in the company. As well known, overtime allowance is indispensable part of earning for workers. If the average overtime of all employees in a month is 20 hours, full-time officers are paid overtime allowance of 20 hours.

YWU is active among production workers. Clerks and engineers are not involved in union activities strongly. They are promoted to "Kacho" and lose membership when they become about 40 years old. They are much more interested in management. Almost all production workers remain as union members. It is the policy of the committee to occupy about one third of the full-time officers from clerks and engineers.

3 Union Doctrines

Union doctrines of JAW, AYWU, and YWU are summarized in Table 1. The basic tone is the same between JAW, AYWU, and YWU: Mutual trust and understanding between labor and

management, solidarity among workers, improvement economic, social and political status of workers, exclusion of intervention from outside. Except "exclusion of intervention from outside", there is no special philosophy compared to labor unions in other industrial countries.

JAW, AYWU, and YWU state in their programs clearly that any kind of intervention from outside should be excluded. It means in practice that they fight against Japan Communist Party (JCP)¹.

In the history of the Japanese labor movement, relationship of labor unions with political parties played a decisive role in splitting and uniting the movement. There are three political parties that have relationship with labor union movement: Japan Communist Party, Japan Socialist Party (JSP), and Japan Democratic Socialist Party (JDSP). JDPS was established in 1960 by an influential politician who accused Japan Socialist Party as leftist.

YWU, AYWU, and JAW is one of main supporters of Japan Democratic Socialist Party (Minshato). They give financial support to JDPS and mobilizes union members for political elections. The political motto of JAW, AYWU, and YWU is "non-Conservative Party (Liberal Democratic Party), anti-Japan Communist Party".

They denounce JCP as destroyer of companies. According to their philosophy, the management and the enterprise union should cooperate in making pie larger. After that they negotiate on its distribution. They say, Japan Communist Party is class struggle oriented and denies cooperation in production. Japan Communist Party criticizes them that they are totally dependent on companies and they do not defend workers' interests. The antagonism between is so strong that compromise will not be possible in the foreseeable future.

4 Union Activities

¹In Japan, Communist Party is legal. In the election of House of Representatives in 1990 JCP obtained 16 seats in all 512 seats. JCP tries to establish branch in enterprises. It is estimated that there are branches of JCP in almost all car makers.

4.1 Fields of Activities of JAW

According to a pamphlet of JAW, there are six fields of activities:

(1) Promoting industrial policies to make the automobile industry attractive. At present the industrial policies are the most important activities of JAW. They are discussed later in this paper.

(2) Realizing comfortable life by improving total working life. JAW aims higher wage, shorter working hours, higher welfare benefits of the JAW cooperative.

(3) Strengthening and enlarging JAW as "industrial organization". JAW has about 750,000 members. JAW tries to recruit new enterprise unions and have one million members. JAW organizes educational schools for union officers, cultural activities and sports events.

(4) Promoting political activities. JAW is active in political elections. JAW decides "family candidates" (union members of JAW) and "friendly candidates" (candidates of other unions which have good contact with JAW) at every political election. In 1991 JAW has 8 "family members" of National Assemblies and 144 "family members" of local assemblies. JAW has contact committee with these members.

(5) Promoting activities for national solidarity. JAW is the biggest "industrial union" in the private sector. JAW is one of the most influential "industrial union" in "Rengo", the biggest national center of labor unions in Japan.

(6) Promoting activities for international solidarity. JAW has contact with major foreign industrial unions related to the automobile industry.

4.2 Fields of Activities of AYWU

The activities fields of AYWU are same as those of JAW. In practice, however, AYWU has unique point of view. It is summarized in a word "Yamato is one". In this word the two basic ideas are expressed:

First, differences of working conditions in Yamato group should not be large. There are clear differences of company performance and company size in AYWU. It is not possible to realize the same working conditions in Yamato group. AYWU wants to limit the range of difference.

Second, enterprises in Yamato group should clear minimum conditions. In 1990 the minimum conditions were as follows: (1) Annual scheduled working hours 2,000 hours. (2) Paid holidays for workers with 2 years length of service 10 days. (3) Overtime allowance 30%. (4) Mid-night work allowance 30%. (5) holiday work allowance 35%. (6) shift work allowance 25%. (7) Compulsory retirement age 60 years old. (8) Accident compensation 12 million Yen. (9) Compensation to accident during commuting 5 million Yen. (10) sick leave 24 months. When an enterprise in Yamato group does not clear these minimum conditions, AYWU encourages the enterprise union to clear the conditions.

As pointed out repeatedly, neither JAW nor AYWU can negotiate with employers. What kind of role do they play in realizing goals? Let's take annual wage increase as an example. In January of 1991 the Central Committee of JAW decided to demand 8% wage increase. Then all enterprise group unions decided to demand 8% wage increase. In AYWU, however, the wage level in sales dealers is lower than that in manufacturing companies. AYWU recommended to enterprise unions of sales dealers to demand over 8% wage increase.

All manufacturing and suppliers enterprise unions in AYWU including YWU presented a demand of 8% and the enterprise unions of dealers over 8% wage increase to each enterprise. They requested companies to reply on April 3. Until April 3 enterprise unions negotiated with companies individually. In these negotiations, however, they did not negotiate about concrete wage increase rate. Enterprise unions explained why they demanded 8% increase. Companies appealed that company performance was not so high to accept 8% increase. In the discussion enterprise unions "felt" how much the company would reply. Companies "estimated" how much the enterprise union really demanded. After several talks the company replied the concrete wage increase rate.

It is the policy of AYWU to accept the replies without strikes and further negotiations. This practice is named "single reply". The "negotiations" between each enterprise union and the management are not negotiations in European sense. It is possible where informal consent between the management and the union exists.

AYWU encourages enterprise unions by comparing enterprise unions of the similar rank. "It is very likely that Company X will accept 5.5% wage increase. You have to negotiate tough until your company accepts the same percentage." This is typical manner of AYWU during the negotiations.

On reduction of working hours, the role of JAW and AYWU are very similar as in those on wage increase. JAW decides the demand. AYWU decides the same demand. Each enterprise union presents common demand to company concerned. Negotiations are conducted in each company and the result varies.

It is very difficult to evaluate exactly how strong influence the Japanese labor unions. Historically considered, there has been no hot discussion on "wage inflation" in Japan except immediately after the first oil crisis. With the first oil crisis in 1973 the consumer price jumped suddenly. Embarrassed by the sudden jump of consumer price, employers accepted 33% wage increase in private big companies in the spring of 1974. Japan Federation of Employers' Associations (JFEA, "Nikkeiren") accused big companies and decided that wage increase should be within productivity increase. Otherwise it will bring wage inflation. The wage negotiations in 1975 ended as JFEA had planned. Since 1975 no one has denounced labor unions as cause of inflation.

5 Industrial Policies

5.1 New Industrial Policies of JAW

Since 1990 JAW began to advocate new industrial policies. Until the end of 1980s, the industrial policies of JAW had not been paid public attention. JAW thought that growth of the Japanese automobile industry was unconditionally desirable and they were proud of the Japanese automobile industry as being Number One in the world.

The crisis consciousness of JAW was very weak. For example, JAW pointed out the tasks of the automobile industry in 1986 as follows:

- (1) Balance between competition and cooperation among car makers in the domestic and the world market.
- (2) Steady utilization of technological innovations in product and production engineering.
- (3) Corresponding to the aging society. Utilization of human resources of older people.
- (4) Reasonable multinationalization of automobile companies.
- (5) Increasing of peripheral work force such as temporary workers, part-timers, and dispatched workers will change the traditional personnel management practice.
- (6) Improvement of management and engineering capability of body assemblers.
- (7) Development of original technologies of parts-suppliers. Promotion of modernization and rationalization of equipments in suppliers. Cautious consideration on multinationalization of suppliers.
- (8) Fair competition among sales dealers. Present excessive competition deteriorates company performance and waste human resources.
- (9) Rationalization of logistics. Working conditions of transportation companies are bad.

However, JAW changed the tone suddenly in 1990. The new industrial policies can be summarized as follows:

JAW is proud that the production volume of the Japanese automobile industry has been number one in the world since 1980. It is achieved by enthusiasm of Japanese workers. However, this performance has accompanied negative problems.

- (1) Exhausted workers. The production volume increased from 7,8 million in 1985 to 9,9 million in 1990 mainly by increasing domestic demand. The automobile industry could not invest in capacity-increasing equipments in the right timing. Furthermore, the automobile industry could not recruit enough regular workers under the tight labor market in the "bubble boom". This situation compelled the automobile industry to make overtime longer and to hire more temporary workers. Additional to long working hours, regular workers have to take care of temporary workers. They are exhausted.

It is not desirable to hire temporary workers excessively, because skill formation of workers will be disturbed. The labor shortage is more severe in parts-suppliers. Car makers and suppliers worry about loyalty of newly recruited workers².

(2) Low profit. In the "bubble boom" the production volume increased rapidly. And the number of models and types increased too. As a result of increased number of models and types, investment in R & D increased and merit of mass production reduced. The ratio of operating profit to sales in 12 car makers (including car makers of commercial vehicle) reduced from 3.3% in 1985 to 2.6% in 1990. Suppliers and sales dealers are burdened with low profit too.

(3) Bashing from abroad. Foreign countries criticize the Japanese automobile industry as too aggressive. So far as the Japanese car makers continue to export at the present level, conflicts with foreign countries will reach a point where a free trade system is replaced with block economy. More serious is that even in Japan some influential people begin to say that the trade dispute is the automobile dispute after all. They insist that the government should prefer the national interests to the interests of the automobile industry. There is a possibility that the Japanese automobile industry will be isolated not only in the international society but also in Japan.

The first action principle of the Japanese automobile industry is to increase production volume for enlarging market share and for recovering fixed costs. The high fixed cost is caused by too often model change, too many models and types, too many varieties of parts, excessive standard of quality, and so on.

²In the spring of 1991 the car makers could recruit enough number of engineers and clerks. But they could not employ the required number of production workers (98% of the planned number). Suppliers could neither enough engineers nor enough production workers (84% of the planned number of engineers, and 80% of the planned number of production workers). Furthermore, according to data of a big enterprise group union, 95.5% of the newly employed clerks and 96% of the newly recruited engineers remained in the same company after one year. But only 81.5% of the newly employed production workers remained in the same company.

The trilemma (exhausted workers, low profit rate, bashing from abroad) is the inevitable result from the traditional philosophy. In order to escape from the trilemma, the industry needs new philosophy. New philosophy of the industry should contain the following two ideas.

(1) Correction of excessive competition. The traditional behavioral principle "production volume first" should be replaced with "fair value added". Value added should be distributed to labor value and ecological technology.

(2) "Coexistence" has become the key word. First, the automobile industry should coexist with the world. Car makers should not export excessive competition. Car makers have already established transplants in foreign countries. From now they should transfer the technology which foreign countries want. Second, the automobile industry should coexist with consumers. Car makers should develop ecological and safe cars. Instead of immediate delivery of cars which could be achieved by long overtime in factories, car makers publish exact information how long consumers will have to wait for delivery. Third, the automobile industry should coexist with employees. Until now "company" has been the overwhelmingly dominant factor in the life of employees. Employees have been loyal to the company. They have obeyed to all what the company orders. The relationship between the company and the employees have been not equal. Coexistence of the company with the employees means that the employees should not be dependent on the company and should be equal. Self-realization of the employees and sound development of the company should parallel go with.

In the concrete, the automobile industry should promote the following policies:

- (1) Policies of the automobile industry as a whole
 - 1 Modernization of the industrial structure
 - 1.1 Reexamination of division of labor between car makers, suppliers, dealers, and transporters.
 - 1.2 Correction of unreasonable trade practice between car makers, suppliers, dealers, and transporters. Reevaluation on merits and demerits of "Keiretsu".

- 1.3 Promotion of cooperation among supplies or among dealers.
- 1.4 Correction of unreasonable sales practice of dealers with understanding of consumers.
2. Development of technology for ecology and drivers safety.
 - 2.1 Standardization of marking of recycled parts.
 - 2.2 Payment in advance for costs of scrapping.
 - 2.3 Cooperative development of emission control technology.
 - 2.4 International transfer of technology of emission control, recycling, and scrapping.
- 3 Informing on the automobile industry to consumers (e.g. how long they will have to wait until delivery of cars).

(2) Policies of individual car maker.

- 1 Fair evaluation on labor value. Correction of distribution of value added.
- 2 Longer model change cycle.
- 3 Smaller number of models and types.
- 4 Standardization of parts.
- 5 Reexamination of excessive quality standard.
- 6 From "Production Volume First" to "Coexistence with the World", "Reduction of working Hours First".
- 7 Fair profit. From "production volume oriented" to "profit oriented".
- 8 Step by step reduction of overtime at final assembly line in order to reduce actual working hours in the whole automobile industry.
- 9 Correction of unreasonable demands of final assemblers to suppliers, dealers and transporters.
- 10 Periodical announcement of waiting time of delivery to consumers.

In a word, the new industrial policies of JAW are aiming at fundamental change of the Japanese automobile industry.

5.2 Background of New Industrial Policies of JAW

There are several social, economic reasons for JAW to shape the new industrial policies which might lead to a structural change of the industry.

(1) Pressure from abroad. As well known, the Japanese government and labor unions are trying to shorten the long working hours under pressure from the other industrial countries. The long working hours are regarded as unfair in the international competition. The car industry is one of the main targets of the government for reducing working hours. First, the car industry is the leading industry. Second, the working hours of the car industry is longer than the average working hours of the whole industries³. Third, the car industry is the industry which is facing the trade dispute with the USA and EC countries. The car makers have to reduce the working hours.

(2) Labor shortage. In the so-called "bubble boom" since the mid 1980s the Japanese labor market has become very tight. Especially in the '3K' industries it was difficult to recruit workers. '3K' means 'Kitanai' (dirty), 'Kitsui' (hard), and 'Kiken' (dangerous). Not only parts suppliers but also car makers began to be regarded as '3K' companies. Moreover, young workers once employed by car makers left the company in a short time. For example, about one fourth young workers who were employed as regular employees by YMC in April 1991 left the company until the end of that year. In the 1960s the labor turnover rate in the car makers was very high. After the first oil crisis in 1973 it decreased. In the "bubble boom", however, it increased rapidly. Young workers can easily find new jobs in other industries. This situation embarrassed car makers. They had to order overtime much because of increased production volume and insufficient manning. It accelerated turnover further. In the Japanese society turnover rate is often regarded as an important indication of evaluation how good the industry or the company is. The higher the labor turnover is, the lower the industry or the company reputation is. It became important for the automobile industry to improve its image.

(3) Automobile workers' opinion. In November 1989 JAW conducted an opinion research of union members. The most noteworthy

³According to the data of RENGO, the biggest national center of Japanese labor unions, the actual working hours of JAW was the longest among major unions in the manufacturing industries: JAW 2,239 hours, Federation of Electrical Machine Workers' Unions 2,169 hours, Federation of Iron and Steel Workers' Unions 2,018 hours, Confederation of Shipbuilding and Engineering Workers' Union 2,194 hours in 1990.

question was, "Do you recommend your children to get job in the car industry?" 43% workers of car makers answered "No", 52% answered "difficult to answer", and only 4.5% answered "Yes". JAW asked further to those who answered "No" to the question "Do you recommend your children to get job in the car industry?" why they do not recommend. The main answers are as follows: (1) wage is not high enough compared to hard work 50%. (2) too much overtime and holiday work 42%. (3) too hard work 35%. (4) personnel management is not warm 33%. (5) anxiety about the future of the industry or the company 30%. Car makers knew that production workers were already tired under too much overtime and intensive labor. The research result of JAW accelerated to rethink the labor situation in the industry.

(4) Declining profit. I take YMC as a typical example of the Japanese car industry. For the past 15 years except the fiscal year 1986/87 the sales of YMC has always increased. It was 1,996 billion Yen in 1975/75 and 8,564 billion Yen in 1990/91. The problem of YMC is, however, the increased sales did not bring higher profit rate. The ratio of operating profit to sales⁴ did not increase in the economic boom in the latter half of 1980. The most problematic is the sudden decline of the profit rate in 1990/91.

According to the analysis on the operating profit by YMC itself ("Nikkei Business", December 9, 1991), changing exchange rate was the biggest negative factor in 1986-88. In 1991, however, investment on R & D and depreciation became the biggest negative factor. If the influence of exchange rate were not taken into consideration, until 1990 the profit increasing factors (marketing, rationalization, and the others) were bigger than the profit decreasing factors (R & D and depreciation, labor and other costs, and the others). In 1990/91, however, the contribution of marketing and rationalization decreased rapidly. The could not cover the increase of R & D and depreciation, labor and other costs.

⁴ Ratio of operating profit to sales is calculated as follows:

Ratio of operating profit to sales = operating profit/sales

Operating profit =

sales - cost of sales - selling, general and administrative expenses

In December 1991 YMC said that the forecasted operating profit for the fiscal year 1991/92 (July 1991 - June 1992) would be lower than that for 1990/91 by 30%. Will operating profit decrease further in the future? Investment in R & D and investment in plant and equipments will increase, because of automation and international competition. Labor cost too will increase because YMC has to reduce working hours. Can the effects of rationalization and marketing cover the negative effects of R & D and depreciation and labor cost? The effect of rationalization has become smaller since 1987. Does it mean that rationalization efforts according to the traditional method has reached its limits? One thing is clear: Increasing sales does not bring higher profit rate. The experience of 1990/91 showed the increased sales could bring absolute decrease of profit. The situation of other automobile companies is similar to YMC. For what the automobile companies work?

5.3 Evaluation of New Industrial Policies of JAW

In 1992 Toyota and Nissan announce that they would reduce the number of car models and types. Further they said that the present 4-year-model-change-cycle would be reexamined. Are they positive effects of the new industrial policies of JAW?

Until recently the industrial policies of JAW have had no appreciable influences on the automobile industry. It can be hardly believed that JAW has suddenly strong influences which might lead to a structural reform of the industry.

It is important that there is no fundamental difference of acknowledgment of the present problems of the automobile industry between JAW and the automobile companies. If the association of car makers had published the same industrial policies, the car makers would be prosecuted for an Anti-monopoly Law violence. Furthermore, it would be very difficult for the association of the car makers to adopt the same industrial policies, because there is clear difference of competitiveness among car makers. When a car maker is asked if he thinks the new industrial policies of JAW reasonable, it is his natural response to answer, "we cannot take initiative for a structural reform. We have to watch what Toyota will do."

It is suspected that the car makers regard a structural reform inevitable. JAW propagates the new industrial policies and demands car makers for self-reform. Leading companies like Toyota or Nissan announce new policies and other companies examines if they can follow the leading companies.

JAW has been the partner of automobile companies. In a structural reform in the 1990s, it is very likely that JAW is playing a role as a partner of the automobile companies as before.

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