

Discussion papers

DP/106/1999

Labour
and
Society
Programme

**Japanese trade unions
and their future:
Opportunities and challenges
in an era of globalization**

Sadahiko Inoue
Rengo Institute for Advancement of
Living Standards, Tokyo

The *International Institute for Labour Studies* was established in 1960 as an autonomous facility of the International Labour Organization (ILO). Its mandate is to promote policy research and public discussion on emerging issues of concern to the ILO and its constituents – labour, business and government.

The *Labour and Society Programme* examines the outlook for labour at the beginning of the new millennium in the light of changes at the workplace and in society at large. Focusing initially on organized labour, the programme seeks to identify approaches and strategies to enhance the profile of labour as a major actor in civil society, and as a contributor to dynamic and equitable growth. Specifically, the programme will review the changing environment of labour and unions; document trade union responses to these changes; highlight promising approaches for trade unions in civil society and the global economy in future; and outline the type of policy and institutional environment required for the growth of free and effective trade unions. This work is undertaken in close collaboration with international and national trade union organizations and international trade secretariats, and will be implemented through networks consisting of trade union practitioners, academics, research institutes and other policymakers. These networks, both international and regional, will also be a means of disseminating research outcomes to a wider audience.

The *Discussion Paper Series* presents the preliminary results of research undertaken by the IILS. The documents are intended for limited dissemination with a view to eliciting reactions and comments before they are published in their final form in the *Research Series* or as special publications.

**Japanese trade unions
and their future:
Opportunities and challenges
in an era of globalization**

Sadahiko Inoue

International Institute for Labour Studies Geneva

Copyright International Labour Organization (International Institute for Labour Studies) 1999

Short excerpts from this publication may be reproduced without authorization, on condition that the source is indicated. For rights of reproduction or translation, application should be made to the Editor, International Institute for Labour Studies, P.O. Box 6, CH-1211 Geneva 22 (Switzerland).

ISBN 92-9014-614-1

First published 1999

The responsibility for opinions expressed in this paper rests solely with its author, and its publication does not constitute an endorsement by the International Institute for Labour Studies of the opinions expressed.

Requests for this publication should be sent to: IILS Publications, International Institute for Labour Studies, P.O. Box 6, CH-1211 Geneva 22 (Switzerland).

Acknowledgment

This report has been prepared by the JTUC Research Institute for Advancement of Living Standards (Rengo Soken). INOUE Sadahiko (Deputy Director for Rengo Soken), NARIKAWA Hideaki (Director for Economic Policy at Rengo), SUZUKI Fujikazu (Senior Researcher at Rengo Soken), OHMI Naoto (Member of Zensen Central Executive Committee), NAGATA Yuh (Senior Researcher at Rengo Soken) and NAKASHIMA Takamasa (Senior Researcher at Rengo Soken) have worked together to prepare this report. YAMADA Yoichi, Executive Director, Kokusai Rodo Zaidan (JILAF), KOJIMA Masataka, Former Vice Chairman, IMF-JC, MACHIDA Yuzo, Deputy Secretary, Rengo, KAWASHIMA Akinobu, Citizens' Volunteers Bureau, Rengo, and SUZUKI Hitoshi, Social Policy Bureau, Rengo) collaborated and helped complete this report.

March 1999
INOUE Sadahiko

Rengo Soken (Research Institute for Advancement of Living Standards - RIALS) was established in 1987; the Institute is affiliated with Rengo, the national centre of Japanese trade unions. Rengo Soken aims to promote the development of industrial democracy through research on economic, social and labour issues in Japan and abroad.

Table of contents

Summary: Challenges to Japanese trade unions	1
1. Change and continuity	1
2. Against the market doctrine	1
Long-term stable employment and equitable short-term employment	2
3. A better socioeconomic model	2
Higher competitiveness and the corporate model	3
Introduction	4
Part I. Changes in the trade union context in the 1990s	6
1. Economic and social changes	6
The effects of recession on the employment system	6
An ageing population, declining birth rate and the welfare state	7
Coping with globalization	8
Structural reform and unemployment	8
2. Political climates	9
Position of trade unions in Japanese society during the 1990s	10
3. Seeking a new model	11
Part II. Developments in the Japanese trade union movement	12
A. Towards justice and job security	12
1. Developments in wage formation	12
Wage determination	12
Wage increases during the 1990s	13
Wage structure: Earnings inequality and wage disparity	13
Japanese wage system: Change and continuity	14
2. Reduction in working hours	14
3. Job security during recession	16
Long-term employment	16
Employment adjustments during the 1990s	17
Challenges for the future	18
B. Participation in industry and society	18
1. Trade union activities in political decision-making	18
Tax systems, employment insurance schemes and pension programmes	18
Rengo's position with regard to policy issues	19
Mechanism for trade union participation	20
Establishment of the minimum level of social security	20
Promoting regulatory and financial reforms	21
2. Towards equal employment	21
Equal rights for men and women workers	21
Wage discrepancies	22
3. Mutual benefit activities	23
4. Social dialogue with employers	23
C. Towards solidarity	24
1. Unification of labour's umbrella organizations	24
2. Organizational reform of unions	24
Union identity (UI) campaign	24

Union initiatives for life-long welfare	25
3. Organizing the unorganized	25
Ten million Rengo members	25
Moves towards integrating industrial unions	26
Unionization campaigns at industry level	26
4. Political activities of trade unions	27
Part III. New frontiers for trade unions	28
1. International activities	28
Rengo's international policy for fiscal year 1998	28
Japanese multinationals and their labour/management relations	30
Rengo activities in development cooperation	30
International cooperation at union level	31
2. Environmental problems	31
Rengo's environmental policy	31
Rengo's Committee on the Environment	32
3. Trade unions in civil society	32
Local union activities and citizens	32
The volunteer movement, NPOs and NGOs	33
Charts	34
Notes	38

Summary: Challenges to Japanese trade unions

1. Change and continuity

In spite of significant changes in the economic environment, labour/management relations in Japan have not changed to any significant extent from the previous two decades. The basic characteristics of the company-based union, the seniority-based wage profile, the spring labour offensive that features annual wage talks early in the year, long-term employment and workforce adjustments organized primarily within the internal labour market all continue to this day. Any increase in labour disputes typical of a low-growth economy has not yet been observed. It can be said the Japanese trade union movement has made few changes in its traditional style and practice. One reason could be the fact that divisions in the post-war labour movement which persisted for years have at last been overcome and most unions have been consolidated into the 8-million strong Rengo. For the first time, trade unions have shaped themselves into a stable social force.

Institutional changes in industrial relations remain minimal as a result of two factors. First, partnership and confidence between labour and management, which have developed steadily over many years, remain firm in the 1990s. This is the base of the Japanese corporate system, which forms a quasi-community for employees. Here, the accepted idea is that lay-offs only occur in marginal enterprises suffering persistent poor performance. Lay-offs, which are common practice in the United States, basically do not occur in Japanese companies. Second, Japanese employment and wage systems are not rigid by any means, contrary to what many observers erroneously report. The internal labour market of a Japanese corporation, and the quasi-internal labour market including its affiliates, provide for employment adjustment based on moving workers to different jobs, training/relocation, and restraints on recruitment. Therefore, the mobility of the workforces is considerable. The pay system featuring seniority, which is not directly related to job type, serves to facilitate the mobility of labour within the corporation. This makes it unnecessary for corporate management to resort to lay-off, so that normal practice is to retain employees.

The social consensus and information sharing leading to wage determination through the spring labour offensive helped the Japanese economy recover from rampant inflation in the aftermath of the oil crises in the 1970s, because of its wage moderation effect. In the current serious recession and the deflationary pressures on the Japanese economy, the spring labour offensive serves to slow the deflationary spiral caused by the worsening employment situation and the decline in wage levels. The approach helps adapt wage levels to fluctuations in the economy and to inflation or deflation, and acts as a built-in stabilizer.

2. Against the market doctrine

In the context of continuing economic problems, there is a tendency to favour public policies and corporate management practices based on the new market doctrine. There is also a school of thought that relates the causes of Japan's economic stagnation to the traditional practice of retaining workers and using a largely equitable pay system. Advocates of market principles argue for enhancing flexibility by making lay-offs much easier, and by attaching more importance to the external labour market. Since 1997, there have been moves towards expanding temporary staffing schemes and promoting job-placement agencies in the private sector. Recent revisions of the Labour Standards

Law allow more scope for fixed-term employment contracts. Trade unions have launched campaigns against these moves, which have resulted in some restrictions on implementing the revised provisions.

Under the tightening budgetary constraints, initiatives to reduce social welfare, pensions and health care benefits have become highly controversial issues.

Holding companies, previously very restricted by anti-trust considerations, are generally permitted to divest operations into separate corporate entities, or reorganize themselves and their affiliates into industry groups. These developments have caused some concern that the effectiveness of collective bargaining at company level might decrease with the globalization of corporate management.

On the supply side of labour, too, several factors have emerged to facilitate these changes. The employment of women and older people is increasing and since these workers show a strong tendency to opt for part-time jobs, they help diversify employment forms and working conditions. They also help develop changes in the traditional wage structure based on full-time workers and thus reduce wage discrepancies.

No social force is overtly hostile to trade unions in Japan. However, the market approach seems to be gaining influence, even though unemployment is rising and widening wage discrepancies are observed in some sectors. Also, for corporate management, a tendency towards "short-termism" is observed. This approach looks for short-term returns on investment and respects fast decisions on business options, rather than attaching importance to long-term, stable employment and business success.

Long-term stable employment and equitable short-term employment

Rengo defends long-term employment and stable wages. It also attaches importance to expanding individual union members' options in their working style, increasing union involvement in human resources development, and fair positioning of staff. Rengo has drawn up guidelines for the growing new workforce with its higher mobility and part-time workers. The guidelines propose assuring workers' right to subscribe to social insurance schemes, and the right to fair treatment. These efforts are in line with Rengo's policy of increasing trade union representation at workshops.

A joint study between Rengo and DGB on "The future of work", published in September 1997, touched upon this point.¹ The study states: "in the working and employment systems, long-term, stable employment for regular workers must be placed in their core. Long-term, stable employment of regular workers can assure a labour system that combines contemporary technological innovations with human skills. Namely, it can help provide effective future-oriented training schemes that enable to supply high performance labour, or required skills. High performance labour can not be materialized under short-term, unstable employment. Also, for short-term employment, fair wages and working conditions must be assured."

A campaign against "the doctrine claiming market principles are best" is expressly stated as the basis of Rengo's policy for 1997 to 1999. This position is geared to Rengo's social strategy of a "sustainable welfare society" built in the long-term interest of people living on their salaries.

3. A better socioeconomic model

Rengo Rials has presented its concept of future society. The research institute has provided two social models, in which Rials affirms that society in the 21st century will have to choose between two options: one is "individualism or the almighty market", and the other is "respect for individuals and social solidarity".² The second model is presented as the basic concept of the "welfare socio-economic model" which is a sustainable system.³ This concept looks at inter-dependence

between the social system and the market system, and aims to achieve the optimal balance between economic success and social welfare. This is a kind of macro-socioeconomic model that makes the best use of market forces within a framework of the development of human abilities and welfare as a social foundation, participatory democracy and guidance in macroeconomic policies.

Higher competitiveness and the corporate model

Rengo Rials has also examined competitiveness for business enterprises facing fierce international competition, and it proposes a “competitiveness model compatible with social progress”. This model is set against the behaviour of corporations which seek to exploit low-wage workers employed on short-term contracts. Such companies readily dismiss employees and transfer their operations from one place to another, seeking the least expensive location. This is the “low-road approach” leading to lower wages and lower productivity. This direction emphasizes shareholders' interests, looks at return on equity as the sole criterion for successful management, and disregards job security and the social aspects of corporate activities. Managers often try to undermine the effectiveness of government policy, evade public responsibilities, or deny trade unions. This can be described as the “competitiveness for shareholders” model. Against this, Rengo Rials has proposed “the competitiveness for stakeholders” model.⁴ This is based on long-term employment, better use of innovations in corporate organization and technology, highly skilled workers and the benefits of industrial democracy, including labour/management consultation. All these elements provide flexibility for an industry or business enterprise. This model is based on the traditional Japanese employment system which was established as a sustainable social compromise arising from the fierce industrial conflicts of the early post-war labour movement in Japan. It can be described as a Japanese version of the “high-road approach”, reflecting a belief in high skills/high reliability/high quality/high productivity. This model was an important theme in an international symposium held in December 1997 in commemoration of the tenth anniversary of Rengo Rials.⁵

Japan sees many discussions on corporate governance. In the business world, some argue for new regulations on company management and corporate structure in order to further promote shareholders' capitalism: Rengo criticizes these efforts. Rengo is preparing its campaign strategy for the 21st century, aiming at a realistic and desirable model of social and economic progress.

Introduction

This report provides an overview of the Japanese trade union movement in the 1990s, a decade which saw the continued integration of Japan into the global economy. The paper also makes a brief reference to trade union movements at the international level today.

The Japanese trade union movement, which suffered divisions during most of the post-war period, was at last unified in the fall of 1989 when Rengo (the Japanese Trade Union Confederation) was formed as a national centre of trade unions representing the overwhelming majority of unionized workers. Two crucial developments in the 1990s were the end of superpower dominance following the collapse of the Berlin Wall, and globalization of the world economy. Faced with the new international context, Rengo has been seeking to promote a flexible trade union movement which still draws on the traditions and historical evolution of Japanese trade unionism until the 1980s.

Part I of this report presents the major changes which have taken place in the 1990s, i.e. the economic, social and political context of the trade union movement. Japan had extraordinarily high economic growth compared to other major industrialized economies in the past. However, in the last ten years or so, the country has been suffering very low growth, behind the United States and the major European economies. This economic stagnation is likened to American experiences during the Great Depression from 1929 through the early 1930s, rather than to recent experiences of economic slow-down in Europe. The Japanese model of labour/management relations represented by life-time employment and the seniority-oriented wage system, has been considered possible only in a fast-growing economy. Can it survive the low-growth economy of the 1990s? The situation has changed so drastically that it is reasonable to ask this question. Meanwhile, the Japanese political party system, which remained stable for years, has been exposed to frequent disruptions in the post-Cold War era.

Part II examines the major challenges to the Japanese trade union movement. Wage negotiation practices feature talks at company level in the spring every year (the spring offensive), with similar demands for pay increases. They take the form of separate talks, but they result in almost the same rate of wage increase. The paper describes the extent to which this centralized mechanism of wage increases has changed over the 1990s, and to what extent life-time employment is threatened by low economic growth during the decade. Remarkable progress in the reduction of working hours is another feature of the 1990s.

Worker participation is also discussed in Part II, together with improvements in policy and schemes to help ensure that workers have a role in decision making. On the other hand, in spite of the creation of the new national centre of trade unions, the ratio of unionized labour has been declining gradually in Japan. A growing sense of anxiety about this began to emerge among trade unions in the second half of the 1990s, and Rengo launched a systematic effort to increase union membership in 1997.

Part III looks at new areas of union activity, including support for international trade union movements and development assistance overseas, efforts to address global environmental issues, and collaboration with non-profit organizations.

The report concludes with a preliminary evaluation of Japanese labour/management relations and the typical corporate model. Characteristics such as long-term employment, seniority-oriented wages, human resources development within the company, and enterprise-based labour/management talks have often been cited as typical of industrial relations in the developing world, or as only sustainable in a fast-growing economy. But, these views have been proved incorrect. Rather, the Japanese

labour/management system has provided flexibility during the substantial changes in industrial structure and the period of economic stagnation which the country has experienced.

However, as globalization of the financial sector continues and many more Japanese corporations are growing into multinationals, the traditional Japanese corporate system and its labour relations model are exposed to new challenges. Among the prevailing social and political trends, the emergence of neo-liberalism is significant.

Against this new background, the Japanese trade union movement is attempting to establish much better social and labour/management models on the basis of worker solidarity.

Part I. Changes in the trade union context in the 1990s

1. Economic and social changes

During the 1990s, Japan has been exposed to one of the most difficult structural transition periods in its post-war history, in terms of social and economic conditions. There have been two major changes: one is a substantial decline in economic growth in real terms, and the other is a changing social structure characterized by the declining birth rate and the ageing population.

The effects of recession on the employment system

The decline in real economic growth during the 1990s makes a stark contrast to the period of high growth from the 1960s until 1990. Japan's average GDP growth between 1991 and 1998 was only 1.6 per cent per annum, lower than the 2.5 per cent achieved in the United States over the same period and the 1.9 per cent average in the major European countries. For the Japanese economy, the 1990s are the "lost decade", and the principal causes of stagnation have now become apparent. Basically, the prices of stock and land were inflated in the late 1980s and early 1990s, and then the bubble burst. Government and industry failed to solve the problems caused by this financial collapse. "The collapse of bubbles in asset prices has resulted in cumulative losses in book value of Yen 1,000 trillion, or capital loss amounted to \$7 trillion" (OECD: Economic Survey: Japan 1997-1998, p.3.) These huge losses are equivalent to Japan's GDP for two years. The vicious spiral of asset price deflation and the downturn of business that came after is the basic cause of the current prolonged recession.

The dramatic shift from high economic growth to lower growth, and then protracted low growth (see Chart I) have posed several problems for the Japanese labour market and labour/management relations. They include mounting unemployment, which caused little concern in the past, challenges to the seniority-oriented wage system, and a re-examination of problems caused by stringent fiscal restraints, especially social policy measures which have belatedly begun to be introduced in Japan.

There have been some unexpected developments in demand and supply in the labour market under a low growth economy. In spite of protracted low GDP growth the jobless rate has stayed at 4.3 per cent as of January 1999, rather than rising to a two-figure rate. (Nevertheless, a steady increase in unemployment seems inevitable as a result of negative GDP growth over the last two consecutive years, i.e. 1997 and 1998.) Also, in contrast to the United States, where the shift to an information-intensive society and changes in job structure have been remarkable, in Japan there is little evidence of the widening wage discrepancies typical of the United States labour market.

It is difficult to explain these phenomena without referring to the Japanese employment system, which features adaptability in terms of incomes and employment, and the spring labour offensive which provides a mechanism for reaching a social consensus on incomes at national level. The Japanese employment system is characterized by very rigid restrictions on dismissal and high flexibility on job relocation within the internal labour market. As such, the system allows greater freedom for employment adjustment and job relocation within the company and its affiliates, instead of resorting to lay-off or dismissal. Also, because the determination of working conditions through the spring offensive allows both industry and labour to adapt to changes in economic growth every

year, and because wage levels refer to those in the manufacturing industries which are exposed to international competition, pay increases are commensurate with productivity gains. The moderation of wage increases is also established in the Japanese labour market. The spring labour offensive has an important influence over all wage levels because it reflects a social consensus and it works as an information-disseminating mechanism for all industrial sectors. This socially reached wage level influences not only trade unions but unorganized labour, too. The social standards established through the spring labour offensive are not entirely dependent on the short-term business results of individual enterprises or of specific industrial sectors, even though the wage negotiation system is decentralized. Hence, it can be said that the system retains a social equalization function for wages and other working conditions.

The argument that the Japanese employment system is too rigid, and that the spring labour offensive is outdated, has been reiterated again and again. This was particularly true in 1975 after the first oil crisis, and also in 1986 when the sharp yen appreciation to the dollar caused a recession. Likewise, it has often been said that the Japanese employment system has already collapsed. But this is not the case. The fact is that the employment and labour system known as the Japanese model has gradually changed while retaining its main characteristics, and it will continue to change.

An ageing population, declining birth rate and the welfare state

Japan has an ageing population with a low birth rate. Already by the 1980s, the average life expectancy of the Japanese was the highest among OECD countries, and this factor alone means an ageing population. In addition, smaller families have become the norm in an urban society, with fewer people supported by the self-employed, including farmers. More and more families depend on employed workers. This tendency is further augmented by rising educational levels, increased female labour force participation, the trend towards later marriage and/or the decision to remain single: all of these factors contribute to the phenomenon of a declining birth rate. Total fertility has declined from 1.7 children in 1986 to 1.43 in 1996, and a further decline is anticipated. In 1995, the number of new graduates entering the labour force began to decrease for the first time, and it is expected that the total workforce and then the total population will begin to decline by 2005 and 2010, respectively. In other words, national institutions have to cope with the transition to an ageing society with a declining birth rate within a period of about 20 years. Western European countries have been making this adaptation over the past 50 to 100 years. Moreover, the much increased labour force participation of women has meant that the social functions traditionally assumed by families and communities (often cited as Asian characteristics) have waned. Thus, there is an urgent need for childcare, nursing for the sick and elderly, and pension schemes for retired workers.

Therefore, Japan has to become a welfare state in the context of stringent budget constraints due to the significant decline in economic growth. While the need to develop welfare schemes at a faster tempo is widely recognized by the Japanese public, there is a parallel debate on the crisis of the welfare state, as was experienced in Western European countries some time ago.

On the other hand, the opening up of wider job opportunities for women and older workers, and the trend towards partial labour liquidity among younger workers, have led to a gradual increase in the number of employees working less than full time. The ratio of part-time workers, mostly women, to total workers rose from nearly 10 per cent in 1980 to around 20 per cent in 1995. The increase in labour turnover is insignificant among employees working standard regular hours, while sections of the workforce featuring higher labour liquidity, mostly part-time workers, are on the rise.

Hence, Japan is now required to integrate segments of the workforce with higher labour liquidity into the framework of employment and social policies. It is also necessary to re-invent existing welfare programmes, including public pension schemes, unemployment benefits, sickness benefits and health care, into sustainable social welfare systems which correspond to changes in social

structure. Labour is increasingly in conflict with government and business circles on the direction that social welfare reforms should take.

There is confusion about what should be done in response to the challenges facing trade unions. The different approaches can be broadly divided into an emphasis on the supply side in the sense of the new market doctrine, and an emphasis on the demand side, attaching importance to consumers and improved living standards for workers. Until the first half of the 1990s, these two basic approaches were confused by other elements, rather than being clearly polarized. In the summer of 1993, the Liberal Democratic Party's one-party government, which had dominated post-war politics in Japan, collapsed to open the way for a non-LDP coalition government. Since that time, successive coalition governments have been in power, consisting of various combinations of the major political parties.

During 1997 to 1998, the Ministry of Health and Welfare presented a plan to reduce public pensions, and the Ministry of Labour began to push for amendments to the Labour Standards Law in order to ease limitations on temporary employment and expand the services offered by private job-placement agencies. Rengo, the national centre of trade unions, opposes these initiatives.

Coping with globalization

Corporate efforts to cope with economic integration began as early as the 1960s in the manufacturing industry, which was exposed to international competition. These efforts accelerated in the 1980s, and in the 1990s they spread to the automotive, electric and other key industries. Imports of manufactured goods from the emerging Asian economies increased sharply in the first half of the 1990s, to cause concern about a possible hollowing out of the entire Japanese manufacturing industry. There were numerous closures of small businesses and cottage industries, as well as a significant deterioration in the local industries in some areas. Nevertheless, from a macroeconomic viewpoint, big Japanese corporations have either become multinationals, or have globalized their corporate management, including sourcing of inexpensive products and components from vendors overseas. These big corporations have successfully adapted to globalization through "habitat segregation" between domestic production and overseas production, whereby new models and upmarket items are produced in Japan while inexpensive, versatile items are produced offshore. In other cases, manufactured goods for the domestic market are produced in Japan, while goods for overseas markets are produced in local bases overseas. While Japan has increased its imports of manufactured goods from Asian countries, it has shifted its industries to the manufacture of capital goods and high value-added items. Total employment has declined in the domestic manufacturing industry, but it is not a drastic decline at all.

The stagnation observed in Japanese manufacturing industry in the wake of the Asian economic crisis threw into relief the complementarity between Japan and other countries of the region, rather than the competition. Japan's huge current account surplus is mainly generated by its manufacturing industry, which may indicate the continuing soundness of this sector, even though it is forced to undergo severe adjustments in a period of negative economic growth.

Structural reform and unemployment

The collapse of the economic bubble in the first half of the 1990s and the protracted financial crisis in the aftermath of the collapse have obliged the Japanese financial system to carry out a thorough reorganization. It became clear that the system needed fundamental reform in the domestic market, and that its efforts to adapt had lagged behind changes in global financial markets. The tempo of liberalization, which began in the middle of the 1980s, remained slow, and it became increasingly apparent that the system was out of date in an era of financial globalization. Since the Financial

Systems Law was passed in June 1997, the financial system has been in turmoil as it attempts to overcome the after-effects of the bubbles and adapt to global change, while avoiding possible system risks. As part of these developments, restructuring and retrenchment are taking place in banking, insurance and securities trading. But the most serious employment problems are in construction and civil engineering, which employ 6 million workers at present. As public capital expenditure has gradually been reduced in these sectors, there are fears that retrenchment will contribute to the mounting threat of serious unemployment.

2. Political climates

Socioeconomic conditions in the late 1990s seemed very unfavourable for the Japanese trade union movement. Until the mid-1990s, the labour movement was in an extremely favourable situation. From the second half of the 1980s through the first half of the 1990s, the Japanese public were well aware that their living standards, including working hours and the environment, lagged behind the economic success enjoyed by Japanese industry. It was generally believed that improvements should be facilitated as the utmost priority.

Throughout most of the post-war period, Japanese trade unions were divided between several national centres; they were finally united in November 1989. Although its organized ratio of trade unions remained at 24 per cent or so, Rengo was established with some 8 million members representing the majority of organized workers, mostly in manufacturing. Rengo received nationwide worker support for improvements in living standards. Rengo's slogan in its earliest days was "Leisure, prosperity and social justice", representing a protest against long working hours and demonstrating a will to improve the conditions of employment generally. Trade union demands for reduced working hours and better living conditions were gradually accepted by the public, since the business establishment moved away from its former opposition to such improvements.

During the first half of the 1990s, for the first time in post-war history, economic and industrial development as a national priority was increasingly eroded by the importance attached to improving living standards for the working public, and both the government and opposition parties showed their acceptance of this way of thinking. Concurrently, a significant change took place in the political scene: the single party dominance of the conservative Liberal Democratic Party over most of the post-war period collapsed in 1993, and a non-LDP coalition government was inaugurated. In 1994 the non-LDP government was succeeded by an LDP-Socialist Party coalition which stayed in power until the middle of 1998.

From the late 1980s through the 1990s, some progress was made in reducing working hours: net annual hours in manufacturing for male production workers amounted to 2,189 hours in 1988, longer than any country in Europe or the United States. In 1995, seven years later, this was reduced to 1,975 hours, comparable to the United Kingdom and the United States.

During the economic setback, the policy of improving living standards continued, and in 1992 the Government's medium-term economic plan was published under the title "Five-Year Plan toward a Major Economic Power with Advanced Living and Welfare Standards". The plan introduced policy changes directed to the supply side. In December 1994, the Government announced the "New Gold Plan", a seven-year programme aimed at strengthening improvements in the social security system by addressing problems arising from the declining birth rate and the ageing population. Health care for elderly people and childcare services were introduced to complement the existing public pension and health insurance schemes. Until the 1980s, the policy on public welfare programmes was to restrict these services to the very poor, while the Council for Social Welfare Systems, responsible for determining the basic direction of government social welfare policies, proposed "universalism in social welfare" in its third "recommendation" since the war. A law to

provide nursing care for the aged has been enacted, and comes into effect in April 2000. The concept of equal opportunity in employment has gradually been accepted by the public, and preparation for the "U.N. Women's Action Plan" is in progress.

In retrospect, the changes which took place during the 1990s were not limited to a shift in policy. Other changes occurred which ought to be seen in a broader historical context. The new orientation amounted to an extensive review of the national identity and its social system. Since the Meiji Restoration (1868) when Japan began to steer a course towards a modern state, the nation has retained more or less "development-oriented" policies. Institutional distortions and other anomalies inevitably accompany such policies when a country tries to catch up quickly on the economic levels of advanced nations. The ongoing review is an effort to correct the effects of these development-oriented policies and related institutional distortions. Specifically, long-term structural reforms have been initiated, which represent efforts to transform relations between market and state, between central government and local governments and municipalities, and between regulatory agencies and industry, making them more modern, fair and transparent. This process requires a sweeping review of the financial reforms imposed by budgetary constraints arising from lower economic growth, and also regulatory reform and deregulation.

These developments have led to the establishment of various means to promote reform and deregulation, the creation of new systems and institutions to facilitate decentralization, and the enactment of laws on regulatory procedures, product liability, consumer contract, environmental protection and environmental impact assessment, as well as information disclosure.

Position of trade unions in Japanese society during the 1990s

In the course of social and political developments during the 1990s, it can be said that trade unions have become more influential than in the past. The successive coalition governments have traded partners among the major political parties, and these parties have consulted Rengo as the national centre of trade unions. Rengo has been able to influence regulatory matters and policies through representations to government advisory commissions. Rengo and Nikkeiren, an influential employers' organization dedicated to industrial relations, have been continuing their labour/management partnership. This partnership was reflected in the joint Rengo/Nikkeiren "One Million Job Creation Plan" made public in December 1998, and the tripartite Government/Nikkeiren/Rengo "Government, Labour and Management Congress on Employment" held shortly after. Also, primarily in manufacturing, there are regular talks at labour/management conferences in the various sectors, which discuss desirable industry policies and issues related to employment. Some salient features of labour/management relations are the exchange of information among companies and the consultation system; these two features have remained basically unchanged since the 1980s. Despite the challenges it faces, this Japanese neo-corporatism still retains its fundamental characteristics.

Nevertheless, an awareness of redundant labour in corporations and the increased labour costs due to an ageing workforce have led corporate management to begin restructuring employment. Alterations in wage schemes include management efforts to introduce performance-based pay and annual salary schemes, to loan middle-aged workers to affiliate companies which provide poorer working conditions, and to raise the proportion of temporary and part-time workers on the payroll while curbing recruitment of new graduates. The role of unions and the extent of worker involvement in managing these situations vary between unions.

Several unions have been tackling the issue of part-time and temporary workers, but they have been generally unsuccessful, notably in their efforts to organize such workers.

Another feature which has emerged during the 1990s is the remarkable social activity of non-profit organizations: Rengo promoted enactment of the Basic NPO Law (1997) recognizing an NPO as a legal person. NPOs are still generally weak in the social field but they were very active in

rescue work after the Hanshin-Awaji Great Earthquake of 1995, and it is expected that they will play a greater role in society in the future. Rengo's many community-based organizations have formed good relations with these non-profit organizations.

3. Seeking a new model

As stated earlier, until the mid-1990s, organized labour enjoyed considerable latitude in union activities, partly because of the social position acquired by trade unions, and partly because their practices were based on corporatism. However, since mid-1997 the situation has begun to change. One reason for the change is the deepening recession with negative economic growth for two or three consecutive years. Besides this, the LDP is reviving as the single government party, and a tendency towards supply side policies is gaining momentum. The pendulum is swinging away from policies emphasizing the advancement of living standards. The Congress on Economic Strategy, an advisory body to the Prime Minister, has published its view of Japan's medium- and long-term challenges. The Congress argues: "the Japanese-specific social system that attaches too much importance to equality and fairness must be revised", and that "Japan must seek to structure a competitive society". Rengo is rebutting these moves, and it is unlikely that such a way of thinking could prevail in Japan. However, as the recession continues, conflicting views on the direction for structuring Japanese society will undoubtedly be expressed more fiercely.

Regarding the practice of long-term employment, some writers argue for adopting American-type management practices and short-term employment contracts; Rengo sharply criticized these tendencies in its "Rengo White Paper" published in December 1998. The paper defends the rationale for long-term employment and other corporate decisions based on long-term interests.

In an effort to promote a successful labour movement in the 21st century, Rengo has set up a working committee including independent experts, to prepare an initiative called "Challenges to Rengo in the 21st Century". This will be made public at Rengo's annual convention in the fall of 2001. This process is modelled on AFL-CIO's "Committee on the Future of Labour" and on Germany's Dresden Basic Platform.

Part II. Developments in the Japanese trade union movement

A. Towards justice and job security

1. Developments in wage formation

Wage determination

In the wage bargaining process, the “spring labour offensive” has played an important role since 1955. Typically, unions and employers conduct negotiations in the spring every year, setting strategic schedules. For labour, the objective of the spring offensive is twofold: to help raise the general level of wage hikes by referring to the leading “market price” of labour in prosperous industries in order to influence talks in other industries; and to narrow wage discrepancies between large and smaller businesses by holding talks at smaller enterprises after the completion of negotiations with big corporations.

In the spring offensive, labour/management negotiations are conducted primarily between individual companies and their company-based unions, and talks between industrial unions and employers' organizations are limited to a few exceptional cases. In this sense, wage talks in Japan are “decentralized” negotiations, but almost the same level of wage hikes is agreed in a particular industry, and similar rates are achieved in almost all industries. The process can be regarded as “centralized” in that intensive adjustment functions are working: a “centralized” result is brought about in spite of “decentralized” talks. This is explained by a kind of information dissemination mechanism. The labour side collects information on company-level talks and makes adjustments, if necessary, at industry level, based on the average rate of increase demanded, counter-offers from employers and wage hikes agreed. The target wage increase set by the national centre is reflected in the standard level of wage demand filed by any industrial union. An intensive coordinating function works on the employer side, too. Major companies in the same industry coordinate their responses and hold informal labour/management negotiations at many levels before the spring labour offensive begins. In the electrical machinery industry, for example, between the late 1980s and the early 1990s, discrepancies in wage increases were narrowed in spite of the widening gap in business performance between individual companies. This demonstrated the continuous working of the adjustment mechanism.

Some notable changes in the 1990s are as follows: in the spring labour offensive, now led by Rengo, some emphasis is given to reducing working hours rather than increasing wages. Attention is also given to harmonizing worker demands with labour initiatives for a new policy orientation and institutional change. Other changes include the introduction of a multiple-year labour contract by the Japan Federation of Steel Workers Unions in 1998. Under a business slump and continuing zero growth, labour and management in the steel industry agreed on new wage levels for two years starting from 1998 through a single round of wage talks. Finally, in 1997 major private railways discontinued the central labour/management collective bargaining process which had lasted over 30 years because of widening discrepancies in business performance between individual railway companies. It is not clear whether these changes have been caused by the recession, or if they represent a structural change in industrial relations.

Wage increases during the 1990s

Between 1990 and 1998 the highest average wage increase granted by major corporations was 5.94 per cent in 1990. The rate then declined year after year to 2.66 per cent in 1998. The wage increase rate ranged between 3.56 per cent and 7.68 per cent in the 1980s, and slowed significantly in the 1990s. The decline in real economic growth and the slower increase in general price levels in the 1990s were reflected in the lower wage increases during the decade.

In Japan, the “automatic annual pay raise” system is widely adopted. Wages rise according to years of service, which serve as an indicator for skills. The wage increase includes this regular component, and the average regular pay raise was over 2 per cent in the 1980s and 2 per cent or slightly less in the 1990s. On the other hand, consumer prices rose slightly faster in 1980 and 1981 in the wake of the second oil crisis, while they rose by only 0.1 per cent to 2.8 per cent through the rest of the 1980s, and at -0.1 per cent to +3.3 per cent in the 1990s. Since 1994 consumer prices have stabilized partly because of the serious recession. Wholesale prices have fallen during the decade, so it can be said that Japan has entered into a deflationary period after the inflationary trend in earlier decades.

In terms of real wages, unions have gained marginal improvements during the 1990s. However in 1998, as consumer prices increased marginally (0.7 per cent over the previous year) due to the higher consumption tax, real wages declined slightly. The wage position in 1998 for regular workers was severe indeed: actual take-home pay declined for the first time from the preceding year. This is attributed to the fact that the wage increase negotiated in 1998 remained at almost the same level as in 1997, but bonuses and payments other than the regular wage decreased in the midst of the severest recession of the 1990s. In addition, some full-time workers were replaced by part-timers who received a relatively lower wage. These developments reflected the extremely tough situation in the labour market. Fiscal year 1998 (ending March 1999) is likely to be the third consecutive year of negative GDP growth.

Generally speaking, during the inflationary period of the 1980s wage increases served to restrict inflation, while in the 1990s when deflationary pressure built up, the spring wage increase helped to mitigate deflation.

Wage structure: Earnings inequality and wage disparity

Earnings inequalities over all employed workers are smaller in Japan than in other major economies. Over the past 20 years, inequalities have been less significant than in the United States and other major countries (OECD, *Employment Outlook*, 1996, pp. 64-65.)

On the other hand, there is greater wage disparity between big corporations and smaller businesses. In an attempt to correct this, Rengo has explicitly included the same amount of wage increase, in addition to the same rate of wage increase in its national standards for wage demands. Since 1997, in order to correct discrepancies between individual workers, Rengo has emphasized “individual wage levels”. The national centre has determined wage levels for workers at age 18, 30 and 35, in addition to the wage increase demanded.

However, a business slump, changing industrial structure and widening discrepancies in performance between industries or individual companies have all contributed to widening wage discrepancies between business corporations of different sizes. As the recent recession has hit small enterprises much harder in financing and other operations, discrepancies in the rate of wage increases between big corporations and smaller ones have begun to expand though slightly. In 1998, under the financial crisis, variations in wage increases at major corporations were smaller than those in the second half of the 1980s, while for all enterprises, including small and non-unionized companies, variations reached a record high.

For wage discrepancies between industries, in terms of take-home pay for the regular workforce including part-time workers, the best paid industries were electricity/gas/thermal energy supply, water supply and finance/insurance, while the low-wage sectors included wholesale and retail businesses, catering and various services. This wage discrepancy between industries corresponds to the discrepancy between big corporations and smaller businesses, where industries made up of big companies show the higher wage level, while those made up of many smaller businesses show the lower wage level.

The wage discrepancy between men and women is wider. This can be explained by the differences in type of job, educational level, age, seniority and ratio of part-time workers to total workforce, availability of the family allowance paid to the head of household (mostly men), and restrictions on late night shift for women workers. For regular workers except part-timers, earnings for female employees compared to men (= 100) stood at 59 in 1980, narrowing slightly to 60 in 1990 and 63 in 1997. The narrowing discrepancy is primarily attributed to the rising educational level of female workers, and to the Equal Employment Opportunity Law enacted in 1986.

Japanese wage system: Change and continuity

The system whereby workers' pay increases as they grow older exists among white collar workers in the United States and Europe, while in Japan this seniority-oriented wage profile also applies to blue-collar workers up to the age of 40.

The wage profile generally has been showing a steeper gradient due to rising educational levels, the increasing proportion of white collar workers in the labour force and the extended years of service. The wage profile for male white collar workers in manufacturing showed a slightly steeper gradient in the 1980s, and flattened out in the 1990s. This may be attributed to the soaring wage level of younger workers, including entry level pay, due to a tight labour market in the economic bubble period, and to the fact that "baby boomers" reached the top of the wage profile in their forties. On the other hand, the wage profile of the standard workforce (the newly employed) rose more slowly in the 1990s, and the components of the wage increase which reflect age and seniority have been getting smaller. But their wage profile gradient is by no means gentle, probably because of reduced job mobility due to low economic growth, and because of the longer years of service due to the raised retirement age (Chart II).

One recent development is the introduction of annual salary structures and other wage schemes based on performance-oriented pay. Such an individualized approach is limited, at least at present, to managerial staff. Nevertheless, some blue collar workers are subject to performance-based corrections in their pay schemes. The unions no longer totally refuse this practice, and some unions have begun to accept performance-based corrections on condition that transparency in the system is assured.

On the other hand, wage discrepancies within the same age groups have changed little through the 1980s and 1990s. These and other revisions in the Japanese wage system have not taken place suddenly: they have been in progress since the 1960s, although the tempo of change accelerated slightly in the 1990s. Nevertheless, the basic format of the system which is characterized by: 1) the seniority-oriented wage profile; 2) the institutionalized lump-sum payment scheme (seasonal bonus); and 3) huge lump-sum payments for retiring workers (retirement allowance) has not been changing as rapidly as some analysts claim.

2. Reduction in working hours

Reductions in working hours showed significant progress from 1955 through the first half of the 1970s. But, during the next 15 years or so little progress was made due to the deteriorating economic conditions, including the two oil crises. Efforts to reduce long working hours then showed remarkable progress from the late 1980s, when Rengo was formed, through the middle of the 1990s (Chart II-A-2). The improvement was brought about not only by the efforts of organized labour, but also because of criticism from overseas in the 1980s. Competing economies perceived the long working hours in Japan as a threat to the equilibrium of international trade among major trading partners, and the Japanese Government changed its trade policy in response to such criticism. The Government showed a positive attitude towards reducing working hours. For example, in a report entitled “Workshop on Economic Structural Adjustment for International Cooperation (Maekawa Report)” published in 1986, and in the “Five-Year Plan for a Major Nation Respecting Advanced National Life” (from 1992 to 1996), the Government specified a target of 1,800 hours annually by fiscal year 2000.

Rengo presented a tripartite demand consisting of wage hikes, reductions in working hours and adoption of policies favouring labour; specifically, Rengo sought the introduction of a five-day week. In 1993 Rengo adopted the policy delineated in the “New Medium-Term Working Hour Reduction Plan” with the target of fiscal year 1996, and in 1997 it initiated fresh activities to achieve an annual total of 1,800 working hours by fiscal year 2000, the new target. Rengo’s effort in this area continues.

With amendments to the Labour Standards Law in 1987, effective April 1988, mandatory working hours were reduced to 40 hours per week from the previous 48 hours. However, actual working hours were reduced in phases by government decrees, which resulted in the full implementation of the 40-hour week in April 1997.

The annual total working hours of a regular employee in an enterprise employing 30 workers or more was reduced slightly to 2,052 hours in 1990. Then, through amendments to government decrees, working hours were reduced at an accelerated tempo between 1991 and 1994, when the economic bubbles collapsed. Partly because of reductions in overtime due to the prolonged recession, total working hours were later reduced to 1,800 hours with 1,879 hours in 1998.

Over the ten-year period between 1988, when the Labour Standards Law was amended, and 1998, annual working time was reduced by 232 hours or 11 per cent, and the number of working days was reduced by 24 days or 9.2 per cent. These reductions were achieved primarily through an increase in holidays, including the shift to a five-day week, rather than through shorter working days. Moreover, the increase in the ratio of part-timers during the same period meant a reduction in the average number of working days and working hours per employee.

Note: A comparison of annual working hours among selected countries indicates that in 1990 they stood at 2,214 hours in Japan, 1,948 hours in the United States, 1,953 hours in the United Kingdom, 1,598 hours in the former West Germany and 1,683 hours in France; in 1996 they were 1,993 in Japan, 1,986 in the United States, 1,929 in the United Kingdom, 1,517 in the former West Germany and 1,679 in France. In 1996, therefore, annual working hours in Japan were at a comparable level to the United States.

The 11 per cent reduction in hours achieved between 1988 and 1998 had the potential to create 11 per cent more new jobs through the work-sharing effect. This would amount to some 4.4 million jobs or it would lower the unemployment rate by as much as 6.5 per cent in 1998.

In the years ahead, there will be many obstacles to further reductions in working hours. One of these obstacles is the perception among employers that they have reached a deadlock. Hence, the trade union role has become critical. Unions must aim at 1,800 working hours per annum in all industries, and prevent any possible increase in hours which might result from the expanded use of atypical forms of employment.

3. Job security during recession

During the 1990s Japan has experienced a prolonged recession and stagnant employment. Enterprises have been fighting desperately to restructure their operations and adjust their workforce. Nonetheless, long-term employment practices remain intact, at least at present, although many commentators anticipate the collapse of the traditional system. On the contrary, there is a tacit agreement between labour and management to avoid massive lay-offs as far as possible. This agreement is manifest in employment adjustment practices during the recession in the 1990s.

This section discusses the attempts of company-based unions to save the jobs of their members, employment adjustments during recession, union efforts to counter adjustments, and new policy challenges on employment.

Long-term employment

For Japanese trade unions, safeguarding their members from any threat of unemployment has a special importance. For employees in big corporations, who constitute the core of organized labour, the cost of leaving the internal labour market in which they have participated is prohibitively high. In big corporations the practice is to recruit new graduates and train them in the skills required. Pay and promotion offered to workers hired in mid-career are usually much less favourable than for career workers who joined the company when they started work. Workers who have left the internal labour market find it difficult to get jobs in mid-career.

In general, Japanese trade unions do not accept lay-offs. During the 1950s and 1960s there were many protracted labour disputes caused by threatened dismissal. Trade unions lost most of these big disputes, but the losses incurred by the companies were also enormous. The costs for companies included bad labour/management relations, low morale on the shopfloor and damaged public image, in addition to huge financial losses. In other words, the cost to the company of having its workers leave the internal labour market was very high, too.

Such experiences led to a tacit understanding between labour and management that it was in the interest of both to avoid lay-offs as far as possible. Thus, company-based unions which represent the internal labour market tend to perpetuate this system.

Markets for goods and services fluctuate constantly, and any substantial change in demand or supply inevitably causes some employment adjustments. It is important to recognize that a mechanism for circumventing adjustment in the form of lay-offs is built in to the Japanese system. On the other hand, trade unions have made flexible decisions in response to the economic situation of the time during the annual wage talks. Another important element is the relocation of workers within the company. When an operation becomes redundant, the workers are transferred to other operations as a way of ensuring job security. Workers must therefore be highly adaptable. Multiskilling through in-house job training programmes is thus an essential prerequisite for relocation.

Besides collective bargaining, a joint consultation system is common, i.e. a standing body between labour and management to talk about corporate management, especially employment and working conditions. The "voice" raised by a trade union at this forum covers very diverse topics, including working conditions and personnel management, and also basic management policy, the introduction of new technologies and plant, and equipment investment projects. Apart from this forum, there are many occasions for informal talks between labour and management, including meetings between senior officials and disclosure of secret management information to top union officials. Through

these multiple channels of communication, Japanese trade unions have been able to take the measures necessary to ensure stable employment for their members.

These and other approaches have resulted in the labour/management practice whereby the company retains a newly recruited worker until retirement age, unless the worker commits any grave misconduct. The practice of long-continuing employment was established in this way.

Employment adjustments during the 1990s

The tacit agreement to avoid lay-offs as far as possible has generally been observed during the 1990s. Table I shows the proportion of enterprises which have resorted to employment adjustment since the mid-1970s, with the nature of adjustment. The current unemployment rates is 4 per cent, the worst in post-war history. This adverse situation continues and more enterprises are adjusting their workforce. Nonetheless, the ratio of enterprises resorting to such measures between July and September 1998 remained at 38 per cent, far lower than the 71 per cent recorded after the first oil crisis (April to June 1975), and lower than the 40 per cent during the recession in the wake of the Plaza Accord (October to December 1986).

Table I. Ratio of enterprises with employment adjustment during past recessions and % composition of type of employment adjustment (manufacturing industry) (Unit: %)

	1975 Apr.-June	1982 Oct.-Dec.	1986 Oct.-Dec.	1993 Oct.-Dec.	1998 Jul.-Sept.
% of enterprises with employment adjustment	71	31	40	50	38
Type of employment adjustment (multiple answer)					
Restrictions on overtime	54	19	26	38	25
Transfer of holidays, increase in holidays and vacations, including summer vacation	-	-	4	9	3
Ceasing of employment contract renewal or lay-off for temporary and part-time workers	16	5	6	10	4
Reduction and ceasing of recruitment of mid-career workers	50	14	12	24	10
Job relocation and loaning	23	9	20	29	21
Temporary lay-off	20	1	3	7	4
Inviting voluntary retirement	5	1	3	2	3

Source: Ministry of Labour, "Survey of Employment Trends".

Before any employment adjustment, protracted negotiations usually take place between the trade union and company management. In some cases, union involvement extends to issues which are usually a management prerogative, including personnel matters. Recent studies indicate that the "voice" raised by trade unions has become more influential since the mid-1980s.

Since the mid-1980s, significant growth has been observed in relocation and loaning, a form of adjustment which transfers employees to other jobs within the same company or to its subsidiaries or affiliates. In particular, use of the "loaning system" for a certain period of time (typically three

years) is on the rise. This means that the internal labour market has been expanding to the quasi-internal labour market, including all the companies of a group. Japanese trade unions adhere to job security, while they are very flexible about relocation. Regarding recent increases in “loaning”, unions have accepted this measure provided that the affected workers consent and that their working conditions at the host company are not unfavourable.

However, trade union efforts to address employment adjustment remain insufficient. The “Employment Checkup Questionnaire Survey”, conducted by Rengo among its company-based unions in June 1995, indicated that nearly 40 per cent of the respondent unions did not have rules on labour/management talks about voluntary retirement and lay-off or job relocation and loaning, and 16.3 per cent of them did not enter collective bargaining or labour/management consultation on employment adjustment. These figures are regarded as unsatisfactory and Rengo has started a campaign to facilitate labour contracts on employment, and has urged its unions to establish rules on employment adjustment.

Challenges for the future

Under the pressure of changes in the economic environment caused by globalization and innovations in information technology, Japanese business corporations are forced to adapt to the new situation. Companies faced with fierce international competition have implemented survival measures such as reorganizing management and restructuring the corporation. To cut labour costs many corporate managers press for changes in personnel administration to further enhance flexibility; they select/weed out individual workers according to their capabilities and performance.

Rengo points out that in order to promote the development of capable staff and stable employment, corporate management should not sacrifice lifetime employment to a flexible labour market. Rengo also insists that in evaluating individual workers' capabilities and performance, the fairness of evaluation criteria should be ensured and workers' consent should be given. At the same time Rengo proposes that wage schemes should incorporate both a fair price for labour and the assurance of a stable cost of living. Furthermore, at the industrial union level, specific wage policy initiatives have been proposed, taking into account the situation of the individual industries, in an effort to match the revitalization of industries with improvements in employment and living conditions. Furthermore, at the level of the individual company-based union, the need for effective ways of promoting counter-proposals to management plans is an important task.

In this picture of strained industrial relations, a strategic choice will have to be made. In order to revitalize industry, with stable employment and improved conditions of work, trade unions are expected to exercise the power of organized labour and exert their intellectual and ethical capabilities.

B. Participation in industry and society

1. Trade union activities in political decision-making

Tax systems, employment insurance schemes and pension programmes

Japanese trade unions have achieved improvements through collective bargaining on pay, working hours, fringe benefits and in-house welfare programmes. With regard to unemployment insurance, job training benefits, public pension programmes, health insurance, taxation, consumer prices and economic policy, trade unions draw up their demands, submit proposals to the Government and

political parties, and ask the Diet and local assemblies to legislate or revise the laws in order to implement labour's policy initiatives.

Union efforts are based on the belief that workers' well-being is linked with unemployment benefits, pensions, fair prices and reasonable levels of taxation. Unions must speak out on issues affecting workers' lives and assume responsibility for improvements. Union efforts have become more important in recent years as higher economic growth and substantial improvements in income have become unlikely. Behind these developments is the fact that Japan is faced with the need to cope with an ageing population and to cooperate with the international economy, which requires innovative policy initiatives. Economic growth declined from 10 per cent per annum in the 1960s to about 4 per cent after the mid-1970s and about 1 per cent in the 1990s. Under these circumstances, the rate of improvement in wages has been declining, too, so that working conditions other than wages have become more important. Older people now account for a substantial proportion of the population. This demographic change is affecting social welfare schemes, including medical expenses and income for the aged, raising the question of how to tackle problems related to an ageing population.

Furthermore, as there has been remarkable progress in women's participation in social activities, and a substantial change in their lifestyle, it has become necessary for society to establish fair labour standards and ensure equal opportunity in employment. Trade unions have launched intensive campaigns to achieve these aims.

The effort to influence policies affecting the working public is primarily assumed by the national centre, i.e. the central body of trade unions. The Japanese Trade Union Confederation (Rengo), considers this to be one of its important roles. Every year, many working groups discuss policy issues and draw up proposals. A national meeting is then convened to formally adopt Rengo demands. Rengo then starts activities to realize these demands through petitioning and negotiating with the Government, major political parties and public agencies.

Rengo's position with regard to policy issues

In its basic document of association, Rengo states that: industrial trade union organizations assume responsibility for improving the working conditions of their members, and Rengo assumes the role of coordinator in support of industrial unions in this area labour's effort to improve public policies and systems affecting the working public is represented by Rengo and its industrial organizations participate in this process. Rengo's role in facilitating improvements in public policies and systems is expressly stated in this document.

Rengo states that its effort should be made in the light of a vision of a future society that trade unions ought to strive for. In 1993 Rengo adopted eight targets for the society of the future (stated in "Japan's Future Course"):

- (i) to continue environmentally sustainable economic growth and achieve full employment;
- (ii) to realize better living standards commensurate with Japan's economic power;
- (iii) to develop a society where freedom, human rights and democracy are observed and social justice is carried through;
- (iv) to create an open society where unfair discrepancies and discrimination are eliminated;
- (v) to assure the well-being and security of older people;
- (vi) to develop a society in which work and personal life are balanced and individuals develop their own capacities and interests;
- (vii) to promote peace and prosperity all over the world, and respect for freedom, human rights and democracy in all nations;
- (viii) to establish a just society which is open to the rest of the world.

Every year Rengo works on several hundred issues which are grouped into 16 areas of policy initiatives. These include economic and fiscal policy, tax reforms, comprehensive industrial policy, employment and labour issues, social security, equal opportunity, environmental protection, land development and housing, regulatory reform, reform in politics and foreign affairs. Rengo adopts these initiatives at its Central Committee and then petitions the Government and major political parties.

For example, the Government and the Diet are discussing unemployment benefits, health care and other issues related to the reform of the social security systems. Rengo urges implementation of its policy measures, including: (i) recovery of business through income tax cuts; (ii) reductions in jobless workers through the one million job creation initiative; (iii) reform of public pension schemes and health care programmes to provide security for the working public; and (iv) restrictions on overtime and establishment of fair work rules, including equal opportunity, through amendments to the Labour Standards Law.

Mechanism for trade union participation

There is an institutional mechanism that requires the Government to hold discussions with trade unions on planned changes in matters directly affecting workers. When any change is planned in minimum standards such as working hours, the Government is obliged to convene meetings of the Central Labour Standards Council which has representatives from trade unions and employers' organizations, as well as members representing the public interest such as academic experts. When changes are planned in pension schemes, health care programmes, and public insurance programmes, the law requires the Government to convene advisory commissions representing labour/management and the parties involved, as well as researchers in each policy area. In both cases the Government is obliged to take account of the views expressed by all parties.

Rengo is entitled to recommend the members representing workers' interests on these advisory commissions. Through this participatory mechanism, Rengo has been successful in amending the Labour Standards Law to a 40-hour week (enacted in fiscal year 1994). Rengo has also made efforts to improve labour standards and equal opportunities through the Child-Care Leave Law (fiscal year 1990) and nursing care leave (incorporated into amendments to the Child-Care Leave/Nursing Care Leave Law in fiscal year 1997). Concerning revisions in the minimum wage requirement, too, a tripartite advisory commission of representatives from public bodies, labour and management meets every year and makes recommendations to the Government.

Advisory commissions also take part in policy decisions on reform of public pension schemes and health care systems, changes in economic policies and tax systems, and a total of 323 labour representatives have sat on these and other commissions (as of 1999). But the influence that labour representatives exert varies from commission to commission. Almost all commissions dealing with employment regulation employ the tripartite structure, while labour representation is rather weak in other advisory bodies.

Currently, the Liberal Democratic Party, which tends to represent mostly employers' interests, is in power, which makes it rather difficult for Rengo to achieve its political objectives. Therefore, Rengo is organizing popular campaigns such as petitions to the Diet, public speeches and distribution of bills on the street. In the Diet, Rengo has been obliged to make compromises with political parties on its major policy initiatives. For example, the Government introduced substantial income tax cuts in its fiscal year 1994 and 1998 budgets, which contained measures favouring high-income groups, in contrast to those proposed by Rengo.

Establishment of the minimum level of social security

Japanese trade unions have been trying to establish satisfactory social security systems which assure the working public of employment opportunities for those willing to work, adequate medical care when necessary, and a tolerable standard of living after retirement. Unions argue that social security schemes must provide unemployment benefits, health care and retirement pensions. Unions have sought to develop policy measures and systems to meet these requirements, as well as lobbying the Government.

Presently, Japan provides: (i) employment insurance and accident compensation schemes covering all workers; (ii) health insurance schemes covering all residents; and (iii) pension programmes covering all Japanese citizens. Furthermore, a national scheme to provide nursing care for the aged is to be put into effect from April 2000. Compulsory schooling up to the age of 15 assures all Japanese citizens of the right to a basic education.

However, there are many areas for improvement. The existing employment insurance scheme assures a jobless worker of up to 300 days of unemployment benefits, but in the protracted recession over recent years many people have been unemployed for more than one year, and many of them are no longer covered by unemployment benefits.

With regard to pensions, some self-employed workers have not paid the insurance premium and are thus excluded from the national pension scheme, and workers in small enterprises employing less than five people are not eligible for the scheme. Moreover, as the population is ageing, the financial base of the national pension scheme is expected to weaken in the next 10 or 20 years, so that employers and the Government have proposed a reduction in pension benefits. Rengo is opposing this move.

Promoting regulatory and financial reforms

It is often said that Japanese regulatory agencies, not political parties or the Diet, have de facto discretionary power in policy making. An overwhelming majority of bills are based on ideas from administrators or politicians. Within the structure of regulatory agencies, advisory commissions and other participatory systems, worker representation is rather fragile. Therefore, Rengo has strongly urged such agencies to disclose information, include the parties concerned in their policy-making process, and conduct prior- and post-assessment of their policies. Rengo has proposed that the Diet should strengthen its supervision and evaluation of regulatory agencies, and also enhance lawmakers' capacity to legislate by themselves. Regarding fiscal policy, Rengo has urged the Government to provide a stable financial base under a medium-term budgetary plan to fund social security programmes, education, housing and other items of social infrastructure, rather than simply cutting public expenditure in order to balance the budget.

As well as acting at the central level, unions scrutinize the policy position of regulatory agencies, the Diet and local governments, and take action, when necessary, to press for improvements. Rengo favours decentralizing government action to local government level as much as possible. This is because unions believe that decisions on issues directly affecting workers should be taken with the participation of citizens at community level.

Rengo runs local offices in each of the 47 prefectures, and brings together union leaders in these districts to develop local labour movements. Rengo's unions have been petitioning local governments on local employment policies, welfare programmes and community development projects as Rengo does at national government level.

2. Towards equal employment

Equal rights for men and women workers

Women account for 40 per cent of all employed workers. Of women aged 15 and over, about half hold jobs, of whom 80 per cent are salaried workers. Women account for 28 per cent of organized labour. The overall ratio of unionized workers to the total workforce is 23 per cent, but organized women workers account for only 16 per cent of all women workers. This is attributed to the fact that many women are employed in small enterprises or as part-time workers.

It can be said that men and women have been able to work without discrimination in terms of law since 1945 when the New Constitution stipulated equal rights between men and women and gave suffrage to women. Before that time discrimination against women was enshrined in the law. The Labour Standards Law expressly prohibits discrimination against women at work and the New Civil Code stipulates equal rights of inheritance between men and women.

Despite these changes in the law, until the 1970s the generally accepted idea was that men earn an income to keep their family and women stay at home to look after the children. Except in a few professions such as teaching and nursing, women were expected to stop working when they married or had a child. This meant that women were not offered responsible positions.

There have been long and sustained efforts to make equal rights a reality for women. In order to have children and a job, working women and labour movements had to press for child care facilities in the face of prejudice against working mothers.

The 1960s and 1970s saw many campaigns to force management to retain women employees when they married, as well as campaigns for day nurseries. These were succeeded by pressure for child care holidays (leaves of absence) and demands for non-discriminatory employment terms and working conditions.

Those movements have been fairly successful, and equal opportunities for both sexes have now begun to prevail in society. In 1986 the "Equal Employment Opportunities Law" was enacted, which prohibits discrimination by gender in education, training, retirement and lay-off. In 1997 the Law was amended to ban discrimination on recruitment, hiring, posting and promotion. Further, in 1990 the Law on Child Care Leave was enacted, which provides for options of either one year's leave without pay for either working parent of a child under 12 months, or shorter working hours.

Between 1987 and 1993, several amendments were made to the Labour Standards Law, which provided for a 40-hour week (in 1997) and an increase in paid holidays. The law requires parents to share responsibility for taking care of their family, and extended maternity leave to improve the protection of maternity.

Wage discrepancies

In spite of union efforts to improve employment and working conditions for working women, wage discrepancies between men and women are still a serious problem. The average wage of female workers remains at about 60 per cent that of male workers, and the wage gap has hardly been reduced. This is because there are few women in better paid jobs, their years of service are shorter than male workers, and they are less likely to be promoted. Women have to serve more years before they are appointed to responsible positions and this contributes to the wage gap. Unions have been pressing for equal treatment in education and training for women workers, and for equitable promotion and re-training when they return to work after child care leave.

Apart from child care, women are expected to look after their elderly relatives. Realizing equality between men and women in domestic matters is, therefore, very important. The Japanese legal system assures women of equal participation in politics, volunteer and other social activities, but in practice they have to choose part-time jobs or stay at home because of their family responsibilities. They also have very little time for political and social activities. One of the challenges for unions is to improve conditions for women to participate in social activities on equal terms with men.

In the late 1980s and early 1990s, the Government initiated policy measures to make equal treatment a reality, including adoption of the “Social Programme for Equal Participation”.

3. Mutual benefit activities

Japanese trade unions participate in workers’ mutual aid cooperatives, credit cooperatives and consumers’ housing cooperatives. Credit cooperatives once existed in all 47 prefectures, but they were merged and 22 are now in operation. A regional credit cooperative collects deposits from union members and offers loans. Workers’ mutual aid co-ops operate in all 47 prefectures, and they offer personal and group life insurance plans as well as fire insurance for local union members. Local trade unions provide support to their workers’ mutual aid co-ops. Consumers’ housing cooperatives are building societies which are mainly for union members; they operate in several prefectures. Their central organization, the Workers’ Housing Society is incorporated by law. This society builds living accommodation in the Tokyo Metropolitan area.

Trade unions in the regions cooperate with mutual aid activities, and trade union organizations make these services available for members of unions at small and middle-sized enterprises.

4. Social dialogue with employers

Workers’ organizations hold talks with employers’ organizations on wages and other working conditions; many company-based unions routinely hold talks with management in their labour/management councils. Some industrial labour organizations and their employer counterparts have consultations on industrial policy and other policy measures. This occurs mainly in the electrical machinery, chemical and shipbuilding industries. In other industrial sectors, labour/management talks are mostly on working conditions and consultations on industrial policy are rare. In these industries, employers’ organizations are not well-established and employers are not ready for labour/management talks at industry level. Even if individual employers are happy about consultation within their company, they are reluctant to talk with the corresponding industrial organization of unions.

The Japan Federation of Employers’ Associations (Nikkeiren) is the central employer body concerned with industrial relations. Over the past five years, Rengo has held regular talks with Nikkeiren, and they have filed joint petitions to the Government on economic policies and job creation initiatives; they have conducted joint studies and presented joint proposals on job creation. Both Rengo and Nikkeiren strongly press for business-stimulating economic policies against the current recession. On employment, Nikkeiren has persistently argued that the basis of Japanese management rests on the stability of employment, which has provided a background for Nikkeiren to accept Rengo’s proposal for a joint study on the stability of employment and joint initiatives for job creation.

Through these and other developments in relations between the two organizations, Rengo and Nikkeiren published “A Joint Study on Job Creation” in 1996, “A Joint Report on the Second Study on Job Creation” in 1997, jointly petitioned the Government to “Fortify Job Creation Measures” based on the joint report in the same year, and jointly filed a petition on “A Specific Initiative for One Million Job Creation” in 1998. In the fall of 1998, the Government studied this labour/management joint petition and incorporated the “Yen1 Trillion Budget for 1 Million Job Creation” into its emergency economic policy package. This item was included in the Government’s supplementary budget for the fiscal year 1998 and its budget bill for 1999.

In conjunction with labour/management joint action at central level, several local employers' associations and Rengo's regional organizations have begun to hold joint workshops and announce joint proposals on local job creation programmes.

C. Towards solidarity

1. Unification of labour's umbrella organizations

The Japanese trade union movement, revived immediately after the end of the Second World War, began to launch aggressive social movements and became a powerful force in post-war society and politics. But their national centres were divided into four apex bodies – the General Council of Trade Unions of Japan (Sohyo), the Japanese Confederation of Labour (Domei), the Federation of Independent Unions (Churitsuroren) and the National Federation of Industrial Organizations (Shinsanbetsu). The division of national centres, affiliated primarily either to the Japan Socialist Party or to the Democratic Socialist Party, lasted over most of the post-war period. Earlier efforts to unite them had failed because of their differing politics and ideologies. Finally, in November 1987, the All Japan Federation of Trade Unions in the Private Sector was formed. In November 1989, unions in the government and public sector decided to join the new national centre and the Japan Trade Union Confederation (Rengo) was inaugurated. As of 1998, Rengo represented 7,580,000 workers, the overwhelming majority of organized labour. (Other than Rengo, the National Confederation of Trade Unions (Zenroren) under the influence of the Japan Communist Party organizes 840,000 workers, and the National Trade Union Council (Zenrokyo), an independent leftist labour organization, organizes 270,000 workers).

The significance of Rengo can be summarized in three points. First, Rengo represents labour organizations that respect free collective bargaining based on market forces, social solidarity and protection for the vulnerable segments of society. Second, Rengo, in its role as advocate for all employees, not only organized labour, is in a position to influence the Government, as it is one of the key social groups. Third, Rengo defines the achievement of its declared objectives as one of its major activities, and tries to work through a participatory approach. Rengo intervenes in the policy-making process so that tangible results are gained. To this end, Rengo attaches importance to dialogue with the Federation of Economic Organizations (Keidanren), Nikkeiren and other employer/management organizations. Rengo communicates through regular consultation with government agencies and major political parties, and meets the Prime Minister for regular Government/labour talks.

2. Organizational reform of unions

The Ministry of Labour conducts an annual survey on the ratio of organized labour to the total workforce. In June 1998 the ratio stood at 22.4 per cent, confirming a declining trend since 1975. In less than a year after the war, the ratio of organized labour exceeded 40 per cent and reached 55.8 per cent in 1949. By the 1970s, however, the Japanese economy had matured, and unions were recognized as a social entity and a prerequisite to firmly established labour/management relations. Ironically unions then lost their power to attract and mobilize workers with the objectives of the immediate post-war period. Thus, trade unions had to find a new *raison d'être*.

Union identity (UI) campaign

A campaign called "Union Identity (UI)" was launched in the 1980s, mainly by private sector unions. The abbreviation "UI" was used as the trade union version of "Corporate Identity" (CI) for business corporations.

The UI campaign aims to revitalize union organization and activities. Any organization tends to remain conservative by its very nature, and trade unions are no exception. During the earliest phase of the labour movement, unions needed strong leadership as they faced the challenge of overcoming poverty. There was also keen confrontation between leftist and right factions in the union movement. But by the 1970s trade unions had already solved this problem; a new generation of leaders had taken over, and a new generation of union members, too. Union organization needed revitalization measures, and the UI campaign surfaced through the daily activities of unions. The campaign began with an extensive review of the visual aspect of traditional activities, such as union songs and flags, the style of reports and proposals submitted to meetings, and the proceedings of Conventions. Then, union officials and members re-examined the way that unions should respond to changes in the economic and social environment. This led to a reconsideration of the vision of the union organization and the direction that the labour movement should take. Before the UI campaign, unions had reviewed the movement on several occasions, but with a focus on doctrine and political stance, so that for younger workers who had little interest in politics, unions became less appealing. The UI campaign changed the image of unions and introduced a new style in events, proposals, communication and community activities.

Union initiatives for life-long welfare

In parallel with the UI campaign, the scope of union activities was expanded into several new areas to link the unions more closely to the personal life of their members. Many company-based unions formulated a comprehensive initiative for life-long welfare, covering major life events such as marriage, child birth, education for children, housing, health management and retirement. The objectives of these comprehensive initiatives were grouped into those for government action, those to be gained through collective bargaining, and those that individual workers must achieve through their personal efforts.

The major industrial unions have been organizing industry-wide private pension plans and health care schemes since the late 1980s. They have developed these schemes in partnership with life insurance companies and other financial institutions, and invited their members to subscribe to them.

Unions are also beginning to offer consultancy services for members with personal problems. These include lifestyle counselling and stress management. This represents an extension of union activities, and indicates an effort to become more attractive and to encourage members' sense of participation and involvement.

3. Organizing the unorganized

Article 28 of the Constitution of Japan recognizes the right to organize as an essential right. But, the percentage of Japanese people who are aware of this right is declining.

A continuous decline in the national consciousness of the right to unionize and take assertive action at work is indicated by surveys organized every five years by the Research Institute for Broadcasting Culture. This may not be independent from the declining ratio of organized workers in the total workforce.

Ten million Rengo members

It is important for unions to halt the decline in the proportion of workers who are organized. At the fourth central committee held in November 1990, one year after its foundation, Rengo confirmed its aim of a "10 million strong Rengo". However, no significant progress has yet been made in increasing the number of union members organized under Rengo. In June 1996, Rengo adopted an immediate policy to expand organized labour, targeting:

workers in small enterprises, major affiliates of big corporations, and major non-union companies;

workers in atypical forms of employment and services, including part-time and temporary workers; and

independent workers who cannot be organized through a company.

However, as of June 1998, unionists organized under Rengo totaled 7,476,000 workers, according to a survey of the Ministry of Labour; this represented a decrease of 97,000 from 1997.

The direct causes for declining unionization are: a) business corporations have been retrenching, which means fewer members in existing company-based unions; b) the dissolution of unions due to permanent and temporary closures exceeds the formation of new trade unions; c) unionization of part-time and temporary workers is slow because of the wide range of types of employment.

Moves towards integrating industrial unions

Rengo is made up of individual industrial unions. These range from unions which organize workers at a majority of the companies in a particular sector to aggregations of unions related to company groups, and to trade organizations in certain regions. A total of 72 industrial unions belong to Rengo, with membership ranging from a few thousand to nearly a million.

This situation in Japan is quite different from that in Germany where industrial unions have been integrated since the earliest years and are concentrated into a very few entities. To improve organization in Japan, some argue for the integration of the many dispersed industrial unions. Thus, there have been mergers of several industrial unions, for example the Japanese Federation of Chemical, Service and General Trade Unions (the CSG Federation) was formed in 1995, and in 1998 the Japanese Federation of Chemical Workers' Union (Chemical League 21) was formed. In the summer of 1999, the two major unions in the metal and machinery sector were expected to amalgamate. In view of the prolonged recession and reductions in membership, other mergers may also take place.

Unionization campaigns at industry level

Despite the general decline in unionization, the Japanese Federation of Textile, Garment, Chemical, Mercantile, Food and Allied Industries Workers' Unions (Zensen Domei) has increased its membership, and its efforts are attracting attention. Zensen Domei was formed in July 1946 as a textile workers' union. This industry has swung between prosperity and depression, and hence many union members leave the industry. Zensen Domei has actively organized workers at smaller enterprises, and at the same time it has expanded the trades covered, from manufacturing to distribution and services, thus increasing its membership.

According to a survey of the Ministry of Labour in the 1990s, Zensen Domei membership declined between 1994 and 1996, and rose again after 1997. During a comparable period, other Rengo unions have lost members, and Rengo as a whole has been unable to halt the fall in membership since 1995. Zensen Domei alone has been successful in attracting new members in spite of retrenchment.

There are several reasons for the success of Zensen Domei. First, the union persuades managers of non-union companies of the need for trade unions, concentrating on the distribution and service

industries which have a lower proportion of organized workers. Some managers are hostile to trade unions, and in such cases Zensen Domei intensifies its efforts, giving personal attention to all potential members.

Second, Zensen Domei has been focusing its organizing effort on part-time workers. A Ministry of Labour survey indicates that there are 240,000 unionized part-time workers, which is only 2 per cent of total organized labour. Most unions make little effort to recruit part-time workers, but Zensen Domei had organized a total of 95,000 part-timers as of September 1998.

Third, in order to recruit workers in small enterprises with a lower unionized ratio, Zensen Domei is collectively unionizing workers in particular communities, and running federations of smaller company-based unions. These activities are well-organized and systematic.

4. Political activities of trade unions

Political activities are an important way for unions to achieve their aims. Structuring relations between political parties and trade unions has been a big problem for the consolidation of national centres. When four national centres existed, the question of union support for a particular party was an obstacle to unification.

When Rengo was formed in 1989, it avoided supporting a single party, leaving the question of political affiliation to the judgement of individual unions. Rengo accepted that it would be difficult to liquidate the traditional relations of cooperation and support with particular parties which had been developed by the individual labour organizations over the years.

In its policy statement "Rengo's Political Line" adopted in November 1993, Rengo summarized its basic position as follows: (i) trade unions and political parties differ in their nature and functions and are completely independent of each other, so that the principle of mutual non-intervention must be observed; (ii) trade unions seek to realize their political objectives in cooperation with political parties and politicians whose objectives, policies and demands coincide; and (iii) based on the principles described above, trade unions provide assistance in election campaigns for the parties and politicians that they support in order to strengthen their political influence.

The Liberal Democratic Party, established through the amalgamation of conservative parties, stayed in power from 1955 until 1993. In July 1993, LDP split over the question of political reform, and lost its single party majority in the Diet: it was replaced by a coalition government of non-LDP parties. The rest of the decade saw a succession of governments and Rengo is still waiting for one that truly stands for the interest of the working public.

Part III. New frontiers for trade unions

1. International activities

Rengo is the third largest member of the International Confederation of Free Trade Unions (ICFTU); in the Asia-Pacific region Rengo is the largest labour organization among ICFTU affiliates.

Rengo maintains observation of the Constitution of Japan and the doctrine of UN-centred diplomacy as its ideal. It emphasizes the creation of a new security mechanism based on arms reduction, social justice, respect for human rights and democracy, fair competition, reduced economic discrepancies among nations and environmental conservation. Rengo urges the Government to help strengthen the role of international organizations, provide more development assistance and encourage private aid, serve international policing activities, and promote peace in the Asia-Pacific region.

Rengo believes that without social development in Asia, including the elimination of poverty, the introduction of social security systems, the establishment of human rights and recognition of basic labour rights, economic development, peace and stability in the region are not attainable. In this context, it is essential to give effect to the "Asian Social Charter", which was drawn up by Rengo in 1994 and adopted by ICFTU-APRO.

The Charter confirms the importance of social progress and cooperation in Asia, and aims to establish basic labour rights in each country of the region. Part I of the Charter promotes ratification of relevant ILO Conventions, and proposes a tripartite consultation mechanism in Asia. It states that ICFTU-APRO has requested WTO and ILO to promote cooperation between the two organizations in matters related to international trade in order to encourage the observation of social standards on basic labour rights. Part II of the Charter asserts that full employment should be a priority objective in economic development, together with the principle of equitable distribution, and social dialogue in every area of activities. This approach was reinforced through the UN Summit on Social Development in 1995, and campaigns promoting the Charter continued with petitions to the host countries of the APEC summits and the ASEM conference.

Rengo's international policy for fiscal year 1998

Rengo's "Policy Initiatives and Proposals for Fiscal Year 1998" included the following international policy initiatives:

(i) Rengo encourages international organizations and agencies to strengthen, revitalize and improve their efficiency.

Rengo urges the Japanese Government to continue contributing to international organizations and their activities by providing human resources and funds. Japan should help enhance the position of these organizations and the country itself in international society. Rengo also requests the Government to include trade union representatives in delegations to the conferences organized by international organizations.

(ii) Rengo asks IMF and the World Bank to encourage borrowing countries to observe human rights and basic labour rights and to ensure that their citizens have a means of livelihood.

Rengo, as the national trade union of a major funding country to IMF, urges the Fund to consult trade unions in the borrowing countries, and to take account of their views. In this context, Rengo

congratulates the World Bank on launching sincere talks with trade unions, and urges the IMF to make similar efforts in hearing from trade unions.

(iii) Rengo appeals to governments to develop a consensus on the ratification and application of the core labour standards which are recognized worldwide. These standards are incorporated in the ILO Declaration on Fundamental Principles and Rights at Work, 1998.

Japan itself has not yet ratified Conventions No. 105 (Abolition of forced labour), No. 111 (Equal treatment in employment and occupation) and No. 138 (Minimum wage for employment). Rengo calls for early ratification of these Conventions by the Japanese Government, and at the same time urges other governments in Asia to ratify and apply the core standards.

(iv) Rengo encourages the parties concerned to strengthen the provisions on labour and the environment in the multilateral agreement on investment (MAI).

As the MAI now being considered in the OECD is directly related to production and employment, Rengo believes that it should observe basic labour rights and environmental standards, and that these should be included in the text of the MAI, together with procedures in case of violation.

(v) Rengo asks the Japanese government to make further efforts towards consolidation and retrenchment of the U.S. military bases deployed in Okinawa.

Rengo has been requesting the Japanese Government to make a strenuous effort for closure of US military bases. Upon the return of these bases, Rengo requests the removal of pollutants from the land to prepare the area for the development of Okinawa and for job creation.

(vi) Rengo appeals for improvements in the quality and efficiency of Japan's overseas development aid and seeks the enactment of a basic law on ODA.

It is necessary for ODA to emphasize projects that meet basic needs, including the fight against poverty, education, sanitation and protection of the environment. To this end, Rengo believes it is necessary to promote cooperation between trade unions, NGOs and international organizations. In particular, Rengo solicits the Government to strengthen its support for the International Labour Foundation, a Rengo-affiliated organization.

(vii) Rengo makes efforts to strengthen environmental protection and occupational safety in the Asian region, and recommends incorporating into ODA projects an exchange of experience and technology in these fields at union level.

Japanese trade unions have played an important role in improving environmental conservation and occupational safety programmes. As part of its technical cooperation activities Japan agreed on the occasion of the Kyoto Conference to help developing countries in these fields. Rengo asks the government to allow the participation of Japanese and local trade unions as well as NGOs in technical cooperation projects financed by ODA.

(viii) Rengo pushes for fair labour/management relations in Japanese multinational corporations.

In general, labour/management relations in multinational corporations with headquarters in Japan remain favourable. However, there have been some problems in the management of industrial disputes. Rengo has put pressure on their Japanese parent company and the Japanese Government to correct any misconduct. Rengo has also been pushing Japanese multinationals to adopt codes of conduct.

(ix) Rengo urges early ratification of the Japan-Germany Pension Agreement, and encourages similar agreements with the United States and European countries.

With globalization, the number of Japanese nationals working in foreign countries has been increasing, and vice versa. Reciprocity between pension programmes in different countries is essential to eliminate duplicate payments for premiums and to provide a secure retirement. With the Japan/Germany scheme as the starting point, Rengo urges the Government to conclude similar agreements with other countries. In particular, Rengo is encouraging an extensive review of possible schemes with the United States, where the system is very different from that in Japan. This matter should receive early attention as many Japanese work in the United States.

Japanese multinationals and their labour/management relations

During the 1960s many Japanese companies in textiles, food processing and electrical machinery began to advance into foreign markets, centred on the Asian region. IMF-JC was formed as a branch of the International Metalworkers' Federation at about this time.

During the 1970s, labour disputes occurred frequently in Japanese-controlled companies operating in Asia, and local workers and their unions turned to Japanese trade unions for support and assistance. In response IMF-JC, acting as the core union organization, took the first steps to inaugurate the Trade Union Committee on Multinationals (TCM) which operates across the various national centres. Since that time, TCM has taken a central role in negotiating with parent companies whose local subsidiaries are experiencing labour problems. It also exerts an influence on employers' organizations and government agencies. Through these efforts TCM assumed responsibility for monitoring the conduct of Japanese multinationals in cooperation with local trade unions.

When Rengo was formed, the TCM office was transferred to Rengo's International Bureau. According to a questionnaire survey conducted by TCM in 1997 on Rengo trade unions, a total of 496 companies own one or more subsidiaries overseas, i.e. 4,258 corporate entities with 944,000 employees. In a separate survey conducted by the Japanese Electrical, Electronic and Information Union (Denki Rengo), 92 companies in this sector own foreign subsidiaries, i.e. 1,393 firms with 478,000 employees. Japanese corporations running overseas operations provide some 1.5 million jobs in different countries.

In recognition of the important role of Japanese trade unions based in the home country in improving working conditions and facilitating regulatory measures, Rengo is active in this particular area. Japanese unions contribute to international industrial forums and organizations, and exert an influence on the 24 world councils formed for each major international corporation within the IMF, of which six are Japanese multinationals (Toyota, Nissan, Honda Motor, Mitsubishi Motor Industry, Mazda and Matsushita). These councils exchange information between their operations in various parts of the world and discuss questions on their management practices. During the turmoil caused by the Asian currency crisis, Rengo appealed for the economic reconstruction of Asian economies and security for Asian workers.

Rengo activities in development cooperation

Rengo established the Japanese International Labour Foundation (JILAF) in 1989 as a specialized body devoted to international exchange and development cooperation. JILAF activities cover three main areas:

First, the Foundation invites trade union activists in developing countries to Japan and provides them with opportunities for training. Every year some 20 teams or about 100 unionists from developing countries in Africa, Asia and Latin America (50 countries in all) participate in these training programmes. Between 1989 to 1997, a total of 985 persons visited Japan; 23 per cent were from African, 52 per cent from Asia, and 17 per cent from Latin America. The remaining 8 per cent were from rest of the world.

Second, JILAF runs "local projects" which support trade union activities in developing countries addressed to their members and local people. These projects started in 1994 and they cover labour/management relations, unionizing workers, occupational health and safety, family planning and educational projects to combat child labour. From 1994 to 1997, 425 seminars were held in the context of local projects, with 13,169 participants. In carrying out these activities, Rengo and JILAF emphasize an exchange of information with the regional organizations of ICFTU, particularly with ICFTU-APRO.

Third, JILAF organizes equipment supply programmes to support trade union activities in developing countries (audio/visual/educational equipment, printers, etc.). Over nine years, more than 100 equipment grants were extended to 50 organizations in some 40 countries.

The annual JILAF budget amounts to about Yen 500 million (US\$4.2 million) raised from JILAF's own revenues from government contracts and donations, together with funding from Rengo.

Other Rengo activities in international development cooperation include financial support to disaster victims, refugees and displaced persons. Such assistance is financed by fund-raising campaigns and from Rengo's International Solidarity Fund.

Finally, the Rengo International Development Cooperation Centre (FAN), jointly established by some of Rengo's industrial unions, provides assistance to disabled persons in Thailand, sponsors sports events for the handicapped, and hosts seminars on international cooperation for union members.

International cooperation at union level

International activities organized by individual industrial unions and company-based unions are becoming more common. These efforts include assistance for social welfare facilities and equipment, and aids to human resources development in developing countries. In addition, Rengo unions provided cash donations and emergency relief for the victims of natural disasters in China, Indonesia and the Philippines. JILAF aims to contribute to social and economic development by supporting democratic and independent trade union movements in developing countries. As part of these activities, Rengo organizes exchange visits with members of foreign trade unions, arranges seminars in developing countries, and provides equipment and materials for union activities overseas.

2. Environmental problems

Before Rengo was established, trade unions were already active in environmental protection. They had been campaigning against water pollution, air pollution and deforestation since the 1960s. Rengo has expanded the scope of its environmental policy to include global issues since around 1992 when Rengo sent a delegation to the Global Environment Summit held in Rio de Janeiro.

Rengo's environmental policy

The pillars of Rengo's environmental policy are prevention of global warming, control over hazardous chemicals, and the promotion of waste management/recycling. It also advocates environmental standards for industry and respect for the natural environment. Rengo's approach is to structure a recycling society, and the organization has gradually developed a way of promoting environmentally sustainable business and industry, community living and personal lifestyle.

In 1994, Rengo formulated its Trade Union Guidelines on Environmental Issues, designed to orient union activities on environmental problems at each level (Rengo central, industrial union, local union association and company-based union levels).

Also, in response to the adoption of "Agenda 21" by the Government, Rengo supported enactment of the Basic Law on the Environment and then the Basic Environmental Plan. Rengo took the lead in establishing the Japan Environmental Forum, a coalition of NGOs, including the World Wildlife Foundation-Japan Committee (WWF-Japan), and Earth Day Japan, to help draw public attention to environmental problems. Since that time, Rengo has sponsored symposia and study meetings on environmental issues in Japan. It also participates in international conferences on environmental issues.

Rengo makes proposals on environmental policy to the Environment Agency and the Ministry of International Trade and Industry, and its representatives sit on advisory commissions on the environment. Rengo has been strengthening its efforts in this area since 1998 in order to address global issues within the framework of the social movements in which it participates.

Rengo's Committee on the Environment

The Committee on the Environment was set up in 1998. The Committee is made up of senior union officials and specialists in environmental issues. In its first year, the Committee initiated the Rengo Eco-Life 21 campaign, which still continues. The campaign aims to alter the lifestyle of massive consumption/massive waste. The first phase was launched in union offices and workshops (Step 1). Three months after the Step 1 campaign began, it was reported that more than half of Rengo's union offices engaged in environmentally friendly union office practices. Step 2 started in April 1999 in the form of a massive campaign among company-based unions and in communities, involving union members and their families. Step 3, to be initiated in October 1999, takes the form of a nation-wide campaign, involving NGOs as well as trade unions.

Rengo's Committee on the Environment reviewed the Trade Union Guidelines on Environmental Issues, and published a revised version in February 1999. The revised guidelines include: (i) case studies of company-based unions; (ii) tasks to be assumed in the flow of environmental efforts, starting from each workshop to its company-based union, and from its higher union organization to the Rengo central office; and (iii) a systematic analysis of the flow of environmental efforts. Since efforts at local level are becoming more and more important, the revised guidelines look seriously at the role of regional union organizations.

The guidelines are designed to be widely used at study meetings and in daily practice at workshops, local offices and headquarters of union organizations at each level. They are also expected to open the way to an active exchange of opinion on environmental issues at labour/management talks.

Many of Rengo's industrial unions have formulated their own environmental policy and initiatives, and they carry out their own industry campaigns, advocating good practice for environmental conservation. In some cases unions define their position and role in tackling environmental issues in their daily activities. For example, several unions in the chemical industry promote environmental protection based on occupational health and safety considerations. Topics of environmental concern are discussed between labour and management at their regular talks, and in some instances unions actively participate in health and safety inspections of factory premises.

Some local and regional union associations organize regional activities on the environment. Several of them conduct environmental studies in order to formulate policy proposals to submit to local assemblies and regulatory bodies such as prefectural commissions on the environment.

3. Trade unions in civil society

Local union activities and citizens

On the vertical axis, Rengo consists of its industrial unions and company-based unions, and on the horizontal axis it has regional associations at prefectural level (47 prefectures in all) and local union councils at municipal level (some 470 councils in cities, towns and villages). These organizations submit their demands to local government offices every year, in parallel with Rengo's central organization and the national Government.

In drawing up their policy demands and proposals, unions generally consult citizens' organizations in their localities and carry out surveys in their communities. The All-Japan Prefectural and Municipal Workers' Union (Jichiro) plays the central role here, so that campaigns at local level are organized efficiently.

Local union organizations engaging in regional campaigns often have strong political influence in the election of councilors to local assemblies.

The volunteer movement, NPOs and NGOs

In response to the Kobe earthquake, Rengo initiated the "Citizens/Rengo Volunteer Network" in April 1995, in partnership with other citizens' groups and social welfare councils, and engaged in support activities to reconstruct Kobe City. Rengo's union members had provided emergency relief immediately after the disaster, which occurred on 17 January of that year. Including those who participated in or cooperated with some forms of relief and support activities, as many as 6,460,000 Rengo members were involved in relief activities for the victims of the tremor.

Non-profit organizations had an uncertain position in Japan, in terms of their social standing and legal status. During the 1990s Rengo took an active role in promoting legislation recognizing such bodies as a legal entity. In January 1997, Rengo Riols and the "Citizens/Rengo Volunteer Network" co-sponsored a symposium to discuss relations between NPOs and trade unions, and cooperation between citizens' groups and Rengo.

In March 1998 the House of Representatives unanimously adopted the Law to Facilitate Designated Non-Profit Activities. The Law was achieved through partnership between Rengo and diverse citizens' organizations, and in the course of this collaboration Rengo expanded its scope of activities and exploited a new dimension by developing multiple communication channels with citizens' groups supporting Rengo activities.

In 1997 the Citizens/Rengo Volunteer Network became the Citizens Volunteer Bureau, a department in Rengo headquarters. The Citizens Volunteer Bureau served as an office for the solidarity movement promoting the NPO Law between Rengo, diverse citizens' groups, NGOs and NPOs.

In 1998 Rengo decided to encourage policy agreements with citizens' organizations, NGOs and NPOs, to collaborate in a broad spectrum of activities which contribute to society (including volunteer activities).

Charts

Chart I
Trends of GDP Growth Rate, Ratio of Completely Unemployed,
and Ratio of Job Offers to Seekers.

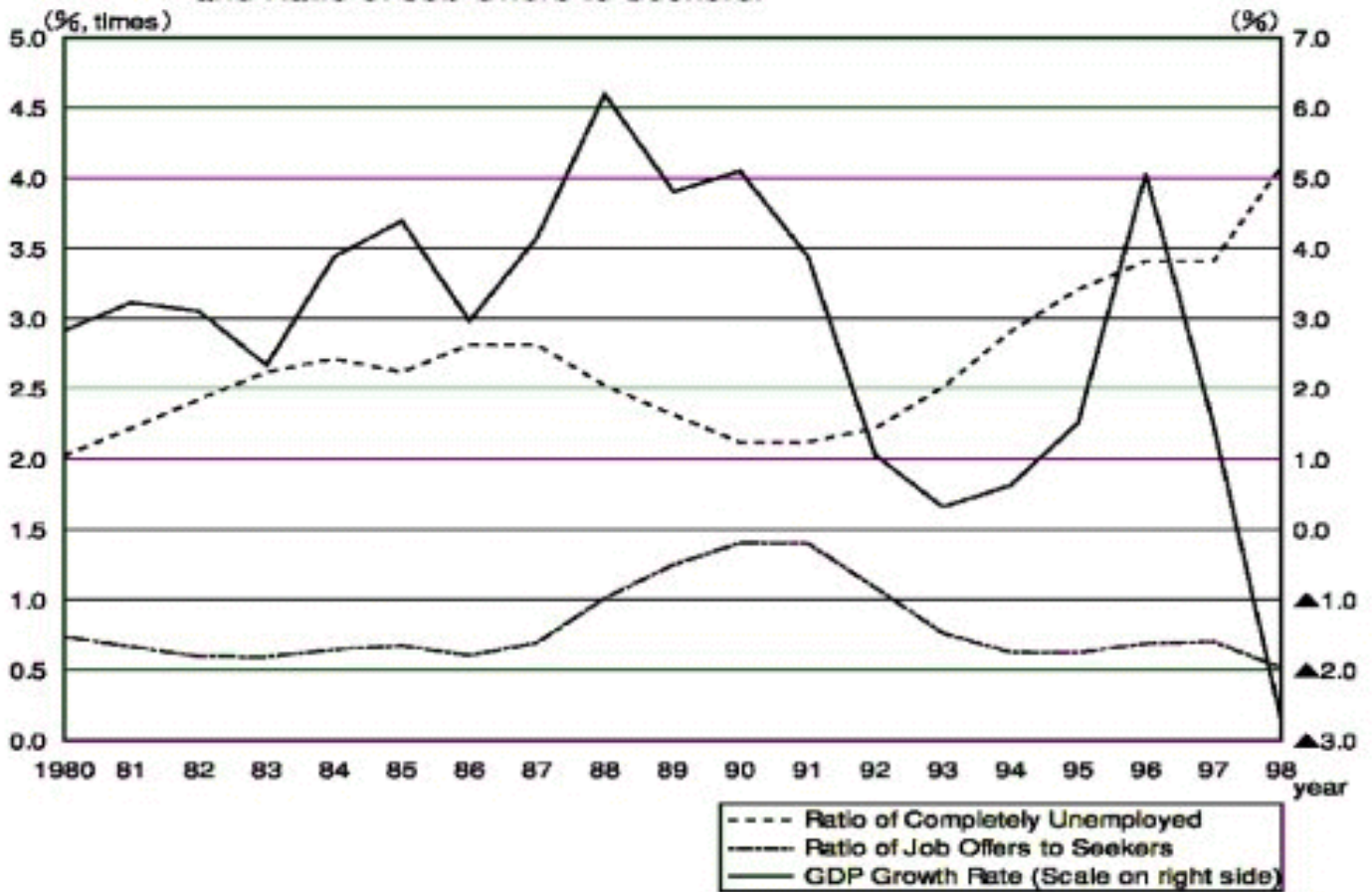
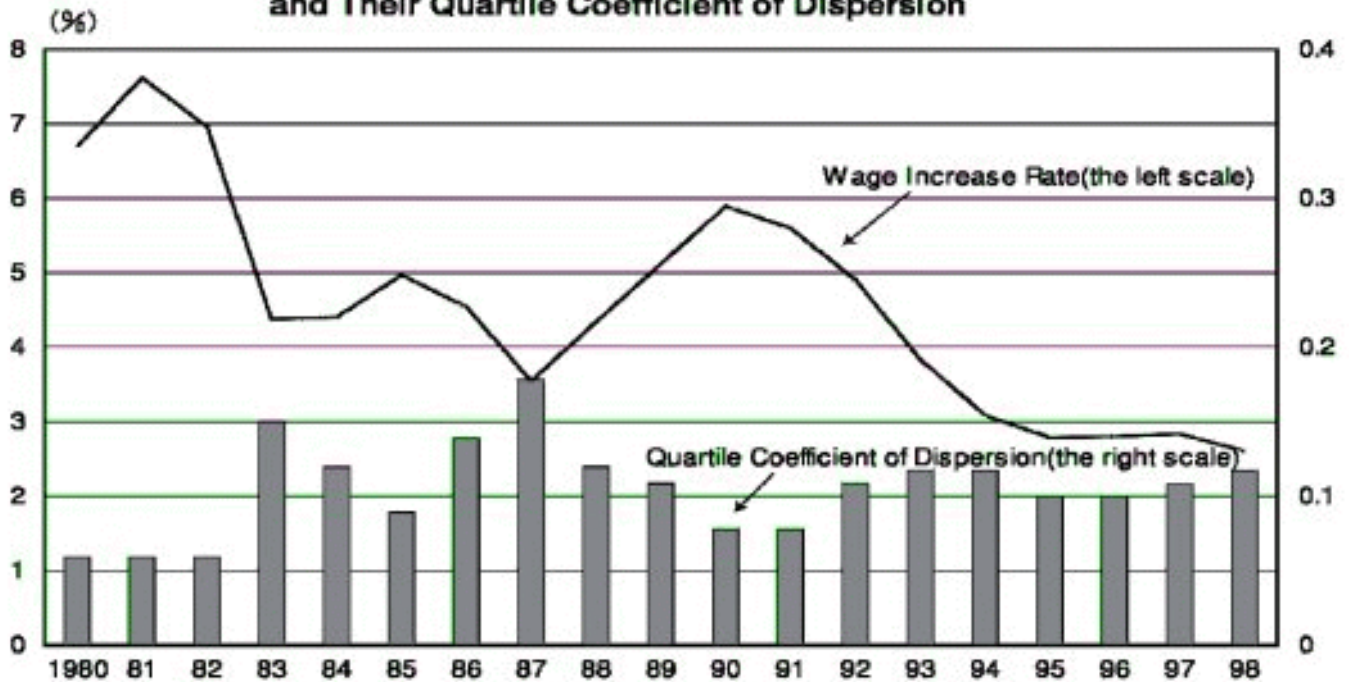
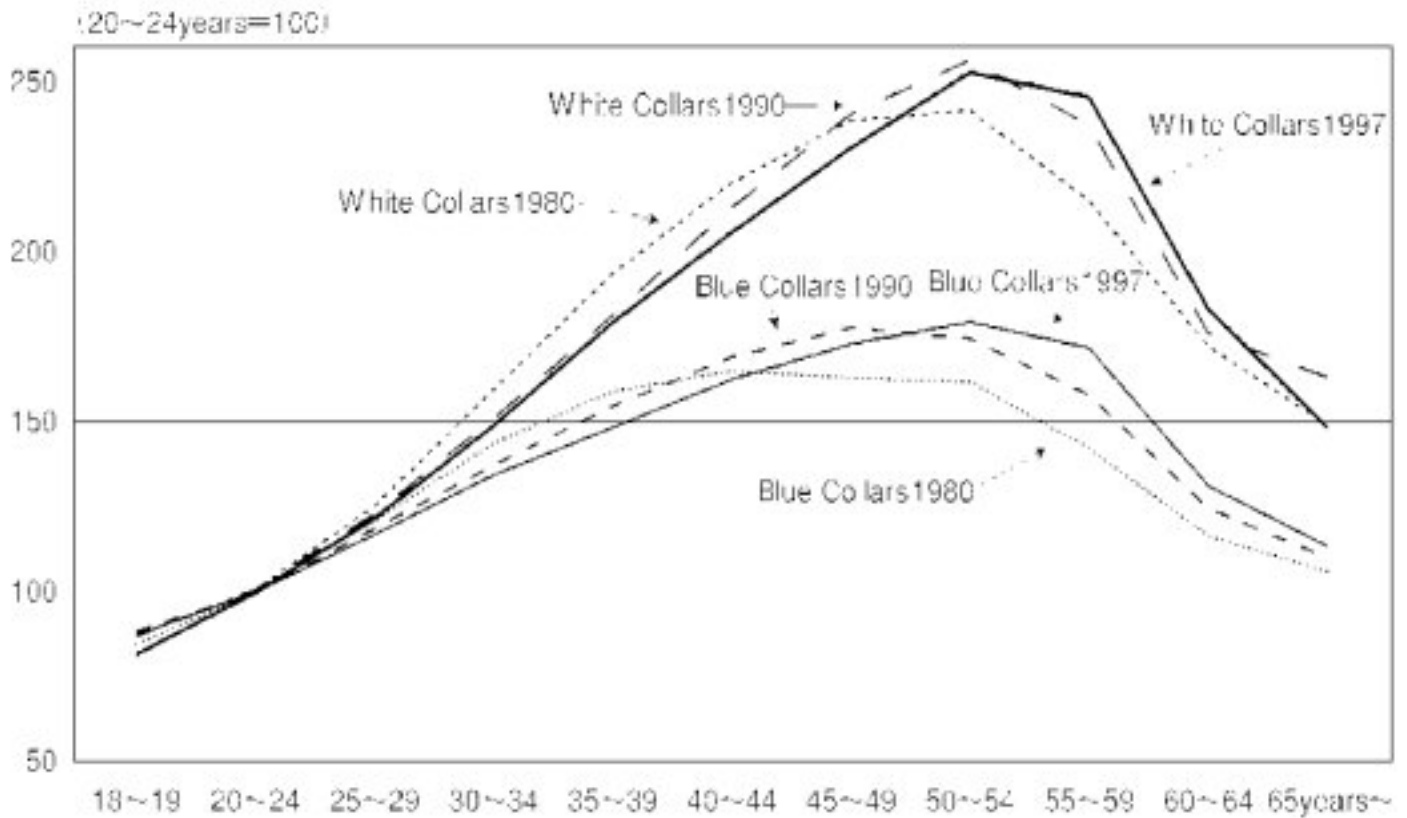


Chart II
Trends of Wage Increase Rate at Major Corporations
and Their Quartile Coefficient of Dispersion



1. Source: A survey conducted by the Labor Policy Bureau, the Ministry of Labor
2. The survey covers in principle those corporations with paid-up capital of ¥2 billion or more, with 1,000 or more employees and being organized among the companies listed in the First Section of Tokyo Stock Exchange or Osaka Stock Exchange. Their wage increase rate is weighted arithmetic mean based on the number of organized labor.
3. The coefficient of dispersion employed is quartile coefficient of dispersion among the corporations defined above, which is calculated by means of the following formula:
 Quartile coefficient of dispersion = $\frac{3\text{rd quartile} - 1\text{st quartile}}{2 \times \text{median}}$

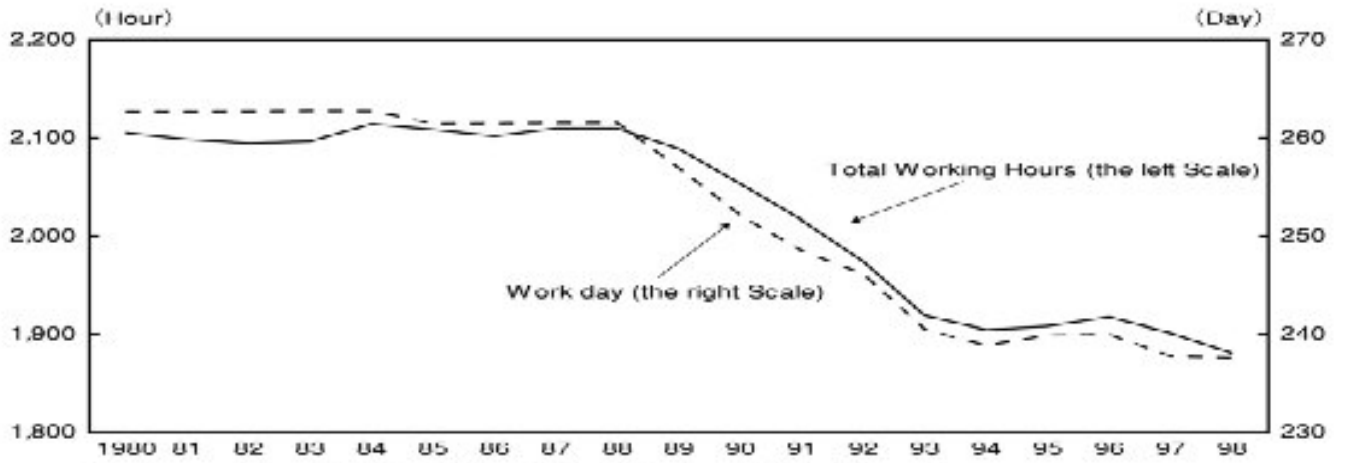
Chart I -A-2
Trends of Seniority-Oriented Wage Profile for Male Production and Managerial Workers in Manufacturing Industry



1. Prepared from Ministry of Labor, "Wage Structure Statistics".

2. Regular pay at companies in all sizes, and for employees at all education levels.

Chart II -A-3
Trends of Annual Total Working Hours and Work days



1. Prepared from Ministry of Labor, "Monthly Labor Statistics Survey".
 2. Enterprises with 30 employees or more.

Notes

1. Rengo/DGB: *Future of work, future of social welfare state, future of trade unions*, 25 September 1997, Tokyo.
2. Rials: *Future tense of happiness*, Rengo Research Institute Report No. 6, 1996.
3. Rials: *Towards a welfare society, market and social solidarity in 21st Century Japan*, Rengo Research Institute Report No. 7, 1998.
4. Inoue, S.; Suzuki, F.: *The high road approach in the Japanese context: The stakeholders' agenda for the coming century*, Rengo Research Institute Report No. 7, 1998.
5. Inoue, S.: *Meanings and main points of the International Symposium by Rials*, Rengo Research Institute Report No. 8, 1998.