

Labor-Management Relations in Japanese Automobile Manufacturers, Focusing on Company B*

by Norio HISAMOTO**

Introduction

Labor-management relations are often analyzed in terms of union influence on managers' efficiency and labor management practices, but such an approach is not suitable for examining industrial relations in Japan. This paper discusses industrial relations at Japanese automobile manufacturers from the point of view described below.

In general, labor unions in Japan are based on the enterprise. Their purpose is to force employers to recognize union members as "members of the company." Most Japanese firms are union shops and, in production divisions, even senior foremen belong to unions. No great gap separates rank-and-file employees from foremen and senior foremen; rather, they tend to be relatively close. Foremen direct production workers and, at the same time, represent them. Therefore it is not effective to describe industrial relations in terms of confrontation between management and labor. In fact, both parties find common interest in improving productivity. Labor-management relations within Japanese companies consist of compromise and bargaining between management's top-down decision making and labor's demand for fairness and job security.

How do such compromise and bargaining take place at Japanese automobile manufacturers? To answer this question, this paper first explains union organization and the joint consultation system and then analyzes two cases of joint consultation to illustrate the practice of labor-management relations. The discussion is centered on Company B, referring to Company A only to compare it with Company B.

I The Organization of Company B's Labor Union

The three highest positions in Company B's labor union are executive chair-

* This paper is based on the research which is a part of a project of JIL (The Japan Institute of Labour): International Comparison of Industrial Relations and Human Resource. A automobile team consists of 4 members: Mitsuo Ishida (team leader), Doshisha Univ.; Hiroyuki Fujimura, Shiga Univ.; Fumito Matsumura, Nagoya City Univ.; Norio Hisamoto, Kyoto Univ.

It was carried out at two Japanese automobile manufacturers (Company A and Company B) and their unions from 1992 to 1994. The study could not have taken without the generous cooperation of these companies and unions. We are most grateful to all those who were interviewed.

** Associate Professor, Faculty of Economics, Kyoto University.

person, executive vice chairpersons (of which there are three), and general secretary. The union has ten special divisions and there are 59 full-time union officers, including division chiefs, local branch chiefs and delegates from supra-union organizations. There are nineteen branches, most of which are specific to particular establishments. The union has about 64,000 members.

Figure 1 shows how Unions B is organized. The highest decision-making organ is, of course, the Conference, which convenes only once a year. Decisions on ordinary matters are made by the Council.

II Joint Consultation System

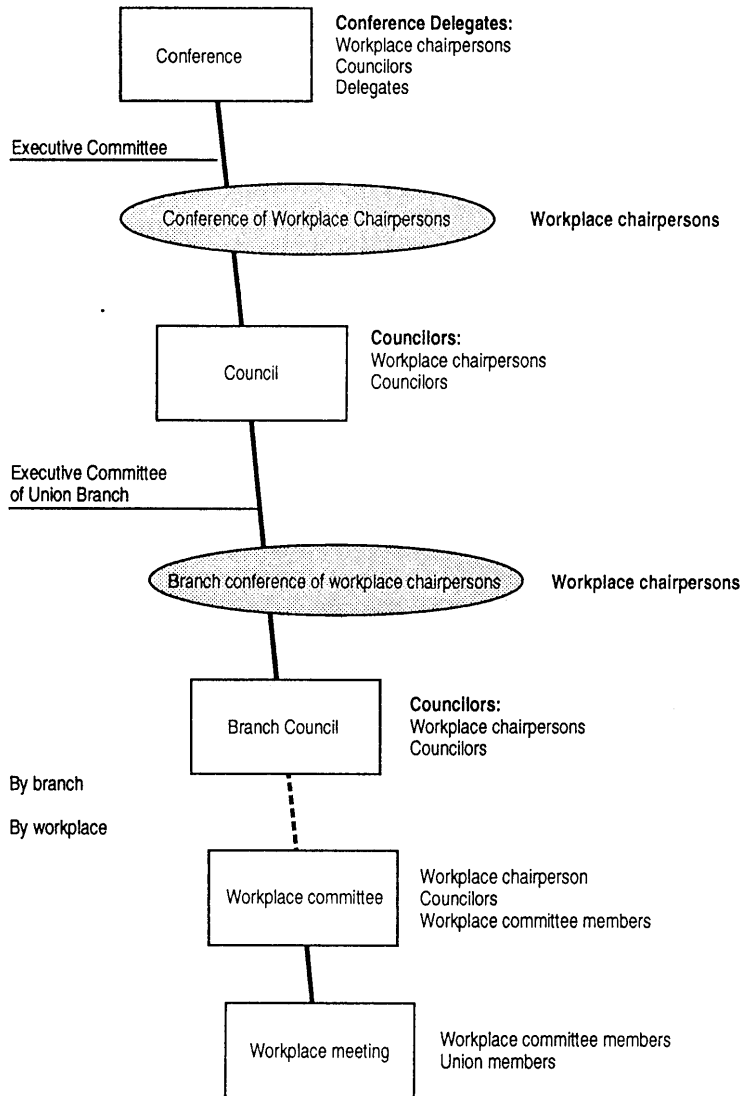
At Company B, collective bargaining activities such as wage negotiations are conducted under the joint consultation system. This procedure is rather uncommon among large companies in Japan, as wage negotiations and other collective bargaining activities are separate from joint consultations at Company A and other large firms, but actually there are few essential differences between practices at Company B and at Company A.

Table 1 shows Company B's joint consultation system. The joint labor-management consultation conference and the labor-management round-table conference deal with corporate-wide issues. Negotiations over working condition, including wages, lump-sum payments and working hours, are held by the former. Negotiations over lump-sum payments and working hours are now being conducted in the Spring, at the same time as wage talks are held. Thus the union's "spring labor offensive" (*shunto*) is one aspect of the joint conference. This point is elaborated upon below.

The labor-management round-table conference nominally consists of 36 members with equal numbers of management and labor representatives. Among the former are the executive vice-president for personnel affairs, all senior managing directors, and the heads of establishments (generally an establishment consists of two plants). Actually all executives including the president (except those who, for example, happen to be abroad on business) participate in the meetings and this raises the number of management representatives to over forty. On the union side the eighteen representatives consist of the five top-ranking officials, the division chiefs, and the senior staff in charge of research, industrial policies and so on. Again, however, the actual number of participating representatives is higher and amounts to about 55 including all members of the executive committee.

Meetings of the labor-management round-table conference are held three times a year—in late January, late August and October. The late January meeting is mainly an explanation of management's plans for the year. The meeting in late August, the end of the union's fiscal year, centers on a general review of union activities. At the October meeting the union's policies for the new fiscal year are explained. Of course other important topics are also discussed at these meetings. In the year we carried out the survey, major issues which were discussed included the

Figure 1 The Administrative Structure of Union B



Workplace Officials

Workplace chairperson
(head of workplace with 300-600 union members)
Chairs meetings of workplace committee and workplace round table

Councilor
(one for every 100 members)
(councilors include workplace chairpersons)
Has right to vote on union activities as Council member

Delegate
(one for every 75 members)
(delegates include councilors)
Attends Conferences together with workplace chairpersons and councilors and determines policies; assists councilor in daily activities

Workplace committee member
(one for about every 15 members)
Workplace official closest to rank and file members: listens to their opinions and requests, deals with their grievances, takes care of them, and monitors

Table 1 Company B's Labor-Management Consultation Meetings

| Name of meeting | Subject | Role | Participants | Notes |
|--|-----------------------|--|--|--|
| Joint labor-management consultation conference | Corporate-wide issues | (1) Negotiate over and settle on working conditions, including wages, lump sum payments and working hours (2) Discuss urgent problems | (union) Executive Committee (management) Directors | Details are discussed at sub-committee meetings: (1) Production Committee (2) Safety, Health and Environment Committee (3) Welfare Committee (4) Wage Committee (5) Personnel Committee |
| Labor management round table conference | | Frankly exchange opinions about urgent problems to deepen mutual understanding and ensure that measures taken by management reflect the union's perspective Regarding specific problems, a limited number of representatives of both parties meet and discuss them in a timely manner | (union) Executive Committee (management) Directors | Held in February August and October Held two or three times a year |
| Branch union round table meeting | Branch union issues | Exchange opinions on issues pertinent to the entire branch such as the workplace environment, paid holidays, modes of production and work | (union) Executive Committee Workplace Chairpersons (management) Directors, Department Managers, Deputy Department Managers | Held at the beginning, in the middle and at the end of the fiscal year |
| Workplace round table meeting | Workplace issues | Exchange views on various daily issues at the workplace | (union) Workplace officials (management) Department/ Section Managers | Held monthly If necessary the Executive Committee member also attends. |

profit ratio and prospects for domestic sales and the exchange value of the yen. Questions raised at these meetings are answered by personnel from the relevant sections of the company. The meetings last 90 minutes, as do the joint consultation conferences.

Substantial joint consultations are held at meetings of various subcommittees. The wage committee, which reviews the wage system, is the most active of these and comprises eight executives, including directors, and eight union representatives including a vice chairman. In contrast to the meetings of the joint consultation conference, the time and length of these meetings are not fixed but they are generally held three times a year. At these meetings management replies to union demands for higher wages and lump-sum payments, and presents proposals for wage raise allocations with which the union ordinarily agrees. Hence there are few disputes concerning the allocation of wage raises because there is consent for the established rule.

The safety, health and environment committee customarily meets twice a year but an extraordinary meeting is held when a fatal accident involving a worker occurs. Minor accidents involving workers are dealt with by the safety and health committees at each establishment, which meet monthly as required by law.

There are several other subcommittees which do not hold regular meetings, gathering only as required.

Two monthly briefings, which are not negotiations in the strict sense of the word, provide opportunities for workers and managers to exchange views on ordinary staffing affairs. The production and personnel transfer briefings are held one after the other and in that order around the twentieth of every month. The production briefing is attended by two managers from the Production Control Department, about three managers from the Personnel Department, and the union's Industrial Policy Division head and the branch chiefs. (The union's executive vice chairman in charge of production may also attend depending on the circumstances). Roughly ten to fifteen people attend these meetings. After the production briefing ends and the managers of the Production Control Department leave the room, the personnel transfer briefing begins.

The company explains its plans for holiday work and projected overtime hours per day for the next month at the production briefing, and transfers at the personnel transfer briefing. The purpose of these meetings is explanation, not negotiation. Upper limits for holiday work and overtime hours have been established previously as a result of labor-management negotiations. If the company repeatedly plans to schedule these items at the upper limits there is growing discontent among workers and subsequently the union representatives express dissatisfaction. The Personnel Department must manage in accordance with the production plan and at the same time set working hours so as not to give rise to complaints from the union and the workers.

Plant-level labor and management representatives discuss personnel assignment affairs before or after the corporate-level production briefings. At these meetings

union officials acting on behalf of workers may complain to the plant's personnel section about excessively hard work. Thus the union checks management. At personnel transfer briefings the union is especially attentive to transfers of union officers and the names of those to be transferred are released, while only numbers are given for transfers of workers temporarily loaned from one plant to another.

Just how are negotiations between labor and management conducted? The next section addresses this question by referring to two cases: a revision of the wage system and the spring labor offensive.

III Cases of Labor-Management Negotiations

1. Negotiations for revision of the wage system

Until quite recently Company B used a seniority-based system which combined basic pay that rose according to the length of service and a group-efficiency-based wage. But, because the number of white-collar university graduates working in the company had increased and corporate growth had slowed, management decided to introduce a capability-based pay and assessment system to increase wage differentials among employees with identical length of service. Both labor and management share the philosophy of "try hard and you will get more" but this does not imply that there is no disagreement between labor and management.

The company's basic stance was as follows.

1. Production allowances for production workers make them willing to work harder because the efforts of the group are directly reflected in their wages. But in the case of office workers and engineers, production efficiency is not directly linked to effort so a production allowance is difficult to support. Moreover, even for production workers it is difficult to ascertain to what extent an individual's effort should affect his or her wage because the production allowance is calculated by multiplying the worker's basic pay by an efficiency coefficient for the worker's particular workshop.

2. The wage structure is preponderantly based on seniority, so in some cases wages are out of balance with employee ability and, furthermore, cost of living.

3. The current wage system was adopted two years ago. Its objectives are: to better reflect the individual's ability, to provide workers with motivation for continuously trying to reach goals, and to clarify to employees the standards for determining wages. But these objectives have not been fully attained because capability-based pay and age allowance amount to only about 10% of the payment. Even if employees work harder, they may not get more.

The company's stance as described above was also shared by the union. Regarding details, however, there were differences between labor and management. The company wanted to base its wage structure on the worker's personnel ranking, while the union called for secure pay raises. The joint consultation system was used to resolve the problem. An extraordinary labor-management committee was established and met four times in about six months. The union held workplace and

workplace committee meetings, and informed members of what was discussed in the joint meetings. After gathering members' opinions, union representatives presented the union's viewpoint at the next joint meeting. For example, after the first joint meeting the position of the union executive committee was as follows: Wages must be well balanced between "payment for work" and "financial resources for living"; merit ratings must be based on criteria which are more clearly defined and the results of the ratings must be disclosed in order to promote a capability-based payment system; a production allowance is difficult to accept, especially for white-collar workers; and the system must reward those who work hard.

Through this process the union firmed its basic stance and moved negotiations to the meetings of a wage committee as a formal joint consultation body. Meanwhile management formulated its own proposals for revision through the process of discussions by the extraordinary labor-management committee.

Management proposed the following: cancel the agreement on a regular basic pay raise; make the production allowance for production workers a proportion not of basic pay but of standard amounts according to personnel ranking; and adopt new wage structures as shown in Table 2. The last of these was meant to clarify the previously ambiguous concepts of basic pay and of the production allowance linked to basic pay. Regarding production workers, for instance, an age allowance was to be awarded for age-related changes in living expenses, capability-based pay was to be awarded for worker ability, and a production allowance was to be awarded for improving efficiency through teamwork.

Table 2 Management's Proposal for a New Wage System

Note: Percentages are rough estimates indicating proportion of total wages.

(1) Proposed revision (for production workers)

| | | | |
|-----------------|--------------------------------|----------------------------|---------------------|
| Basic pay (40%) | New production allowance (20%) | Capability-based pay (20%) | Age allowance (20%) |
|-----------------|--------------------------------|----------------------------|---------------------|

(Family allowance and rank allowance paid as under current system)

(2) Proposed revision (for white-collar workers)

| | | |
|-----------------|----------------------------|---------------------|
| Basic pay (40%) | Capability-based pay (40%) | Age allowance (20%) |
|-----------------|----------------------------|---------------------|

(Family allowance paid as under current system)

(Reference) Current proportions for each wage item (all employees)

| | | | |
|-----------------|----------------------------|----------------------------|---------------------|
| Basic pay (40%) | Production allowance (40%) | Capability-based pay (10%) | Age allowance (10%) |
|-----------------|----------------------------|----------------------------|---------------------|

(Family allowance and rank allowance also paid)

From the first the union had agreed to separate wage systems for production workers and white-collar workers. Actually it wanted the age allowance to account for a greater proportion of wages.

The union expressed some concerns about management's proposal and called on the company to: ensure fair evaluations (to reveal the results of merit ratings to workers and to provide thorough training for evaluators); establish a regular pay raise system; and determine a new production allowance according to personnel rank plus the degree to which the employee had mastered the job. The union was fearful of a system in which wage increase are based only on rank promotion, but did not oppose changing the basis of the production allowance from basic pay to personnel rank.

A detailed explanation of the year-long consultations over these issues cannot be included here so only the resulting compromise will be described. Company B's system for regular pay raises had two main elements. One was an age-related element, and the other was a so-called "agreement on regular basic pay raise." This was "a labor-management agreement on adjusting next year's wage increase on the basis of the current year's regular pay raise according to personnel rank." In other words, labor and management agreed on a minimum wage increase for the next year. Supposing that labor and management had agreed one year before on a regular raise in basic pay of ¥2,000 for a certain rank, and that the spring offensive won an average ¥5,000 increase, ¥3,000 of that hike was regarded as improvement of wage level. Management held that pay raises should not be determined beforehand because the share of age allowance which considers only living expenses now accounted for 20%. The company wanted to end the system for guaranteed regular pay raises based on the agreement, which was irrespective of upgraded capability.

The union believed that the company's regular pay raise system was difficult for the union members to understand and called on management to adopt a more clearly-defined system covering a period longer than one year. It can be said that labor and management views of regular pay raise were diametrically opposed. As a result of negotiations both parties agreed to continue the regular basic pay raise system. The weight of a periodic basic pay raise became lighter because the new production allowance is calculated on the basis of the employee's personnel rank rather than basic pay, and wages will certainly increase every year due to the introduction or expansion of the age allowance. Thus it is impossible to evaluate management's decision on the so-called periodic pay raise system straight and, regardless, this result is nothing but a compromise between labor and management.

The union's demand for disclosure of merit ratings was not satisfied. Opinions on this issue were divided both among managers and within the union. Although most union members supported the demand, more than a few were cautious regarding disclosure. In the end management's desire to withhold the information prevailed though the union won a pledge to supply evaluators with better training.

Lastly, the company agreed to raise wages according to skill improvement for

at most three years. The union's initial request for pay increases for those who remain at the same rank was denied.

The wage system was revised in the course of joint consultations which took place over a period of about one year. During this time the union repeatedly held discussions at workplaces.

2. Spring labor offensive

In Company B the Spring labor offensive is focused on the joint consultation conference attended both nominally and in fact by much the same people as the labor-management round-table conferences. The consultation meetings are usually held five times, largely for the purpose of wage negotiations, with each meeting lasting approximately 90 minutes.

In the early 1990s the negotiations took place as follows: in mid-February the union proposed negotiations and the first consultation meeting was held in late February; afterwards labor and management representatives met weekly and reached agreement at the fifth meeting, in late March.

Macroeconomic issues were discussed at the first meeting: a proper form of wage increase for Japanese economy, wage determination related to economic performance, and so on. The union asserted, for example, the growth of consumer spending.

At the second meeting, labor and management each spent about fifteen minutes expressing their views about manufacturing industries in general and about the automobile industry. This was followed by a question and answer session.

Third meeting moved to specific issues concerning the company: union members' living conditions, comparisons of Company B's wages with those paid in other industries or by other companies in the same industry, etc.

At the fourth meeting the opinions of workers which had been voiced in workplace discussions were presented by the chiefs of the union branches. Management representatives argued against the union's demands.

The last meeting was held in late March. Management presented its "one-shot reply" and the union ordinarily accepted it, concluding the year's Spring negotiations over wage increases and lump-sum payments. The year when we observed the process, the union representatives voiced immediate acceptance of management's reply. Sometimes, however, the union rejects it and then proposes that the consultation meeting be suspended. All workplace chairpersons are in the union hall, so a meeting is held there and the bargaining representatives discuss with the workplace chairpersons whether to accept management's reply, while the management representatives wait. In recent years this turn of events has been rare though it did occur several times in the past.

Of course the joint consultation conferences do not take place in the absence of prior working-level negotiations between the two parties, and prior consultation between the secretariats is especially important. These meetings focus attention on management assertions and questions posed by the union, and vice versa, to ensure

that the formal meetings proceed smoothly and within the limited period of time. The amount of wage raise is discussed by top labor and management officials: the executive vice president for personnel affairs and the executive director in charge, and the union officials holding the three top positions. This is very difficult bargaining because those involved must come up with figures which are acceptable to both labor and management. Though it may appear to be a unilateral declaration by management, the company's "one-shot reply" is actually formed through these meetings.

Conclusion

This paper focuses on Company B's labor-management consultation system, but Company A has a similar system. In order to understand labor-management relations in Japan's automobile industry it is necessary to examine the union activities which take place on a daily basis, including responses to management's personnel assignment decisions associated with production changes and grievance settlement. In order to comprehend labor-management relation systems within the companies one must understand the attributes and characteristics of union officials and the system used by the company's personnel department. We intend to address these matters in the near future.