

# Infiltration of the “New Japanese-Style Management System” for an Enterprise Union—Case Study of a Japanese Electrical Appliance Company

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*Abstract* The “New Japanese-Style Management System” was introduced by the Japan Business Federation in 1995 to reinforce the “Three Sacred Treasures” that are peculiar to the management style in Japan. This paper investigates the penetration and influence of the New Japanese-Style Management System on the enterprise union and union members as well as labor-management relations by providing examples such as testimonials and documents. The purpose of this is to observe how the union deals with various company measures and how these measures are exchanged between the union and management. This paper treats a certain electrical equipment manufacturer and its labor union to conduct this research.

*Keywords:* Three Sacred Treasures, New Japanese-Style Management System, Enterprise Union, Case Study

## 1. Introduction

The Japan Business Federation introduced the “New Japanese-Style Management System” in 1995 to reinforce the “Three Sacred Treasures” (Abegglen, 1958) that are unique to the Japanese style of management. The New Japanese-Style Management System espouses three basic philosophies: seniority-based salaries should be replaced with performance-based salaries, management should operate from a long-range perspective, and employment portfolio. On the other hand, Three Sacred Treasures refers to lifetime employment, the seniority criterion, and the enterprise union.

The employment portfolio is modeled on labor market flexibility (Atkinson, 1984) (Morishima, 1995). There can be four types of flexibility; External

numerical flexibility, Internal numerical flexibility, Functional flexibility, Financial flexibility.

External numerical flexibility refers to the adjustment of the labor intake, or the number of workers from the external market. This can be achieved by employing workers on temporary work or fixed-term contracts or through relaxed hiring and firing regulations or in other words relaxation of Employment Protection Legislation, where employers can hire and fire permanent employees according to the firms’ needs. Internal numerical flexibility is sometimes known as working time flexibility or temporal flexibility. This flexibility achieved by adjusting working hours or schedules of workers already employed within the firm.

Functional flexibility is the extent employees can be transferred to different activities and tasks within

the firm. It has to do with organization of operation or management and training workers. This can also be achieved by outsourcing activities. Financial flexibility is in which wage levels are not decided collectively and there are more differences between the wages of workers. This is done so that pay and other employment cost reflect the supply and demand of labor. This can be achieved by rate-for-the-job systems, or assessment based pay system, or individual performance wages.

The employment portfolio is that all employees in a company can be categorized into three groups (See Figure 1). One group comprises full-fledged employees who are entrusted with the key business responsibilities. They generally belong to administrative bodies and are mainly engaged in regulatory administrative activities (Kagaguchi, 2008). These employees draw seniority-based salaries and are eligible for internal promotions. The second group comprises expert employees who are in charge of technical or professional matters. These employees are on the annual salary system. The third group comprises part-time workers, or the so-called peripheral workforces (Norma, 1989; Baba, 2004), who are responsible for the odd or non-key business. A company assigns its staff to ensure that the right person is in the right position by combining the employees from each of these three groups.

Full-fledged employee is concerned with Internal numerical flexibility and Functional flexibility. They are internal group and a monthly salary in Japan. Expert employees and part-time workers are with External numerical flexibility and Financial wage flexibility. They are from out of a company (external), and sometimes just-in-time.

For ten years after the introduction of the New Japanese-Style Management System, companies would implement any kind of change or reform for workers. The Ministry of Health, Labor and Welfare (MHLW) surveyed various investigations into employment portfolios and results-based pay. Particularly in late years, Global Economic Crises from October 2008 generates a strong unbalance of labor market (Daniela, 2009). And this tendency also accelerates in Japan. For example, the ratio of part-time workers is 34.1% at 2008 (Statistics Bureau, 2008).

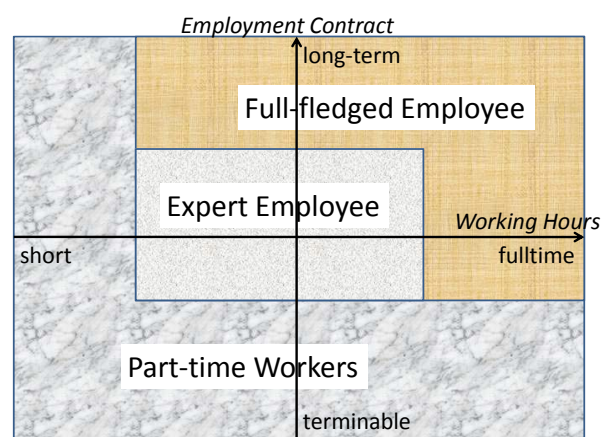


Figure 1: Employment Portfolio  
(quoted from *New Japanese-Style Management System*)

From the employer's perspective, first, regarding employment portfolios, the abandonment of lifetime employment and the inflection of non-regular staff are remarkable. Next, regarding results-based pay, placement and promotion attach great importance to a worker's ability, and his or her performance is reflected by his or her wages. According to the employment management investigation by MHLW, for the question related to "the policy of the future human resource management," the response "serious consideration for lifetime employment" showed a

tendency to decrease over time: 27.1% (1990), 18.9% (1996), 8.5% (2002). The response “mainly attach great importance to a meritocracy” to the question concerning “the policy of the future human resource management” showed a tendency to increase over time: 41.0% (1990), 48.4% (1996) 55.9% (2002).

On the other hand, from the perspective of the worker, there is anxiety regarding employment cutbacks and distrust of results-based pay. In the survey by JIL (2004), approximately 50% full-time workers and 60% temporary workers answered “uneasiness about unemployment.” But under the latest economic environment, re-establishing the balance on the labor market is very difficult (Zirra,2009).

With respect to labor union strategy, the New Japanese-Style Management System states that the function and role of the enterprise union is to establish flexible duties, placement, and job switch with innovation through the promotion of communication in various companies, mainly on the labor-management conference system. It further states that these accomplishments have contributed greatly to the growth of companies and job security. It also states that in the future, stable relations between the labor force and management must be developed and maintained, and both sides must cooperate and assent to reforms made to working conditions.

Thus, to achieve these objectives, what would be the process followed by the labor union—the representative of the laborer? In Japan, under union-management cooperation, a labor union allows its regulatory influence to decrease, and large Japanese enterprise unions are apt to look positively toward a company’s benefit (Ogoshi, 2006).

## 2. Objective and Method of This Research

This paper inspects the penetration and influence of the New Japanese-Style Management System on the enterprise union and union members as well as labor-management relations by providing examples such as testimonials and documents, and observing how the union deals with various company measures and how the exchange between the union and management functions. In particular, this paper is limited to three problems: replacing the importance of lifetime commitment with that of the employment portfolio, which is key concept of it, the long-range perspectives of management, and the replacement of seniority-based salaries with performance-based salaries. However, these problems are slightly more profound than the scope of this paper. Baba (2004) discussed the trends of the Japanese employment system and Ogoshi (2006) criticized the employment portfolio.

This paper uses a certain electrical equipment manufacturer (called Company A) and a labor union in Company A as cases to examine the changes to the management system in Japan. This company has nine business establishments including the main office located in Tokyo’s inner city, and it gets the profit of the top-class in electrical equipment manufacturers in Japan. Company A’s labor union is not part of the umbrella group (Rengo, Zenroren, etc.), and it belongs to a not-strictly meeting organized in a labor union in the industry concerned. It coordinates with the main body of Company A and the sale division of it (as well as the person of loan to the associated companies or other companies) as a union shop. The union of Company A is under the union shop and consists of all

of its office workers and factory workers. Furthermore, union membership has been approximately 20,000 workers worldwide for the last 20 years. This union is a trade union. The general plan of the union declares the capital-labor cooperation policy and corporation for incensement of the productivity. In the general plan, the union demands reasonable results in the distribution of management through several union activities.

The labor-management council holds by all means once a month by a labor agreement. There are two levels in the council: the whole company level and individual plant or establishment unit level. At the whole company level, the council is responsible for regulating the wages and working conditions in all companies. At the individual plant or establishment level, it is responsible for working or welfare conditions in the workplace (e.g., the workers' dining hall).

Figure 2 show a labor-management council at an establishment level. The left side is union and the right side is management. Union side consists of union committees and some union member, and management side consists of the head of it and some directors.



Figure 2: a labor-management council

This research adopts the action research approach using the documents of both the union and management and the personal statements of the members of Company A. The union documents are a bulletin that the union headquarters publishes and distributes to all of its members and the research report of the union committee. The management documents are the company rule that is related to many systems in the company, an agreement between labor and management, and the reports and minutes of the joint labor-management council. The action research period is from 2000/04 to 2004/09. The inquiry periods are 2002/03, 2002/06, 2003/01, 2003/12 and 2004/02.

### 3. Lifetime Commitment to Employment Portfolio

Because an enterprise union mainly organizes a full-fledged staff, it often overlooks the situation and the demand of a part-time worker. As it gives priority to protect the vested rights of the full-fledged staff over the demand of the part-time worker, it accepts an employment portfolio. Without exception, the labor union in Company A organizes only a full fledges staff, and accepts employment portfolio.

Company A appears to make a clear distinction between lifetime commitment and the employment portfolio. The president stated the following: “What is most important is management’s ability to obtain good business results and guarantee the employment of workers” (union bulletin 2002.05.23) and “Strong corporate constitution can guarantee employment in a severe environment” (union bulletin 2003.10.15). This suggests that top priority is given to maintaining employment.

It will not permanent system but is even anxiety in coming to naught. The manager of the personnel department stated that “lifetime commitment is important as a business strategy,” (New Management Study, 2002). Moreover, the president always states that “because a company fights in a group of workers, our company becomes stronger by lifetime employment to give an employee community bound together by common fate.”<sup>1</sup> The employees seem to be encouraged to embrace lifetime employment to share the fate of the company. It calls “change in personnel in the group company” to loan to the subsidiary. The president of the sale company usually states that “the loan to the subsidiary is a part of the change in personnel.”<sup>2</sup> There is no limitation to the period of employment and the career path is not stated clearly. It is virtual one way not back to way. The president stated “The worker may approach other companies of his own volition if such a change is not good” (union bulletin 2004.01.21). For this remark, “you lie down to leave if unpleasant,”<sup>3</sup> loses centripetal force, but the labor union executives do not argue it clearly.

Company A’s official philosophy is one of lifetime commitment; however, in practice, the emphasis is on the employment portfolio. There are 18,800 regular employees and 16,000 non-regular employees in total in Company A in Japan. In a certain development business establishment, there are about 900 non-regular employees and about 800 regular employees. In a plant, there are about 600 non-regular employees, who work in three shifts, and about 200 regular employees, half of which work in

three shifts (as of January, 2006). Kimura (2006) pointed out that it is difficult to transfer know-how, and technical hollowing out is common.

A regular employee said “Only the employees of the subcontractor (non-regular) increase, even if I demand an increase in regular staff, and the regular staffs do not increase but the work continues to increase.”<sup>4</sup> Another employee said “It is hard for inexperienced regular staff to command five non-regular employees.”<sup>5</sup> A non-regular employee said “the conduct by an inexperienced young employee who does not understand technology and the situation is hard for me.”<sup>6</sup> Because an enterprise union (including the enterprise union of Company A) mainly organizes regular (full-fledged) staff, it often overlooks the situation and demands of part-time workers. As its priority is protecting the vested rights of the regular staff rather than the demand of the part-time worker, it accepts an employment portfolio.

#### **4. Long-range Perspectives of Management**

In recent years, Company A has practiced various measures that have sacrificed the employees’ benefits (i.e., welfare cuts). Therefore, labor-management negotiations are necessarily held, and union disputes are incorporated in the agreement formation process. In Company A, labor-management negotiation follows certain patterns: joint plan, management initiative (company proposal) and union initiative. The joint plan system concerns changes to the wage structure, and this can be depicted as follows: the

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<sup>1</sup> From Union staff (2003/01)

<sup>2</sup> From Union staff (2002/03)

<sup>3</sup> From Union member (2004/02)

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<sup>4</sup> From Union member (2004/02)

<sup>5</sup> From Union member (2004/02)

<sup>6</sup> From Non-regular staff working in Company A (2004/02)

problems of both labor and management are submitted → versatile creative talks → joint plan → discussion between union members → solution. Management Initiative constitutes the abolition of an agreement: Company proposal → labor (headquarters)-management talks and negotiations → union headquarters answers → discussion between union members → union answers → agreement or breakdown. Union Initiative represents a debate over past wages: Union proposal and union dispute → negotiations between the union and management → company answer → agreement. The company proposal for the union or joint plan changes a union committee proposal for the members upon the acceptance of the union committee. The union committee shows the proposal resulting from the union dispute discussions to the union members and gets an agreement.

The key point is the union discussion. They portrays itself as having accepted the company's various measures in the name of the long-range perspective and persuades the union members to do the same. Before the union committee begin discussion, they state that "the measure, whether it leads to future company development and the future happiness of the workers" and "we will certainly recognize the severe management environment and the sense of impending crisis of the company and improve productivity as a whole." This suggests that labor-management relations are a "reproduction" in the union, as Suzuki (2001) pointed out.

And the union discussion is usually inside held in a meeting room in the company. Figure 3 shows a union discussion in it. The left side is union committee and union members surround him. He explains union's policy and they listen to him. What should

mention specially, in spite of the union inside, the Red Flag, which symbolize a labor union, is not seen at all.



Figure 3: The Union Discussion

Two of Company A's plants were divested in 2002 and 2003, and the wages of all of the employees in those plants were cut. According to Japanese law, divestiture is no agreement of union, but need of explanation for employee. If negotiations take place over wage cuts, an agreement from the labor-management council is indispensable. Throughout the negotiation, the union agrees that "there is not it by the way of thinking to be aimed for personnel expenses reduction at all. It is second guessing." (union bulletin 2002.11.25) and that "it is a system that provides job security and is the measure that attaches great importance to respect" (union bulletin 2004.01.16). The union committee follows the management rather than the union members. As a matter of course, a lot of union member claimed that "it is local bullying" and "only a wage fall can think to be only a purpose" (union bulletin 2002.10.30).

"Reproduction in the union" is represented in the abovementioned divestiture case by the following statement: "I took union members for negative assent when unavoidable because there was bread and butter

and wanted to stay on this place.” A union member said “Someone was transferred to another branch of Company A without agreeing to the relocation, but from the company perspective, such a person will not commute, nor will he be welcomed as a friend of the laborers if he returns here will not come to here, and it will not be returned to here as a friend of the laborers either.”<sup>7</sup> This is an example of the isolation of the worker from union or other workers (union members).

The flextime system was abolished at 2003. This system is not for all full-fledged workers but part of them. The management stated that “we predicted the part which could become the weak point of the company and take any other course” (union bulletin 2002.04.26). In contrast, the union committee, even agreement or objection, is opportunistic to state that “it really led to future company development, and we should judge the maintenance or abolition of the system after having ascertained essence whether was tied to the happiness of the workers” (union bulletin 2002.04.26). The workers were not supporting union committee and complained “Neither the company nor the labor union understands us “, and “union committee works as a tool of the management authorities” (union bulletin 2002.12.17). On the contrary, not flex-time workers often said “Both the union committee and management may look at only the complexion of them, not for us at all.” This is another example of the isolation of the worker from union or other workers. The worker should originally unite, but cut into pieces under this situation. Collective bargaining may not be consisted.

## 5. Seniority-Based Salary to Performance-Based Salary

There is indication to have a lot of parts that the wage of workers (both white collar and blue collar) is entrusted to the each individual worker in Japan (Ishida, 2003), not based on collective bargaining. In 2002, the wage system of Company A changed from according seniority-based salaries to performance-based salaries.

The union encourages individualism more so than solidarity among the workers. It is very difficult for a labor union to regulate the wages in the performance-based salary system (Ogoshi, 2006). At the annual spring offensive briefing session, the union leader of an establishment communicated the following (union bulletin 2001.02.15) to the union members: “Each of you can increase your salary yourselves by bargaining with your manager. You can raise a salary by oneself by an each person's bargaining to your manager.” This supports the assertion that the individualization of wages advanced in this system. The annual spring offensive, which has been a tradition in Japan for about fifty years, is not important for the union. The union president stated “What is most important for our union is to ensure a comfortable working environment, not bargaining for wage increases for the group every spring.” The union leader also said “The individual labor and management are of utmost importance.” This implies individual human resource management (union bulletin 2001.02.15).

Moreover, there is a correspondence between the union and management. The union committee accuses the union member of not contributing to the effectiveness of the company in the action policy program: “You should identify personal growth with

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<sup>7</sup> From union staff (2004/02)

the development of the company and think seriously about what you should do and what you contribute to this company.” This is similar to the remarks of the manager of the personnel department of Company A: “the worker in our company is a strong individual” and “a strong organization is made by strong and autonomous individuals” (union bulletin 2003.10.15).

Most of the union members, however, do not trust the union. In a deriding manner, they say that “the union looks like the human resource department” or “a weak labor union.” In particular, someone asked “Why is the union explaining management’s measures?”<sup>8</sup>; this provides a good illustration of the labor-management relations as “reproduction” in the union, as mentioned above.

With respect to in-house training, management states that it is an “important part of the corporate strategy,” but that the employee should be given autonomy: “Each employee will wear a skill premeditatedly about own carrier” (union bulletin 2001.05.14). Keeping pace with management, the union committee wrote the following in its action policy program: “raise employability through self-culture and development.” This statement is perfectly in line with the approach of human resource management: “It is necessary to contribute to the development of the company.” However, the in-house training system is a castle in the air. The union members stated that “My duties keep me very busy and I have no time to go for the training,” and “I will suffer if I go for the training because there is no one else to perform my duties.”<sup>9</sup>

## 6. Conclusion

This paper inspects the penetration and influence of the New Japanese-Style Management System on the enterprise union and union members as well as labor-management relations by observing how the union deals with various company measures and how the exchange between the union and management functions. In particular, this paper is limited to three problems: replacing the importance of lifetime commitment with that of the employment portfolio, the long-range perspectives of management, and the replacement of seniority-based salaries with performance-based salaries.

The union in Company A particularly followed that “work at cooperation and assent to a change and reform of working conditions” so that “maintenance and development of the stable relations of the labor and management in the company.” For the function of the enterprise union, the estrangement between the union committee and union members is unavoidable; however, the mutual understanding between the union committee and management is strengthening.

The union committee conducts daily negotiations and is in contact with management. Moreover, the way of thinking of the management officials and their backgrounds provide access to secret management information to some extent (Doore, 1973). The time taken, such as in negotiations or events, is abundant in comparison with the union members. The union committee claims “We have intense negotiations out of sigh of the other members of the union.”<sup>10</sup> Furthermore, Shinoda (1989) mentioned the following: “An important factor is put for the informal negotiations.” This is taken as “the black box of

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<sup>8</sup> From a Union member (2003/11)

<sup>9</sup> From a Union member (2002/06)

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<sup>10</sup> From Union committee staff (2003/12)



negotiations between management and labor” for other union members. However, an enterprise union, which should be expected to be constantly responsible for management (Ogino, 2005), causes union committee the self-imposed restraint for the management.

As for the role of a new labor union, I suggest activities that enable both sides to regard matters from the viewpoints of both individual labor and management. Dissatisfaction and complaints over evaluation results and treatment are necessarily increasing because of the clear correspondence between the result and the treatment. And with BtoE (Business to Employee) model (Mohini,2008), such union services can be provided for distributed places (small office and overseas office, even if no union committee member presents) or home worker.

The union has a strong ability to consider matters from the perspectives of individual labor and management simply because it is an enterprise union in a company that promotes union-management cooperation. It can assess situations and access secret information because of true union-management cooperation, that is, a union member’s situation and background in the company, personal circumstances such personal relationships and family conditions, the product schedule, and on-site work assignments. At this point, the role of the labor union remains vital. As a safety net for the employees, union members should be able to rely on the union when they have difficulty.

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