

LABOR AND THE RESTRUCTURING OF JAPAN'S IRON AND STEEL INDUSTRY

-- "Japanese Management" and the Dual Economy --

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## 1. Management Strategy in the 1980s

The oil crisis of 1974 saw the beginning of a low growth period for the Japanese economy. The high value of the yen which settled in following the Plaza Accord of 1985 was particularly responsible for the growth of a sense of crisis in the business world. The new strategy formulated by the Government and the monopolistic enterprises of Japan was to accept U.S. demands for market liberalization and the expansion of domestic demand and to promote the relocation of production facilities overseas, converting domestic industry to a fully multinational status and, on the domestic front, promoting restructuring by reducing unprofitable sectors, seeking new business opportunities, diversifying management, and developing new products within the domestic market.

The slogan of "efficient productivity" which prevailed throughout the country in the 1960s has now been replaced by those of "internationalization", "diversification", and "flexibility". It is generally accepted that those who do not follow these policies will not be able to survive. These are merely terms which express the capitalistic management perspective; when examined from the workers' point of view the same strategy creates the negative conditions of "deindustrialization", "employment

instability", and "extended working hours". Unable to view the situation from a perspective other than that of management, people do not realize the ridiculousness of workers joining the chorus chanting capitalist slogans.

As a result of successful industrial restructuring, Japanese firms achieved a record increase of 25.75% in operating income for the period ending in March, 1989 (48.3% for the manufacturing sector), and Westerners are bound to be intrigued again with the secret of "Japanese Management". Admittedly, the monopolistic industries in Japan are doing their utmost to achieve better management. But the same system would not necessarily succeed in Western countries since conditions are not the same. Japan is definitely different in that the workers, who counter the force of the management, lack class consciousness.

This paper discusses the example of the iron and steel industry in demonstrating how industrial restructuring in a depressed industry took place, and introduces the concrete methods employed. In the course of the discussion, we shall see how a new multilayer workforce structure was created, how working conditions have changed, how family life was affected, and what impacts the change in workers' awareness will have on the "Japanese Management System". Lastly, we shall delineate problems in the reorganization of enterprise labor unions entailed by restructuring, analyze the

political significance of the ongoing reorganization of labor's "national centers", and take a close look at the dark horse movement which will direct politics in the 1990s.

## 2. Restructuring in the Iron and Steel Industry

### 1. Japanese methods of rationalization

If business strategy demands the elimination of unprofitable operations and advances into new business fields, the simplest approach to personnel administration would be to dismiss those workers involved in the unprofitable sectors. Japanese enterprises, however, have always encouraged loyalty to the company on the part of workers through the promise of lifetime employment, and have stabilized the labor/management relationship. The world-renowned "Japanese Management System" is characterized by three major features:

1) Lifetime employment: hiring employees fresh out of school on a lifetime basis; 2) Seniority-based wages: promotions and wage raises are provided according to seniority as the employee accumulates skills and experience within the company, guaranteeing the livelihood of the worker's family; 3) Enterprise labor unions: all the clerks, engineers, and laborers of a company join the union together, thereby facilitating labor/management compromises. A worker does not conclude an employment contract with an employer; rather, he or she joins a business community and becomes linked to its destiny until the very end. This is referred to as "family management".

Within a labor/management relationship such as this, sudden dismissals create problems. Those managers of declining industries who underwent the bitter experience of mass dismissals in the 1950s, which resulted in large scale labor disputes, have learned their lesson and are therefore trying to decrease the number of employees gradually rather than abruptly.

Let us peruse the "Midterm Integrated Plan" published by five steel companies in 1987.

Annual crude steel production is to be reduced from 120 million tons to 90 million tons. The total number of employees working in the steel making sections of the five major companies (119,750 employees) will be reduced by 32% (38,300 employees) over a period of three years. Taking the example of Company A, 4 out of 12 blast furnaces in their 8 domestic steel mills are to be shut down in order to lower the production quantity of crude steel from 34 million tons to 24 million tons. The plan includes a huge personnel cut of 40%, from 47,450 to 28,450.

At steel mill C of Company A, where all of its blast furnaces are to be closed down, the following plan is to be carried out in reducing the numbers of employees from 4,000 to 2,000.

1) Transfer, 650 workers: In line with a "scrap and build" policy concerning facilities, they are to be transferred to

new and improved steel mills. Those aged 45 or over, which amounted to 30% of the transferees, are to be loaned out to subsidiaries, etc. immediately after transfer.

2) "Shukkoh", 700 workers: Four newly established subsidiary companies are to receive 400 workers on loan, and 300 were to be loaned to other companies.

3) Dispatch to other companies, 20 workers: These workers are to be dispatched to auto companies, etc.

4) Training: Training for career change is covered by Government subsidies for declining industries. Some workers aged 58 or over are not to work under the pretext that they are undergoing education/training.

5) Temporary leave: Some of those workers aged 58 or over are to be given temporary leave.

6) Retirement: The retirement age is to be extended to 60 in 1991; until then, workers are to be requested to retire at 59.

7) Early retirement: Those retiring before the mandatory retirement age are to receive a premium retirement allowance.

Since there are 700 workers who are reaching the retirement age as a matter of course, the total amounts to 2,000 employees.

These methods of workforce reduction are characterized by "shukkoh". "Shukkoh" is a Japanese term which refers to

the Japanese practice of transferring or loaning workers to subsidiaries from the parent company. "Shukkoh" is not the same as re-employment since the workers maintain their formal status within the parent company. However, they actually work in the subsidiary. Although they work under the subsidiary's working conditions and management, they remain employed by the parent company to the end. That is to say, they are "pseudo-employees" of the subsidiary. The subsidiaries never act to dismiss such workers on their own. Workers subjected to "shukkoh" may be termed "loaned workers". The intention behind this practice is to assure the life-time employment of under-utilized key personnel. The subsidiaries must receive such loaned workers due to their subordinate economic relationship with the parent company. It is vitally important to understand the concept of "shukkoh" in order to be able to grasp the reality of the current Japanese economic system. We shall now discuss the concrete circumstances surrounding the loaning of workers.

a) Loaning to new ventures outside the industry

Company A's restructuring strategy focused on evolving a conglomerate structure so that even the 60% reduction in its steel-making operations would not affect the overall profitability of the company. Thus, the company moved into the fields of new materials (titanium, ceramics,

electronics-related materials, etc.), engineering, chemicals, and construction. Since the development of high technology requires top engineers, personnel are recruited widely both inside and outside the company.

We should mention here that there are two purposes for establishing new companies -- to advance into high technology industries and to create subsidiaries solely for receiving persons to be loaned out.

We shall examine the latter case of establishing companies such as computer software houses to absorb excess workers. There are such companies in the fields of housing, construction, and in the service industries. The reason steel companies have diversified their business operations was simply that they had a wide variety of differing types of workers: from high technology engineers to maintenance personnel, from transportation engineers to unskilled workers, since they had introduced factory and office automation technologies.

These companies may be wholly owned subsidiaries of the parent company, or they may be nominally independent firms which have been capitalized entirely by the large enterprise. Some are owned jointly with other enterprises. In many cases, the subsidiaries operate their businesses on the premises of steel mills in a situation which may be represented by the notation "subsidiary (a) of Company A".

Except for some who are loaned out to companies located far away, most workers continue to work in the same place but do different jobs. The unions of which such workers are members do not dispute such job changes, but rather act to persuade the workers to accept their new circumstances. Although they are employed by Company A, they work under the conditions of the newly established subsidiary. Since the new company is small, the work conditions are inferior. Therefore, those who are loaned to new companies which are separate entities are clearly climbing down the ladder of success and are understandably uneasy about the future.

Those who are loaned to software houses must work at a client's workplace. This means that they are loaned out on a three- or six-month basis. Supposing a security company places an order for a software job following the installation of new computer terminals, a new company X which is jointly owned by Company A and Company E is consigned the job. Company X further subcontracts the job to five outside companies. Therefore, there are people from the security company, from companies A and E, and five subcontractors working side by side. Unable to make friends, they must work in a bleak atmosphere where people with conflicting interests labor cheek by jowl and where overtime hours are a matter of course due to deadline pressure.

b) Loans to subcontractors

There are distinct differences in working conditions between big companies and smaller companies in Japan. The "Japanese Management System" applies only to big companies. As smaller companies undergo repeated voluntary bankruptcies, their turnover rates are high and employees constantly face the threat of dismissal. Wage levels are only 60 to 70% of those of large enterprises, there are no labor unions, and the work environment is quite inferior resulting frequent accidents and disasters. This situation is often referred to as the "dual economy". The high profitability of large firms is obtainable only through the use of smaller companies as subcontractors, who pay lower wages to their workers. If large enterprises hired more employees their labor costs would increase, and within such firms dismissals are not so easily accomplished. The subcontractors are useful because of their low wage scales and as regulator valves for the size of the labor force. Company A, with 620 subcontractors, hires 40,983 of its own factory workers and uses 53,295 employees of subcontractors, or 56.5% of its workforce. Although information regarding the subcontractors is readily available, these firms also practice subcontracting to yet a lower level of firms, which in turn may subcontract a share of their work, and so on. The number of workers employed below the subcontractor level

is not accurately known.

There are sub-contractors which manufacture a part of certain products, which take over auxiliary work within the plant, and which carry out basic work in the plant along with the regular workers. The employment status of workers working on the same line is distinguished by the colors of their helmets. As employees of sub-contractors receive orders from regular employees of the company and are discriminated against, they are considered one rank lower. The number of workers employed by the smaller companies which form the lower portion of the dual economy account for the majority, at 70% of the total number of employed workers.

Previously, when an employee was shifted to a sub-contractor it was a step up the ladder and led to a management position. However, when such large numbers of people are being loaned out as is occurring today, the situation is entirely different. They move as general workers.

What happens to the sub-contractor's workers? Are they dismissed as surplus labor? Are they loaned out to sub-sub-contractors? Are they loaned out for a time to booming companies in need of extra manpower? Actually, they are pushed out as in a domino game. Employees of the sub-contractors are hostile to the workers of big companies, and

the former do not coach the latter lest they lose their own jobs. This is really the most tragic form of transferral.

c) Loans to companies having no relationship with the parent company

Whereas cases A and B involve recipient companies with some sort of relationship with the parent company, case C is that of transfer to an outside company into a job such as hotel sales person, building superintendent, odd jobs, etc. Usually the employee has to go alone, leading to feelings of insecurity and helplessness. However, the recipient company expects him to increase sales by using the personal connections he must have in the big company. Therefore, if he fails to meet such expectations he finds himself in an unpleasant position.

Wages for workers who are on loan are paid by the following method. The recipient company pays Company A the worker's wages according to its own wage scale. The difference between this amount and what the loaned person used to earn at Company A is made up by Company A. Since Company A receives from the Government a "subsidy for employment adjustment" since it was designated a member of a depressed industry, it does not have to bear the whole amount. As most workers on loan are aged 40 to 50 and earn high wages under the seniority system, the labor costs of

Company A are thus decreased.

## 2. Formation of a new enterprise group and multilayer structure

The creation of subsidiaries independent of the parent company and the loaning of employees have brought about fundamental change in the labor force organization of large companies. Streamlining, or eliminating less profitable operations, and forming independent subsidiaries has resulted in a corporate structure such as that shown in Fig. 1-b, in which the top of the traditional pyramid has been radically narrowed and is joined by other, lesser, peaks. The new independent firms are organized in a group and thereby constitute an enterprise group. When the policy of loaning out personnel is pursued thoroughly, the result is a labor shortage in the parent company. The primary solution to this problem is the use of outside workers who are employed by subsidiaries. Thus, the use of sub-contractors increases even further.

Secondly, the use of part-timers and dispatched workers began in other manufacturing industries and in the tertiary sector. By using such personnel these companies have been able to adjust their labor force according to changes in business conditions and to economize on labor costs. The number of such workers, who are mostly housewives, increased

radically after 1975. Japanese part-timers work 7 to 8 hours a day, which is the same as full-timers and yet are paid only half the average wages of males freshly graduated from junior high schools, and are not entitled to any of the fringe benefits of full-time workers since they are not covered by social security insurance.

There are two types of dispatched workers: regular workers and registered workers. The latter are called out only when jobs are available and their status is unstable. Both types of workers are dispatched to clients' work places and work there. Older persons mainly work for building maintenance companies and young persons work as clerks and in information processing. The government used to prohibit the dispatching of personnel as a business under the "Employment Security Law", but decided to legalize the system in 1986 by enacting the "Law Concerning Personnel Dispatch Businesses" because of the huge number of personnel being dispatched. There are cases in which a person who retired before reaching the mandatory age limit or who was loaned to another company is dispatched to the company where he was previously employed. In short, this is a means for large enterprises to reduce their labor costs.

As explained above, the decade of the 80s was characterized by the mass use of workers with unstable employment status by all industries. In addition, sex

discrimination is distinctly present and shall be discussed below.

The particularly Japanese feature is that restructuring was achieved utilizing such a multilayer structure. In summary, first of all the big enterprises protected their employees as far as possible using this structure, and successfully avoided a rupture in the Japanese labor-management relationship. Secondly, the reason why big enterprises succeeded in obtaining agreement from their employees on virtually abolishing the long-standing and solid lifetime employment system was that they guaranteed employment for the time being, although not for the future. Workers were persuaded because of the "sense of crisis" seamlessly emanating from the business world and the Government. Thirdly, enterprise labor unions played the role of promoting the management strategies of their companies.

As a result, we can say that a diversified management group and a new multilayer structure were as illustrated in Fig. 1-b. The connections within the multilayer employment structure are as follows: 1) large companies create subsidiaries which advance into new business fields, shifting their employees into these subsidiaries; 2) employees of large companies are shifted to subcontractors; 3) the employees of sub-contractors are pushed into the stratum of unstably employed workers. Along with such

unstable employed workers, housewife part-timers and dispatched workers form a huge labor pool which is given temporary jobs by big enterprises according to their needs. The significance lies in the fact that now almost all workers except for the handful of nucleus employees remaining in big enterprises are threatened with the possibility of losing their jobs. When the number of key workers protected under the "Japanese Management System" decreases, and they are threatened by the possibility of being loaned as they become older, it seems likely that the preservation of the status quo vis-a-vis big businesses may begin to be threatened.

### 3. Changes in labor conditions

As a result of drastic personnel cuts, the annual working hours of the workers remaining in Company A increased.

Contrary to the worldwide tendency toward fewer work hours, those in Japan alone increased to 2,168 (in 1988). This is due to excessive reductions in the number of workers.

Following these cuts in company workforces the business climate suddenly took a favorable turn, but the companies are coping with the situation by increasing overtime work instead of the number of personnel. Since loaned employees

are also working more overtime hours, the total amount of wages paid has increased, too. In view of these circumstances, a review of the wage system was conducted in Company A in 1989. The major points are 1) to further modify the current seniority wage system by decreasing the seniority wage while increasing wages overall, and 2) to decrease the amount of overtime allowance per hour. Table 2 column a shows the wage system before the revision, Table 2 column b after the revision, and Table 2 column c the tentative wage system during the course of the transition from (a) to (b). The tentative wage is the portion which increases/decreases by 25% a year up until April, 1991.

According to 2-a, the percentage of total wages which are based on seniority was 51.1%; after the revision to (b), it will decrease to 41.7%. On the other hand, the total of wages attached to a given post increases from 42.2% to 51.7%. The performance wage is the portion distributed in accordance with the total amount of production of the Company, and is distributed equally to all employees. In short, the percentages of seniority- and position-based wages were reversed, modifying the seniority-based wage system.

Currently, the wage system is shifting toward (c), and workers claim that the wage structure is too complicated and the computation standard too difficult to understand. It

should be noted that since the total amount of wages includes the overtime allowance as well as the midnight service allowance, the percentage of seniority-based wage is even less. An example of a loaned worker aged 57 is shown in Table 2, column d. The percentage of allowances, including 24.4% for overtime work, along with the late night work allowance as well as the shift premium is as much as 37.3% of the total wages, while wage-by-age is only 27.9%. This is the reason why such a worker is willing to work overtime. The overtime during the month was 46 hours, but it sometimes goes up to as much as 80 hours. In the information processing industry, there are instances of 100 - 150 hours of overtime in a month.

Since the overtime allowance occupies a significant portion of the total wages many men tend to go home late at night, thus sacrificing their family life. Men are too fatigued with hard work and long commuting hours (2-4 hours per day) to attend to housework or their children, and thus a division of labor by sex prevails in Japanese homes. Burdened with keeping house and caring for the children single-handedly, women are unable to work full time and they inevitably choose part time jobs which have flexible work hours, which they can quit at any time and which they can commute to within half an hour. With the higher standards of educational background and the increased social demands on

women, many serious family problems occur such as alcoholism, nervous breakdowns over child care, excessive attachments between mother and child in the absence of the father, divorces after more than 10 years of marriage, and irreparable damage to marital relationships.

#### 4. Class consciousness of employees on loan

When the Company proposes the loaning of an employee, he or she does not necessarily go without resistance. In the mills which were closing down blast furnaces, the employees were vehemently opposed to management policy, especially because they had faithfully cooperated with the Company in improving productivity while avoiding strikes. They were angry with the way the Company abandoned unneeded workers.

However, as the labor unions in big companies had switched to a policy of cooperation and collaboration between management and labor during the high economic growth period of the 1960s, when they were faced with restructuring they took the stance described below.

Judging that the loaning of employees was basically unavoidable in view of the prevailing production conditions, the unions decided that 1) if the Company guarantees lifetime employment for loaned employees and 2) prevents the personal sacrifices on the part of their members which accompany loaning as much as possible, then 3) the unions

would cooperate to achieve an efficient distribution of labor. In Japan, labor unions do not negotiate with management on equal ground since the latter is overwhelmingly stronger. Although there is a system of joint labor-management conferences, its basic structure is that the management explains or reports on rationalization plans and asks for the opinion of the union. Unions can no longer establish the right to strike or bargain collectively. The last strike by employees of major iron and steel manufacturers took place in 1965. Since then, there have been no labor/management confrontations; instead there have been typically Japanese "adjustments of opinion" and "mutual confidence relationships" between management and labor. The solution for maintaining such truly "excellent" relationships between management and labor has been the "loaning" of employees for indefinite periods. How long will this ambiguous unwritten "mutual confidence relationship" continue? This will be the key issue for the management/labor relationship in the future.

Referring to the data obtained by a questionnaire survey of about 12,000 subjects conducted by the labor union of Company A, we conducted independent investigations on loaned employees by means of interviews as well as questionnaires in order to probe their consciousness. The following results were revealed: 1) the workers consider the

iron and steel industry to be a declining industry and resignedly accept the labor force reduction as inevitable. According to the union's investigation, the answer that "company management in the year 2000 will be diversified, and the weight of the iron and steel department will be substantially the same as the other departments within the Company" was chosen by 43% of respondents, and the answer that "other departments will play a more important role" was chosen by 19%. Of this 19%, the number of those on loan exceeded those remaining in the original company by 10%. This degree of acceptance is attributable to the efforts of the Company, which frequently distributed employee magazines reporting changes in iron and steel production, the current status of the management, and domestic and foreign news throughout the high economic growth period. The workers were so stimulated to broaden their knowledge that many subscribed to a trade paper. Gradually, they took the viewpoint of the management and came to take serious interest in domestic as well as foreign affairs. This is an excellent example of success in labor/management reconciliation. The reason why they failed to read the management slogans of "diversification", "flexibility" and "crisis" from the viewpoint of labor was that they had assimilated themselves to management's way of thinking. Thus, they readily agreed to the rationalization plans.

2) Particularly understanding were lower management personnel. Having experienced acting as union officers and having acquired leadership skills, they are climbing the corporate ladder. Becoming a key union officer is one path to success within the Company. They acted as steadfast advocates for the Company in persuading workers to accept the Company's offer of loaning. Loaned employees assert that they were never convinced, but rather simply could not stand up to such persistence. In the face of what seemed inevitable, they felt they had better go before conditions deteriorated. They positively state that it was not loyalty to the Company that brought about their concession. Ironically enough, lower management staff themselves were also to go out on loan following their subordinates. There are basically two types of such lower managers: those who wished to obtain better conditions for loaning, and another who considered loaning to be atonement for what they did to their subordinates.

3) Threatened by inferior labor conditions, hostility among the workers of the recipient company and anxiety over another possible move, loaned employees resent their original company and deplore the inability of the labor union to oppose the company. They are particularly angry over the broken promise of lifetime employment, as well over their reduced wages. According to the union's survey, those

who answered negatively regarding loaning are substantial; the number of affirmative answers to "in principle, loaning should not be implemented" accounted for 12%, for "preferential consideration should be given to working conditions" 39%, and for "loaning should be implemented prudently" 22%. On the other hand, the number of affirmative answers to "loaning is inevitable for restructuring" accounted for 12% and for "loaning is an opportunity for a new life" 14%. With respect to their evaluation of the union, the number of respondents expressing disapproval accounted for about 60%, disapproval to a certain degree 35%, and approval 3%. The union itself expressed a sense of crisis in the report.

Why has the union become weakened? Firstly, in the past union officers were elected by a single ballot system in which each member cast a vote for a single candidate in an election for six posts. Voting for candidates supported by the Socialist Party was effective and at least one such Socialist candidate used to be elected. However, after the 1968 revision of union election rules the system was changed to that of a plural ballot in which each member must vote for six candidates; ballots without six names of candidates written on them are invalid. The only faction capable of nominating six candidates is the "unionist" or labor/management partnership faction, which is allied with

the Democratic Socialist Party. Consequently, unionist control of the majority meant that Socialist candidates were unable to be elected at all.

Secondly, technical innovation brought about decreased numbers of workers, eliminated group work and created one-man work stations. Intensified Q.C. activity at a work place with fewer workers necessarily strengthens the leadership held by lower managerial staffers. A plant is a pyramidal composite consisting of small work stations, with each strategic point fortified by lower managerial staff. From such a structure, the union executives (president, vice-president, chief secretary) elected are recommended by both management and labor. One's criticism of the company or the union is reported immediately to one's superiors. Wary of informers, the workers cease to talk. In other words, they are now under the dual control of the Company and the union.

This process may not be completely clear to the reader. It is linked to the fact that only after World War II was democracy introduced to Japan, and the concept of fundamental human rights has not yet taken root. In addition, people hate isolation and favor belonging to a group.

Next, when asked how their loyalty to the Company had changed, they answered that it was absent from the beginning, and personal life was more important than the

Company. Their supposedly strong loyalty to the Company was either a misunderstanding or has been lost.

Thirdly, what about the sense of belonging to the Company? All still feel attached to their original work places and have friendly feelings for their ex-colleagues. These feelings are often mistaken as loyalty to the Company, but what remains to the last is a sense of camaraderie followed by a sense of belonging to a group. Even if loaned workers are stationed far from their original place of work, they do not become friendly with their new colleagues. Rather, they associate with their former colleagues and console each other. Even under miserable conditions they are supported by the pride of once belonging to a big company. In particular, those loaned to a subsidiary retain a strong sense of being the employee of a big company since all those around such workers have been loaned from the same company. However, the differences in working conditions as well as the overall labor environment gradually let them down and increase their anxiety for the future. According to a survey by the labor union, the percentage of those who work with pride and a sense of responsibility is lowest among the loaned employees. Under such conditions it is questionable how long mutual confidence between management and labor can be maintained.

## 5. Labor unions and political power in Japan

As the conciliatory labor/management relationship within the "Japanese Management System" is slowly deteriorating, the union is gradually losing its cohesive force. In a year or two, a loaned employee loses the right to be a regular union member and is given the status of neutral member. Neutral members are suspended from union membership and do not pay the union membership fee. Neutral members do not have the right to go on strike and cannot stand as candidates for union office. The underlying reason may be either that the Company fears rebellion among the great number of employees on loan, or that this is a hiatus between the Company's past policies and the as yet undecided policies of the future.

However, the right to union membership was restored to loaned employees by the union in November, 1987. Those loaned to subsidiaries were all re-organized into branches of the parent company's labor union. Those loaned to sub-contractors or work places at distant locations were not organized into branches, but are treated as ex-members of their original work places. They receive the union news but are unable to actually exercise voting rights.

Recent moves to re-organize them as union members may be due to a sense of crisis on the part of the union as it has become weak financially as well as socially after losing

so many members due to loaning. In addition, if the existence of the union is valuable to the Company as a pipe for instructing and communicating with the employees, the bigger the union organization is, the more effective it would become. The union functions to mobilize voters during local or national elections. It is important that candidates jointly recommended by both management and labor be successfully elected to municipal assemblies where the Company's steel mills are located and that the Japan Democratic Socialist Party candidates recommended by the labor union are successful in general elections, along the line of labor-capital conciliation.

In particular, the re-organization drive has occurred for the following two reasons: 1) a sense of crisis is mounting in the financial world as a result of the conservative-reformist reversal in the House of Councilors election of 1989 in favor of the Japan Democratic Socialist Party, which has been in partnership with management (represented by the Liberal Democratic Party). The intention is to mobilize the union's organization for the House of Representatives' election in 1990. The ratio of organized labor in Japan is decreasing annually, and currently only one fourth of the labor force is organized. Restructuring is accelerating the shrinkage of the number of organized workers. The reasons for this are: 1) Conventionally the

percentage of employees working for small- or mid-size companies and those of unstable status who are organized is extremely low, while that of employees working for big companies is substantial. The number of workers in big companies has decreased, under the influences of technical innovation and restructuring. 2) Although the number of workers with unstable status has increased, they are not organized. 3) The unions have lost the confidence of the workers, and increasingly members are leaving the unions while young workers lack interest in becoming members.

The labor union of Company A once enjoyed a membership as large as 80,000, but this has dwindled to a mere 46,000. The number of loaned employees has increased to 9,000, amounting to nearly 20%. Organizational problems caused by restructuring are not limited to declining membership, as the following hypothetical situation illustrates. 1) If subsidiary Company O is established with the equity capital participation of Company A and Company X, union members of both A and X will be working together at O, making it impossible for them to take unified action as Company O workers. 2) If subsidiary O is able to grow and hire new employees in the future, its union will consist of three groups of workers, those from companies A, X, and O, and management will find this situation intolerable from the standpoint of labor management. 3) As the information

processing industry is more profitable, Company X pays higher wages than Company A, and if bonuses as a form of profit distribution are paid to union members of A, there may occur a problem of unfairness among the employees of Company O.

The simplest solution would be for the union of Company A to transfer its members to subsidiary O. However, if it does so, the union's power will weaken. The union is faced with this dilemma of weakened organization due to its acceptance of the Company proposal on loaning. Although a compromise, the union is considering treating loaned employees as associate members of Company A's union and collecting half of the union membership fee from them, but nothing has been finalized yet.

Restructuring has spread to all industries. Harboring a sense of crisis over the lowered organization ratios in big companies, the Federation of Labor Unions formed a new organization, known as "New Rengo" as a national center in November, 1989 to strengthen national labor organizations. Labor unions of leading companies as well as government and other public offices united to organize 8 million out of their 12.2 million workers, or about 65%, within New Rengo. However, some labor unions of major private companies which oppose the labor-capital conciliation line of New Rengo did not participate. Of them, 1.4 million members joined the

national center "Zenroren", and 500,000 another national center "Zenrokyo". The remaining 2.3 million or 19% are not associated with any national centers.

Such lack of unity among national centers has a long history. "Domei" (the Japanese Confederation of Labor), the predecessor of New Rengo, favored the "Productivity Drive" during the high economic growth period, and criticized the strategy of resorting to strikes taken by "Sohyo" (the General Council of Trade Unions of Japan) which followed the class struggle line at that time. Because of this conflict, workers who opposed the strike strategy withdrew from Sohyo and organized second unions which joined Domei.

New Rengo claims that it will tackle the problems of the people within the framework of a democratic labor movement, as well as developing the political power able to win influence in the Diet. However, there exists a degree of mistrust in this regard. Although New Rengo accounts for the majority of organized workers, it is essentially not an organization formed by the spontaneous volition of its members. With respect to relations with the political parties, Domei used to be closely associated with the Japan Democratic Socialist Party, and Sohyo with the Japan Socialist Party and the Japan Communist Party, and consequently New Rengo can be said to be a body which combines the opposition parties excluding the Japan

Communist Party and the left wing of the Japan Socialist Party.

Now, let us look at the Japanese political parties and their supporters. From the right to the left are 1) the Liberal Democratic Party (conservative, in power, supported by the financial world, the bureaucracy, farmers, and independent enterprises located in urban areas); 2) the Japan Democratic Socialist Party (rightist-centrist, supported by labor unions of large private-sector companies); 3) the Clean Government Party (tied to a religious organization, centrist, supported by independent urban business people and the lower stratum of city dwellers); 4) Social Democratic Federation (centrist, supported by citizens' organizations); 5) the Japan Socialist Party (reformist, the biggest opposition party, supported by labor unions associated with Sohyo and working people); and 6) the Japan Communist Party (reformist, supported by some unions associated with Sohyo and some working people).

The House of Councilors election in 1989 was the first election since New Rengo began its process of organization. At this time, an experimental campaign which was to unite the non-Communist opposition was undertaken. Briefly, while each opposition party ran its own candidates they also put forward "jointly" recommended candidates in some

constituencies where no single party's candidate had a chance of winning. Almost all these jointly recommended candidates were successful although they were small in number. However, this victory was won only by employing a strategy which attracted centrist voters together with a percentage of the leftists who are widely dispersed in small numbers. The victory in no way means that the voters supported the line promoted by New Rengo as a labor union.

Viewing New Rengo in terms of its membership, it is noteworthy that at 8 million it is considerably less than a quarter of the nation's working population, and actually only about 18% the total of 45.4 million employed workers are organized with New Rengo --- certainly a minority. The capacities of New Rengo as a labor union, and the political party "Rengo" which is a vote-collecting machine, must be clearly distinguished.

### 3. A dark horse in the 1990s

The House of Councilors' election in 1989 was an epoch-making event in the political history of Japan, since unilateral control by the Liberal Democratic Party ceased for the first time in the post-war period. The Japan Socialist Party defeated the Liberal Democratic Party by a large margin. Table 3 shows the number of seats held and the percentage of votes obtained by each party in the House of Councilors' elections in 1986 and 1989.

The LDP lost half of its 72 seats, falling to 36 seats, while the JSP more than doubled its 20 seats to 46 seats. Adding the 11 seats held by the political party RENGO as well as other seats held by the opposition parties, the conservative-reformist balance was completely reversed. The LDP was severely shaken.

The campaigns waged in this election focused on the issues of the consumption tax and the political bribery scandal in which the Recruit Company was involved. Although political scandals had occurred frequently in the past they had never greatly affected voting behavior. However, the consumption tax was the first experience of the Japanese with an indirect tax, and the large tax burden on every item bought angered housewives. What mattered was not only the amount of taxes they had to pay. Rather, firstly although

the government claims that revenues from the consumption tax will be appropriated for the care for the elderly in the aging society of the future, there is no guarantee that they will actually be used for public welfare, and, secondly, the current progressive income tax was revised in favor of the more affluent, imposing heavier burdens on the poor. Thus, there was an undercurrent of dissatisfaction with the unfair taxation system. For the first time, Japanese housewives cried out in the political arena.

In the background, many women have been receiving higher education and have been making advances at their workplaces. The percentage of junior high school graduates going on to high school is 98% for girls, slightly exceeding that for boys, and the percentage of high school graduates who proceed to university/college and junior college is 36.8% for girls, exceeding that of 35.8% for boys. Women have been stimulated by higher education and have begun to demand greater opportunities for self-expression in society, so the percentage of working women has increased. Currently, 37% of total employed workers are women.

The increase of employed women workers started after 1975, when industrial restructuring and the reduction of regular employees was taking place. The vacancies created by rationalization efforts and reductions in regular male employees were filled by housewife-part-timers and

dispatched workers earning lower wages. Although women advanced into workplaces, many were not regular employees but instead were workers with unstable status. Of employed women workers, full time regular employees and officers account for 64%, and the remaining 36% are workers with unstable status.

Traditional practices in the workplace as well as at home made it difficult for married women to continue working in Japan. In particular, the enforcement of the "Equal Employment Opportunity Law" paved the way to promotions for a handful of women, but resulted in preventing a substantial portion of working women from becoming settled in their workplaces because it is impossible for working mothers to work as hard and long as men workers. It is also impossible for them to take up posts far from home inside or outside Japan. Coupled with the "Equal Employment Opportunity Law", the "Labor Standards Law" was also revised, and flexibility in the work schedule was introduced as well. Irregular work hours force working mothers to patronize day-care centers. Women workers with children cannot deal with long hours of extremely strenuous labor, which is hard enough on the health of male workers. They retire during their childbirth and child care period. When they are ready to return to work later, they can only get part-time jobs. As shown in Fig. 2, the distribution of women workers in age is M shaped, with

peaks consisting of young unmarried women and mothers whose children are older.

Even a part-time job is an important source of income for family budgets. It is indispensable for meeting the high expenses which education requires as well as for the acquisition of a house, and a part-timer's status in the family gradually becomes high. As she gets accustomed to going out, she acquires the ability to express her opinions. The age when a wife was unable to assert herself, hiding behind her husband, is over, and the appearance of women in society as independent individuals characterizes the 1980s.

On the other hand, men became workaholics and lost their power as family members. Women started becoming critical of the distorted society built by men. Housewives belonging to Cooperative Associations for the purpose of securing supplies of safe foods promoted and succeeded in systematic campaigns to send their representatives from the Socialist Party to the Diet. Such movements led the opposition parties to their victory in the House of Councilors' election of 1989. In what direction will women, who account for more than half the total population, go from here? What kind of a government will men and women workers with unstable status choose? These will be the decisive factors for Japanese politics in the future.

Fig. 1 Changes in Labor Structure due to Restructuring

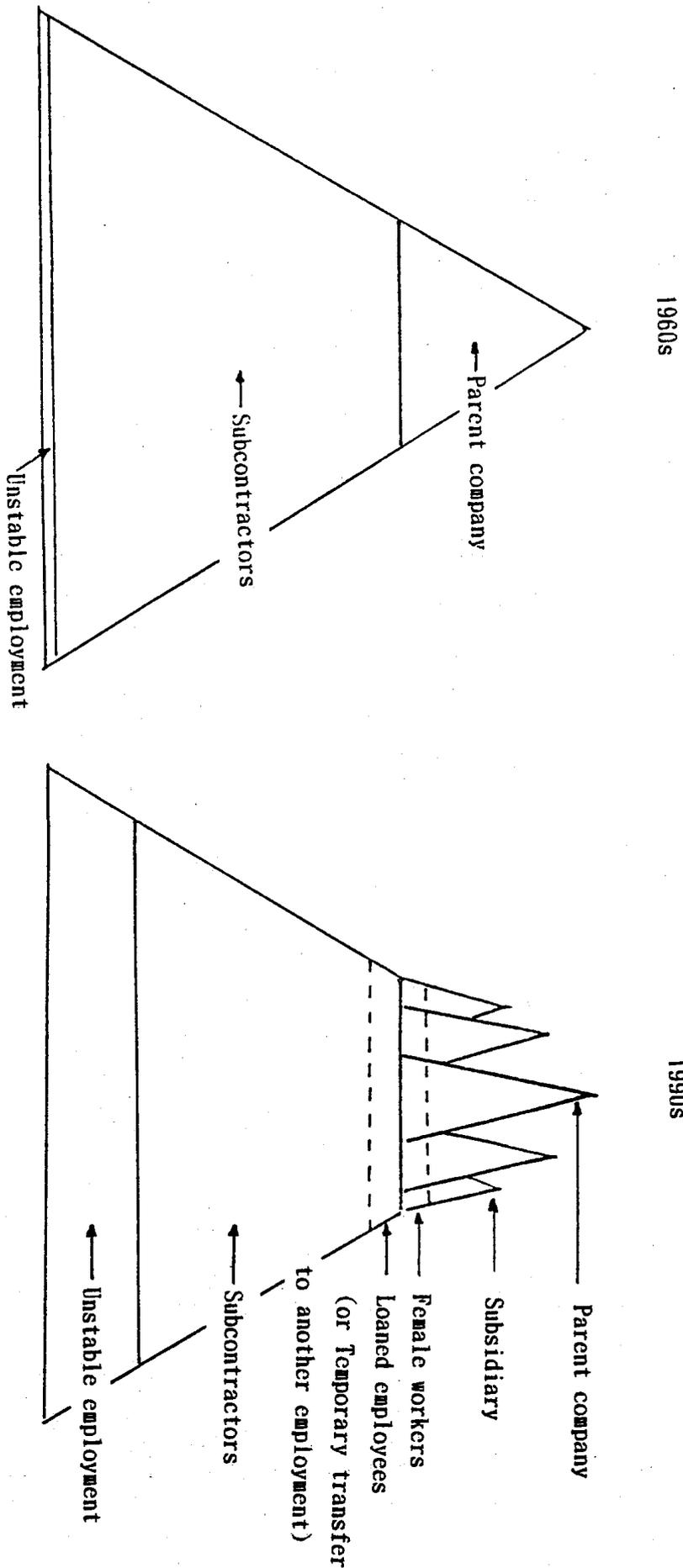


Table 1 Changes in Wage Structure due to Restructuring

	A		B		C		D	
	before revision	after revision	before revision	after revision	during transit time	case, 58years old	before revision	after revision
(¥) (%)	319,947 100.0	325,880 100.0	319,947 100.0	412,186 100.0				
Seniority-based wage	51.1	41.7	39.3	24.3				
Tentative wage i			1.9	3.6				
Wage attached to a post	42.2	51.7	43.6	24.3				
Tentative wage ii			8.4	4.6				
Performance wege	6.7	6.6	6.8	4.7				
Overtime allowance				24.4				
Midnaght service allowance				8.5				
Shift premium				4.4				
Temporary transfer allowance				1.2				

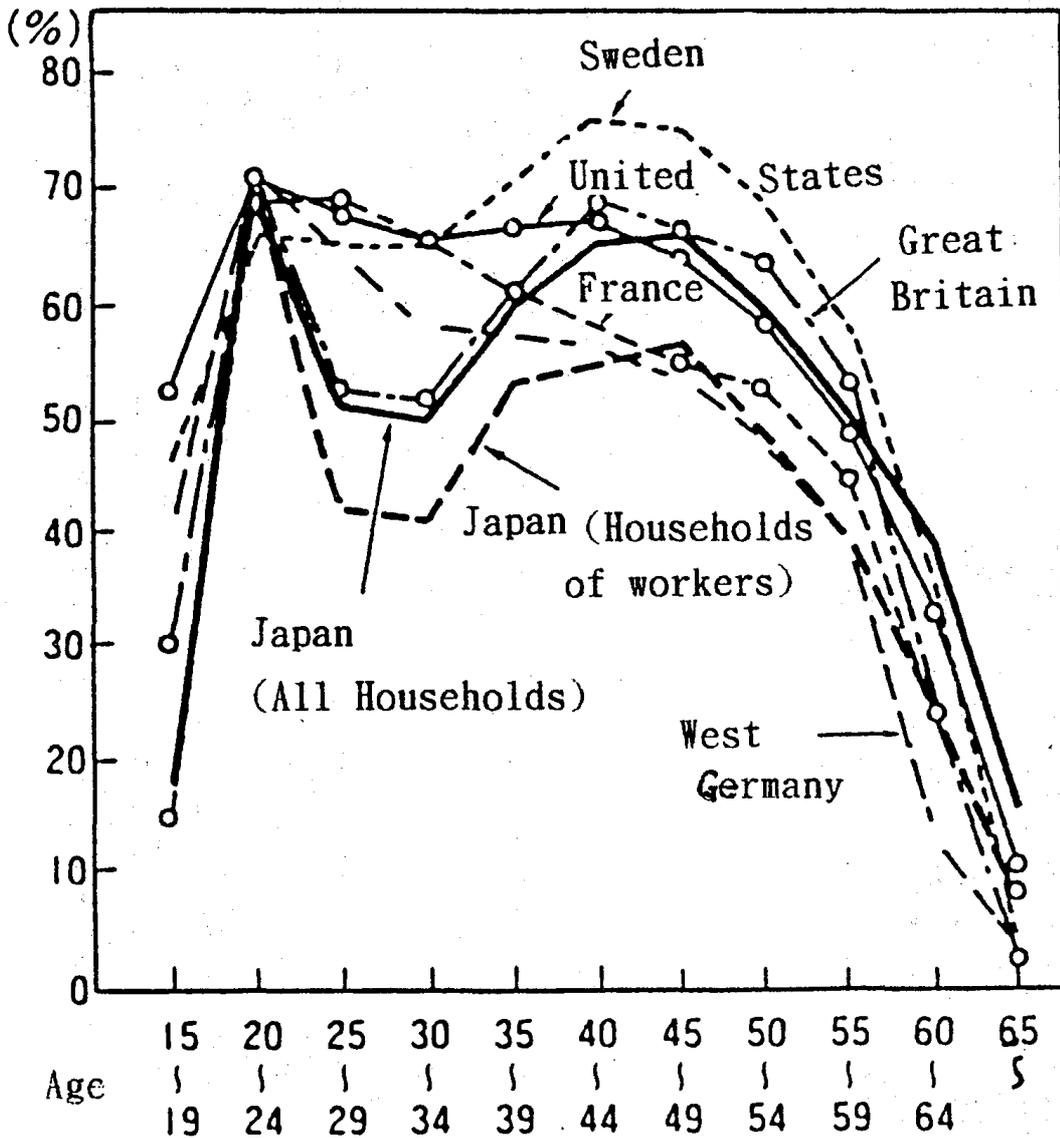
Table 2 : Transist of votes obtained by each political party

	1 9 8 9		1 9 8 6		1 9 9 0		1 9 8 6	
	the House of Councilors the number of votes obtained (%)	members (%)*	the House of Councilors the number of votes obtained (%)	members (%)*	the House of Representatives the number of votes obtained (%)	members (%)*	the House of Representatives the number of votes obtained (%)	members (%)*
amount	113,070,960 100.0	125 100.0	115,300,970 100.0	125 100.0	65,704,290 100.0	512 100.0	60,448,609 100.0	506 100.0
Liberal Democratic Party	32,809,861 29.0	36 28.8	48,243,831 41.8	72 57.6	30,315,410 46.1	275 53.7	29,875,501 49.4	300 59.3
Japan Socialist Party	34,697,703 30.7	46 36.8	22,333,666 19.6	20 16.0	16,025,468 24.4	136 26.6	10,412,584 17.2	85 16.8
Clean Government Party	8,998,919 8.0	10 8.0	9,987,538 8.7	10 8.0	5,242,674 8.0	45 8.8	5,701,277 9.4	56 11.1
Japan Communist Party	8,966,831 7.9	5 4.0	12,048,324 10.4	9 7.2	5,226,985 8.0	16 3.1	5,313,246 8.8	26 5.1
RENGO	3,878,783 3.4	11 8.8	0 0	0 0				
Japan Democratic Socialist Party	4,792,952 4.2	3 2.4	6,583,695 5.7	5 4.0	3,178,949 4.8	14 2.7	3,895,858 6.4	26 5.1
Minority parties	11,563,189 10.2	4 3.2	10,071,657 8.7	3 2.4	907,284 1.4	5 1.0	620,297 1.0	4 0.8
Independent members	7,362,722 6.5	10 8.0	6,032,259 5.2	6 4.8	4,807,520 7.3	21 4.1	3,515,043 5.8	9 1.8

\*a half is alternated

Fig. 2 Female Labour-force Participation Rates.

by Age, and by Country



Japan = 1982  
 United States = 1980  
 France/ West Germany = 1981  
 Great Britain = 1979  
 Sweden = 1975

According to Yasuhiko Yuzawa's *Illustrations: Family Problems in Present-Day Japan* (*Zusetsu: Gendai Nihon no Kazoku Mondai*, NHK Book, 1987), based on *The Actual Condition of Female Labor in Japan* by Ministry of Labor, Japan