

Labor Unions in Japan

OH, Hak-Soo

I. The structure of Japan's labor unions

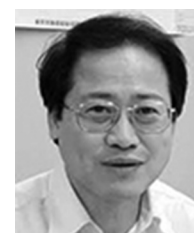
The principal elements of Japanese-style labor-management relations, or what is known as Japanese-style management, are lifetime employment, seniority-based wages, and enterprise unions. In Japan, enterprise unions have the monopoly on exercising the three primary rights of labor: the right to organize, the right to bargain, and the right to act collectively. There are also industrial unions and national centers, but these essentially lack the three labor rights and ultimately rely on enterprise unions for both human and financial resources required for their activities. Enterprise unions are the fundamental form of union organizations in Japan.

Almost all—that is, 93.4% of—enterprise unions have concluded a collective agreement with their enterprise in order to exercise the three primary rights of labor.¹ Of these, as many as 70.2% of unions have concluded agreements regarding matters related to the union organization. Looking at the content of these agreements regarding union organizations, 80.0% of unions have concluded union shop agreements. This means that workers who enter employment at an enterprise with an enterprise union automatically become union members in accordance with the union shop agreement. As a result, unions generally have no need to pursue activities to organize new employees.

44.9% of enterprise unions secure their right to bargain by concluding agreements with their enterprise recognizing them as the sole collective bargaining organization (*yuiitsu kōshō dantai*)—that is, ensuring that the enterprise negotiates only with

that union although it has no legal effect to exclude other unions' right to bargain. Enterprise unions also conclude agreements to ensure the smooth running of organization activities. More specifically, of those unions that have concluded agreements with their enterprise regarding matters related to organization activities, 82.9% of unions have concluded agreements regarding “union activities during working hours.” Moreover, as many as 68.6% have concluded agreements regarding “union use of the enterprise's facilities (excluding cases related to union offices),” 66.3% have signed agreements regarding “the provision of union offices,” 60.3% have made agreements on “the treatment of full-time union officers,” and 71.3% have concluded checkoff agreements. Checkoff is an arrangement by which the employer withholds dues of labor-union members from their wages and transfers them to the union. As many as 65.5% of unions have concluded collective agreements regarding collective bargaining, of which 91.4% prescribe “matters regarding collective bargaining,” 81.9% prescribe matters regarding “procedure for and operation of collective bargaining,” and 27.2% include provisions “prohibiting the delegation of bargaining.”

Enterprise unions maintain their monopoly on exercising the right to bargain. Of the 67.6% of enterprise unions that engaged in collective bargaining with their enterprise in the three years from July 2014 to June 2017, 84.1% “pursued bargaining alone” and 12.0% “pursued bargaining



alongside higher or lower entities within the enterprise union”—that is, a combined total of 96.1%. The percentages that engaged in bargaining “alongside an industrial union” or “alongside a regional union” were as low as 4.3% and 1.3%, respectively.²

Turning to another of the three principal rights of labor, the right to act, 54.5% of enterprise unions have concluded agreements with enterprises regarding matters related to labor disputes. Of these, 88.1% have concluded agreements regarding “advance notice of labor disputes,” 67.5% regarding “adjustment of disputes,” 58.6% regarding “non-participants in dispute acts,” and 57.7% regarding “matters to be complied with during dispute acts.”

Now that we have looked at the content of the collective agreements that enterprise unions have concluded with enterprises to exercise the three primary rights of labor, let us turn to union membership dues, which are essential for allowing unions to pursue their activities. As of 2018, the average monthly union dues per capita are 5,161 yen (USD 47.37), accounting for 1.65% of a worker’s wages.³ 40.2% of unions collect union dues from bonuses and other such lump sum payments, in which case the average annual union dues per capita are 6,845 yen. Looking at the breakdown of union expenditure, labor costs, at 35.1%, account for the highest percentage of expenditure, followed by activity costs at 23.4%, dues paid to the industrial union the union belongs to at 9.8%, and dues paid to the union federation for the corporate group the union’s enterprise belongs to at 3.3%, while grants account for 15.2% and others account for 11.9%. Furthermore, in Japan, the wages of full-time union officers are paid entirely from union dues. The average number of labor union members to each full-time union officer is 615.

It is also interesting to note that for industrial unions, the average monthly union dues per capita are 576 yen. In the breakdown of expenditure for such unions, labor costs, at 24.5%, account for the highest percentage of expenditure, followed by dues paid to RENGO (the Japanese Trade Union

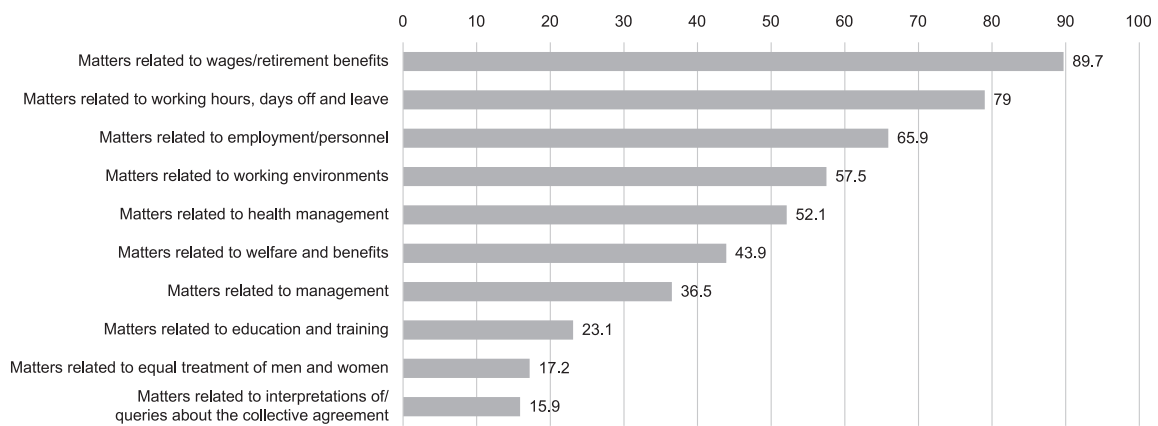
Confederation—Japan’s largest national center) headquarters at 20.7%, activity costs at 20.4%, and organization strategy costs at 6.9%, with others occupying 12.0%, dues paid to RENGO locals (RENGO’s regional organizations) occupying 3.6% and other related organization fees/grants accounting for 11.6%, etc.

The average monthly union dues per capita are 5,161 yen for enterprise unions, 576 yen for industrial unions, and 95 yen for RENGO. The union dues are collected from enterprise unions and paid to industrial unions, and then collected from industrial unions and paid to RENGO. Enterprise unions therefore form the main source of union dues.

While the percentage of those who believe that labor unions are necessary is extremely high at 92.3% among union members, it is low at 34.3% among non-union members (employees of enterprises without labor unions).⁴ Labor unions have ensured that there is significant confidence in their necessity among those workers who are already members. The major challenge is whether labor unions will be able to make their activities more visible, thereby prompting non-union members to develop a higher regard for the necessity of labor unions and in turn translating this into the organization of such workers.

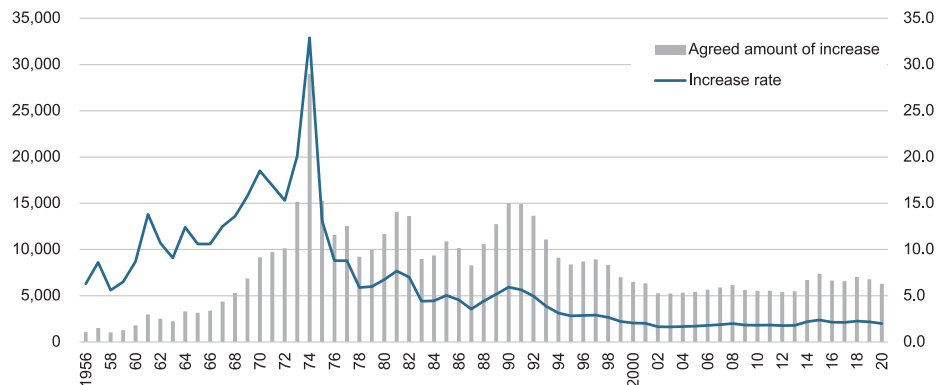
II. The functions of labor unions: With a focus on wage increases

Let us look at the functions of labor unions, primarily on the basis of the matters that unions pursued in bargaining with enterprises in the three years from July 2014 to June 2017. When unions were asked which matters they pursued in labor-management bargaining during that period (see Figure 1), the item selected by the highest percentage of unions was “matters related to wages/retirement benefits” at 89.7%, followed by, in descending order, “matters related to working hours, days off and leave” (79.0%), “matters related to employment/personnel” (65.9%), “matters related to working environments” (57.5%), “matters related to health management” (52.1%), “matters related to welfare



Source: MHLW (2018), “Overview of the Survey on Status of Collective Bargaining and Agreements in 2017.”

Figure 1. The percentages of matters regarding which some form of labor-management bargaining took place in the three years from July 2014 to June 2017 (Multiple answers; %)



Source: MHLW, “Spring wage increase demands/settlements at major private enterprises.”

Figure 2. Trends in the amount/rate of the spring wage increases of major private enterprises (Units: Yen, %)

and benefits” (43.9%), “matters related to management” (36.5%), “matters related to education and training” (23.1%), “matters related to equal treatment of men and women” (17.2%), and “matters related to interpretations of/queries about the collective agreement” (15.9%). While, as to be expected, wages and working hours were the most common matters for negotiation, it is observed that many unions are also bargaining with enterprises about a wide range of matters, such as employment and personnel or working environments.

Looking at wages, the most common topic of labor-management bargaining, Figure 2 shows the results of *shuntō*, the spring wage offensive, over

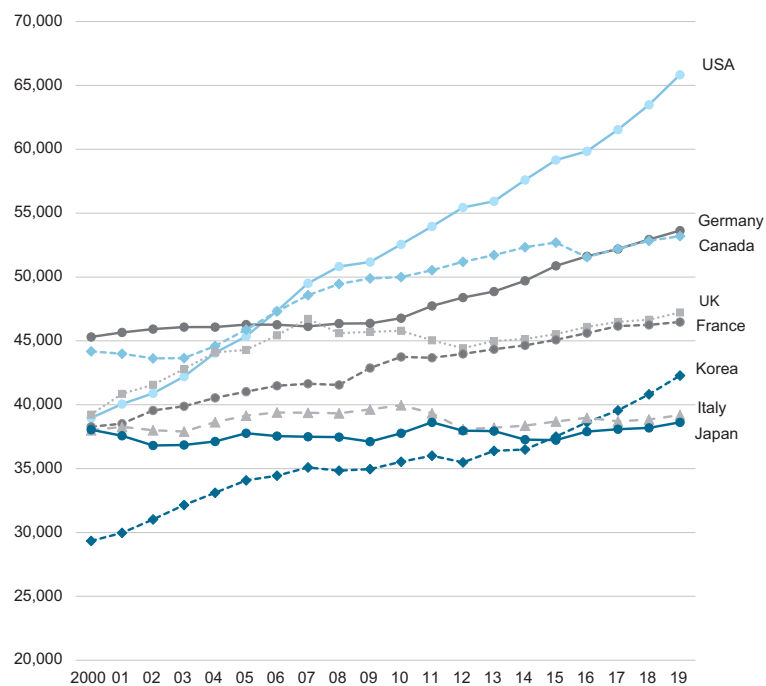
the years. According to a survey of enterprises that have a labor union, at least one billion yen in capital, and at least 1,000 employees, the average amount of wage increase in the past decade was 6,383 yen, with an increase rate of 2.7%. This amount and rate also include the annual wage increment. Excluding the annual wage increment, the wage increase rate is thought to be around 1%. Given that wages are the topic about which labor unions most commonly engage in bargaining with enterprises, it must be said that it is questionable to what extent labor unions are in fact effective.

As seen, the wage increase rates are low, and yet labor unions do not generally pursue labor disputes

seeking higher wage increases. In the three years from July 2014 to June 2017, the percentage of labor unions that responded that they “had no labor disputes” was as high as 98.1%. Looking at the reasons behind this lack of labor disputes⁵, the most selected reason was “there were no cases involving conflict” at 53.6%, while the second most selected reason was “there were cases that involved conflict, but these were solved through talks,” at 38.5%. While it is thought that the cases involving conflict also included those regarding wage increases, essentially no conflict arose between labor and management regarding said topic, or, even if conflict did arise, it was resolved through talks. The reasons selected also included “there was concern that labor-management relations would deteriorate as a result” and “it was determined that nothing could be achieved by escalating the issue into a labor dispute,” at 8.4% and 9.0% respectively. Although the percentages for these responses are low, they appear to indicate a tendency to regard pursuing wage increases as futile.

III. New possibilities for Japanese labor unions explored through an international comparison of wages

As noted above, even at Japan’s major enterprises that have labor unions, the rate of wage increase has been at around just 1–2% since 2000, and that wage increase is even lower when annual wage increment is excluded. Comparing wages in Japan to those in other major advanced nations and neighboring South Korea, it must be said that Japan alone is being left behind. According to the OECD, Japan’s average annual income for an individual worker (USD conversion) was, in 2019, the lowest among the G7 nations. It is, moreover, around 10% lower than that of neighboring South Korea (see Figure 3). Although in all other countries excluding Italy wages are generally on an ongoing rise, in Japan they are not increasing. While there are many factors that impact on wage increases or wage levels, the capacity of labor unions to negotiate is undeniably one of them. Why does Japan have the lowest wages among the G7 nations, and why has it



Source: Prepared by the author based on the data of OECD.

Figure 3. Trends in worker wages (annual income) in the G7 nations and South Korea (USD conversion)

also been overtaken by South Korea? What kinds of changes do Japanese labor unions need to make to their approaches to the spring wage offensive in order to increase their capacity to negotiate wage increases? To what extent are enterprise unions as an organizational form effective in raising the capacity to negotiate? Surely the time has come for labor unions themselves to explore new possibilities. It should also be noted that, in 2020, the unionization rate was 17.1%, such that the overwhelming proportion—over 80%—of workers were not union members. At enterprises that do not have labor unions, wages are unlikely to rise, as workers essentially lack the capacity to negotiate wage increases. As if held back by that trend, unions are also unable to exert their full potential to negotiate. It is surely time to actively explore alternative means of ensuring that workers in enterprises without unions are better equipped to negotiate by allowing them to bargain with management on an equal footing, such as developing legislation on employee (worker) representation systems similar to the works councils (*Betriebsrat*) in Germany, or the Korean labor-management councils. There is surely also value in considering increasing the application ratio of collective agreements (the percentage of workers to whom collective agreements apply).

International comparisons such as these can help labor unions in Japan to uncover new possibilities and ensure that they occupy a more meaningful role, which will in turn contribute to overcoming the longtime issue of deflation, promoting high economic growth through the expansion of domestic demand, and even achieving sound business management that aspires to higher added value.

1. Ministry of Health, Labour and Welfare (MHLW) (2016), “Overview of the Survey on Status of Collective Bargaining and Agreements in 2015.”
2. MHLW (2018), “Overview of the Survey on Status of Collective Bargaining and Agreements in 2017.”
3. Japan Trade Union Confederation (RENGO)/RENGO Research Institute for Advancement of Living Standards (RENGO-RIALS) (2020) “Report on the 19th Survey on Labor Union Dues.” According to a survey by the MHLW, the average monthly membership dues per capita are 3,707 yen (MHLW (2019) “Overview of the Survey on Status of Labor Union Activities, etc. in 2018”). It should be noted that the larger the enterprise, the higher the union membership dues, and the unions surveyed in the RENGO/RENGO RIALS survey are labor unions of relatively major enterprises.
4. MHLW (2020), “Overview of the Survey on Labor-Management Communication in 2019.”
5. This was a multiple answer question where respondents were asked to select “up to three main reasons.” MHLW (2018), “Overview of the Survey on Status of Collective Bargaining and Agreements in 2017.”

OH, Hak-Soo

Research Director, The Japan Institute for Labour Policy and Training. Research Interest: Industrial Sociology, Labor Relations.
<https://www.jil.go.jp/english/profile/oh.html>