

**THE STRENGTHS AND WEAKNESSES OF
THE JAPANESE ENTERPRISE UNION SYSTEM
AND ITS TRANSFERABILITY TO NON-JAPANESE
LOCATIONS**

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Abstract

Tidak seperti rekannya di sesama negara industri maju seperti Inggris dan Amerika, perusahaan-perusahaan Jepang umumnya menerapkan model organisasi buruh yang khas, disebut enterprise union system. Jika di Inggris serikat buruh berdiri di luar perusahaan dan melingkupi industri jenis tertentu (industry wide organisation), di Jepang serikat buruh menjadi bagian dari struktur organisasi perusahaan. Meskipun serikat buruh ala Inggris dan Amerika juga dikenal di negara ini, popularitas dan kekuatannya rendah.

Enterprise union system yang bersifat inter perusahaan (company wide) selalu mempertahankan hubungan baik/a dengan manajemen. Bagi pemimpinnya, serikat buruh ini merupakan batu loncatan untuk menduduki jabatan manajerial dalam perusahaan.

Meskipun terbukti dapat menggalang kerjasama yang baik dengan manajemen, serikat buruh khas Jepang ini juga memiliki sejumlah kelemahan. Diantaranya, serikat buruh hanya boleh dimasuki oleh pekerja tetap yang mayoritas laki-laki. Akibatnya, aspirasi buruh wanita yang kebanyakan temporary workers tidak tersalurkan dengan baik.

Selain mengupas kekuatan dan kelemahan sistem serikat buruh khas Jepang, tulisan ini juga menganalisis sejauh mana sistem tsb. bisa ditransfer ke luar wilayah Jepang. Oleh karena perusahaan Jepang beroperasi di luar negeri dengan cara-cara yang berbeda, maka bagi sebagian perusahaan transfer sistem cenderung tidak dilaksanakan.

Introduction

Enterprise union system is the one of three uniqueness' of the Japanese management style. Two others are the lifetime employment and seniority based wage (Abegglen and Stalk, 1985:207, Sethi et al, 1984: 43-47). Amongst Western countries, labour unions are commonly established outside company and operate at workplaces as management competitor. However, there is a difference between British unions and the US unions where in Britain the unions are occupation wide and in the US it is industry wide (McMillan, 1989: 157).

For Japanese industries, the enterprise union system is favorable since it can reduce the frequency of strikes and stabilize time working which is imperative for maintaining their productivity. They take much advantage from this condition in the international competitions. Nevertheless, it seems to be questionable whether the system is transferable or not to non-Japanese locations such as Western countries. Occasionally, a system is only suitable for certain countries with particular cultural boundaries; therefore it is difficult to be adopted by other countries in different culture.

The purpose of this essay is to evaluate the strengths and weaknesses of the enterprise union system. Subsequently, it is to assess its transferability to non-Japanese locations.

The Japanese Enterprise Union System: The Strengths and Weaknesses

The Japanese enterprise union system has never come free from a specific view believed in this country on three basic elements: the existence of companies, social system, and individual. According to the view, the three elements are connected each other, tied up by social values. Companies are regarded as a-kind of huge family where employees are the household members and employers are the head (Shen et al., 1984:10). In this respect, the influence of the social system to companies so clear just like in their social system. The paternalistic relationship is also implemented in the company management. Harmony is another important element. Individual, whether as an employee or an employer, has strong group consciousness (Chie, 1988) that enables an individual to be an integral part of the company.

The link of the three is tighten up by Japanese social values that are strongly influenced by Confucianism. Michie (1988) accounts that 'in Japan today, Confucianism influences the everyday conduct of Buddhists and Shintoists, an even Christians, Confucianism holds the following virtues as most important: loyalty to the state or emperor, filial piety, faith in friendship, and respect for elders'.

The spirit of the enterprise unions is the resultant of familiar and paternalistic relationship, harmony, group consciousness and Confucianism. As a result the enterprise unions can exist at the Japanese companies in a cooperative

relationship with the management, unlike in the Western countries where the relationship is adversarial (McMillan, 1989:157). However, it does not mean that Japanese companies are totally free of disputes and strikes because social and cultural values alone are not able to make workers keep silence in dealing with uncomfortable situations at workplaces, discrepancies between hopes and realities, or other dissatisfaction. In 1970s, unions in many industries often went on strikes. In 1974 there were 9, 581 disputes, but the figure drop into 935 in 1991. In 1993, 152 strikes happened, but none of these strikes lasted more than a few hours (Yoshimura, 1993). Compared with those in the UK, labour disputes happened in Japan in 1975 were more frequent. It involved many more workers and brought about a lot more 'man-days lost,' but in 1980 Japan could reduce all of those figures (see Table).

Labour Disputes in Japan and the UK in 1975 and 1980

	1975		1980	
	Japan	UK	Japan	UK
1. Dispute with work stoppage	3, 391	2, 282	1, 133	1, 330
2. Workers involved (in million)	2, 732	0, 809	0, 563	0, 834
3. Man-day lost (in million)	8, 016	6, 012	1, 001	11, 964

Source: Kodansha from ILO, Yearbook of Labour Statistics (1981)

Unlike the lifetime employment system that has long history, the enterprise union system had its origin prior to the World War II (Sethi et al, 1984:47) as labour actions were still not so common. The system was widely accepted later by the Japanese industrialist in the middle of 1950s as the part of the efforts to make Japanese business competitive and to reduce industrial cost. The lifetime employment that had the origin of the Late Edo era (c. 1720c - 1867) as familistic enterprise should be considered as a pillar of the enterprise union system. It because, in the lifetime employment the workers have to look after their loyalty to employers (or masters) and to maintain 'wa' or harmony. Clark (1988) says, 'In Japan the relations between managers and employees and between capital and labour were essentially harmonious. Employee loved their masters, just as they had always done, and masters preserved their traditional benevolent attitudes toward those who work for them'. However, the lifetime employment that is recognized by now just commenced in the early of 1950s or around half century after its disappearance from the history of Japanese industry. In the modern lifetime employment the harmonious relationship is occasionally disturbed by company internal disputes.

The Structure and Features of the Enterprise Unions

Almost all Japanese labour unions are organized at the level of enterprise, and include in their membership all white- and blue-collar workers and certain low-level managerial personnel (Kodansha: 359). Statistically, of 69, 000 Japanese

unions, 94 per cent are exist at enterprises and the rests are craft and industrial unions. The enterprise unions absorb 91 per cent of 12,5 million union members (Smith, 1994). Most large corporations already have unions; 58 per cent of firms employing over 1,000 have active organizations, compared to 1.8 of firms employing fewer than 100 people (Yoshimura, 1993).

The growths of the enterprise unions happen together with the growth of firms numbers. As a company establishes its new branch, the new branch workers organize as well their own union. The union leader is appointed by an election. Although the membership only covers employees at a branch level the union is not dependent on the workers' union of the central firm: it has autonomy to negotiate with the management. Therefore, relationship between one union and other unions is not hierarchical, but they are only connected by a confederated association in an industrial union. Industrial unions such as the Zensen (Japan Federation of Textile Industry Workers Union) and the Denryoku Roren (Federation of Electric Worker Union) are organized outside firms by workers in same industry. Those federations do not involve in collective bargaining within enterprises. They just serve as the center of information, research, and arrange campaign and political actions (Kodansha: 347).

The membership of the enterprise unions is confined to regular or permanent employees. Accordingly, part time workers do not have right to join the union. In 1983, 4.2 million of 58.3 million workers in Japan are part timers and

more than two-thirds of them are women (Sethi, et al. 1984:238)

A worker's membership status of unions ceases automatically upon termination of employment or as he is promoted to a management position, usually the level of section head (*kacho*) (Abegglen and Stalk, 1985: 205, Kodansha: 359). Unlike those of some Western companies, where one's position in union leadership restricts his opportunity to be promoted into a management post, in Japanese firms it is in the opposite: one can get a bigger chance to be a top executive through the union. He can show his leadership capabilities and attract employers by organizing the union members to support management in achieving company goals.

Cooperative relationship between the management and the union could assist the firm in introducing technological changes. This is one cause why technological changes in the Japanese enterprises do not bring about serious unrest amongst workers like in some Western countries.

The enterprise unions Japanese is beneficial for the workers regular movement of from one section to another. A worker who works at the marketing section, for instance, can be moved to the research or computing section within the company without dealing with complicated procedures and triggering inter-union conflicts. For Western companies that in cooperation with two or more unions, the job movement is more difficult. It is because the workers do not only move

from job, but also from his original union if the old and new work sections are controlled by two different unions.

The Strengths and Weaknesses

The strengths and weaknesses of unions can be known from the extent to which the unions produce mutual benefit for employees and employers or labour and capital. Because either employees or employers have similar interest in the company i. e. to get money, status and comfort, so the ideal type of the union is lay in its ability to protect employees interest and to support management exercises. If a union is only able to protect workers' interest because it is so strong, but discouraging management, it can not be categorized as an ideal union for a company. It has strength but it is unexpected.

The strengths and weaknesses of the enterprise unions should place in that context. In the following evaluation there are six aspects will be examined, i. e. : 1) cooperative relationship between the unions and management, 2) job movement, 3) promotion, 4) prosperity, disputes and strikes 5) union democracy and 6) part time workers' interests.

Cooperative relationship Cooperative relationship between the union and management result in workers' quality can be improved effectively to increase the rate of productivity. This is the first strength of the enterprise union system. By the cooperative relationship employers find much easier to communicate with employees. Communication (between both) can improve the quality of work and increase productivity (Figura, 1980).

Japanese labour productivity is highest amongst industrial countries such as the United States, (West) Germany and the United Kingdom. During a seven-year period among 1979-1986, Japan's manufacturing production grew at the annual rate nearly 6 per cent (3.5 per cent in the US, 3 per cent in West Germany), making her the world productivity leader (Fukuda, 1988: 175).

Labour is one factor that strongly influences the rate of productivity amongst other factors such as technology, capital and management. Japanese labour productivity grows mainly from the quality of the labour; most of them are well-educated and hard worker. However, the influence of union on them should be an important factor.

Union management cooperative relationship is also required in dealing with high competitions with some New Industrial Countries (NIC) mainly South Korea and Taiwan. They are also low-cost producers and Japan can no longer compete on the basis of production efficiencies alone. It must, therefore, compete in the area of high technology, which is associated with a high degree of risk and uncertainty (Sethi, et al, 1984:231). Technological changes occasionally need fundamental changes in the structure of labour that often cause some workers lose their job or they must move to a section that actually they do not like. Those changes can raise disputes and strikes that ultimately disturb all of the company's programmes and the cost of confrontation may increase. In the most Japanese firms, disputes caused by technological changes can be minimized because the unions actively involve in

introducing technology. The unions do not refuse new technology and regard it as an unavoidable consequence of business competitions with other companies. This is the second strength of the enterprise unions in Japanese firms.

The well-come attitude of the unions for new technology has never come free from the tradition of Japanese companies that always advance their employers' skill through On-the-Job Training (OJT) programmes. These schemes that later combined with *teiki ido* (regular shifting from on job to the next on a regular basis) for the new recruits, introduce workers to new technology and therefore they are more adaptable to technological changes.

However, the cooperative relationship is also negatively affect Japanese workers. The enterprises' unions inevitably became an integral element in the Japanese management system. As the result, like those of management, generally, they do not really concern on the cost of the management system that have to be paid by workers. Sethi, et al. (1984:48) accounts,

Little attention, however, has been paid to the cost the system afflicts on society in general, and workers in particular. And these cost may be substantial in term of loss of individual freedom that may border on involuntary servitude, a rigid social structure, and sacrifice of other values individuals and groups may cherish but may be unable to exercise because of the intolerance of a system that is structurally imposed and from which escape may be all but impossible.

This carelessness on the workers' burden is the first weakness of the enterprise union system.

Job movement. For many Japanese companies, job movement (*teiki ido*) is a way to improve workers' quality, in line with the principle of multiskilling. A worker works in a section for about two years than moved to another section within company.

Because the enterprises' unions facilitate workers move from one job to another, the workers do not necessary to pass complicated procedures as they leave a job and enter to new job. In this respect, the enterprises' unions contribute a conducive condition for management in developing workers' ability and flexibility.

Promotion. The unions' activists, mainly the leaders are luckier than rank and file workers since they have bigger opportunities to get promotions to major management positions. Economically, a promotion is not very attractive because in Japanese companies (mainly in the large firms) the discrepancy of wage between one position and the above is not so high (Gow, 1988). Nevertheless, a promotion in the management line gives somebody a higher status and proud, and it is more important.

Informally the enterprises' unions function as 'leadership schools' as it offer occasions for workers exercising their leadership ability. Abegglen and Stalk (1985:205) say 'Nearly one in six of the major kaisha¹⁾ executives have been executives of the company's union.' Therefore, the workers

¹⁾ Kaisha = the Japanese company

who have strong ability to lead the unions' members do not necessary remove their illusion to get major position in the company management. As they obtain the major position, they are not freshmen but they are the company executives with a long time experience. This is the third strength of the enterprise union system.

Prosperity, disputes and strikes. Yoshimura (1993) argues that 'Unions have caved in to company demands, and in one sense, are victims of economic prosperity.' Prosperity is a prominent issue that often generates labour conflicts and disputes in some industrial countries. The low of labour wage in the one hand, and the concentration of prosperity around companies' elite on the other hand, may result in jealousy and stimulate the spirit of workers to against employers. The intensity of disputes reflects the degree of workers' dissatisfaction and strikes are their tactics for enforcing employers to increase wage. In Japan recently prosperity is no longer distributed amongst employers or companies' elite only. Wage differential between company president and freshmen (male university graduates) on entry is only 7.52 times (after tax) in 1980 (Gow, *ibid.*).

By these conditions, the unions have lost the most important issue for committing strikes. The increase of economic prosperity is also arouse most workers' ignorance and hesitation on the use of strike to demand salary increase. Accordingly, the Japanese companies are not necessary suffer from 'working day lost' as much as experienced by certain European countries.

The Japanese workers' prosperity is mainly emerged from the management policies and goodwill, workers' productivity and the quality of companies' products rather than the unions fight against the management. Hence, the increase of the prosperity can not mirror the unions' strength but it is the management's strategy for jacking the workers' productivity up and to maintain their loyalty. The prosperity instead could sink the unions into an unresponsive attitude on the workers' satisfaction and the changes, except on the wage and the security of employment, such as satisfaction on working-days, seniority-based wages that hinder young and potential workers earn higher wage, or discriminative treatments for female workers. In those matters, the enterprise unions show its second weakness.

Union democracy. This part must be very speculative, but the issue is imperative for evaluating the strengths and weaknesses of the enterprise unions.

Theoretically, democracy is most likely implemented in small groups rather than in large groups. In small groups any members can directly involve in making decisions and may reduce trends to power abuse held by a few people (leaders). An enterprise's union membership is relatively smaller in quantity compared with, for instance, a trade union in the UK. It because the membership only covers a firm. The unions' members can control their leader much easier. However, in the enterprise union system, the theory and practice do not always work together: although the organisation is relatively small, the members can not easily control the leader's

exercises. The integrated position of the unions' leader with management creates a specific dilemma amongst members to run full-hearted controls.

Part time workers' interest. Because of the unions' membership is confined to only the permanent employees, and mostly male, the part time workers do not have official channels to express their interest to the management. The management deal with them as individuals, not as groups of worker. In the such a condition the part time workers' fate depends on the company's goodwill since they can not bargain with the management as the regular workers do.

The part timers' problems are actually also female workers' problems because most of the part timers are women. The absence of a union in the companies that could assist and protect them reflects that it is not only a discrepancy between regular and part time workers but also between male and female. Therefore, it is not really surprising if some Japanese workers work in poor, unsafe, and uncomfortable condition.^{**)}

The Transferability to non-Japanese Locations

Some writers have discussed about the transferability of the Japanese management style to non Japanese location (e. g. Fukuda, 1988; Sethi et al, 1988; Oliver and Wilkinson, 1992) but most of them, do not specifically speak about the transferability of the enterprise union system (except Fukuda

^{**) This uncomfortable condition have been reported by Kamata (1982) happened at a Toyota's plant.}

who observes some Japanese companies in Hong Kong and Singapore). They pay more attention to the management technique and the relationship between the management and the workers as individuals, not as groups.

Like in the analysis about the transferability of the Japanese management style, cultural factors should also be considered in analyzing and assessing the transferability of the union system. The union system is related to the management style and the two are connected with Japanese culture. This interrelation, as a result, places the union system in a cultural framework as well, or, to speak about the union system, one should speak about the cultural background of the workers. As the system is transferred to non-Japanese locations, there is an important question that is whether the non-Japanese workers are having visions and ideology like Japanese workers. Since the cultural factor is imperative, the transference of the system is less possible.

The Japanese industrialists themselves seem do not strongly assume that their style can be quickly applied abroad. However, their human resources management policies are more flexible in dealing with foreign workers at some of their subsidiary companies abroad, such as in Hong Kong, Singapore, the US and the United Kingdom. Sethi et al (1988: 191 - 198) divide the overseas (particularly in the US) subsidiaries into four categories based on their approaches in applying Japanese-style management. i. e.

- Type A companies: The imperialist approach
- Type B companies: The enclave approach

- Type C companies: The domestication approach
- Type D companies: The acculturation approach

Type A companies are those introduce their original management style 'intact' from their home bases in Japan; they duplicate the parent's system of organisation structure and decision making. They exclude local employees from the system or at best they use different system for the Japanese and the American employees. Type B companies are generally located in isolated part of the country and use local employees for lower-level positions. This type, like type A companies, are also copy the Japanese system intact. Type C companies use a modification form of Japanese management practice. They are generally joint venture companies, well-known, large in size, operate in markets where the demand structure is quite competitive, and engaged in the production of high technology product where skilled workers and scientists may be in short supply. Type D companies are exactly use different approach with type A companies. They are not isolated from local employees and do not use entirely the Japanese management style but they combine it with American workers condition.

The acculturation approach, a glance, indicates that Japanese management does not really convince their style can be effectively applied outside Japan. But, Sethi et al (ibid) argue that this approach 'demonstrates a conviction on the part of Japanese management that their system and style of management is transferable, and can be transplanted to a foreign culture and operate with foreign workers.' Therefore,

their flexibility is only to find 'the point of contact' between two styles of management and cultures and lastly to socialize the non-Japanese workers to the Japanese management approach and culture.

The difference of culture should be reduced before Japanese management apply their style, including their enterprise's union system, purely. They can not expect a good result from the enterprise union system abroad as the workers do not have the sense of loyalty, commitment to work and group consciousness.

To cope with the problem of their workers' union abroad, the Japanese management uses two strategies. First, they refuse at all unionism. The resistance against unionization is common among most of Japanese companies operating in the United States (Sethi et al, 1988:196). As a consequence some of them have to deal with local unions' offence. In the UK Japanese companies with non-union are also common. Of 51 British-Japanese companies surveyed in 1991 by Oliver and Wilkinson (1992: 268) there were 27 companies (53%) did not have union, 19 companies had single-union and only one company had multiple unions.

Secondly, the Japanese companies accept local unions operate within their workplaces. Nissan and Komatsu plant in the UK, for instance, accepted the AEU (Amalgamation Engineering Union). Mitsubishi and Toshiba accepted the EETPU (an electric engineers union), but later the companies also establish company-based representative bodies under variety of names such as Company Council (Nissan),

Company Members Board (Hitachi) and Advisory Committee (Orion) which is potential for confusion between the role of this bodies and the role of trade unions (Oliver and Wilkinson, 1992).

Conclusion

The strengths of the enterprise union system lay, firstly, in its ability to mobilized workers effectively to increase the rate of productivity. Secondly, the enterprise unions facilitate management introduce new technology so that the technological changes do not result in serious unrest. Thirdly, the enterprise unions can function as informal leadership schools that may generate experienced executives. The Japanese workers' prosperity is not included in those accounts, because the roles of management seem to be more prominent in increasing the workers' wage and in reducing the difference of wage between top leaders and freshmen rather than the unions fight.

The weaknesses of the enterprise union system are, firstly, coming from its carelessness for the cost of the management system that has to be paid by the workers. This carelessness comes out as the consequence of the cooperative relationship between the unions and the management that bring about the unions becomes an integral part of Japanese management system. Secondly, the unions are not purely independent from companies control mainly in the matter of financial stability. Thirdly, the enterprise unions are less responsive to the unpleasant condition of part time workers because the

membership is confined to the permanent workers only. Lastly, the enterprise unions should be more democratic because they are relatively smaller in members' quantity than industry-wide unions, but in practice it is possible to be undemocratic.

Because of the enterprise union system is closely related to Japanese culture, so the transferability of the system to non-Japanese location seems less strong. However, some policies of Japanese companies' subsidiaries that are categorized as type D by Sethi et al (1988) in the US, and also in the UK, such as Nissan and Honda demonstrate a conviction on the part of Japanese management that their style is transferable.

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