

# Issues in British and Japanese Industrial Relations Systems

By Professor B. C. Roberts

Drawing upon over two decades of personal involvement as professor of industrial relations at the London School of Economics and editor of the *British Journal of Industrial Relations*, Benjamin C. Roberts' comparative study of industrial relations systems in Britain and Japan concludes that the two systems are moving along converging paths.

In reviewing the history of British industrial relations, Roberts notes the steady rise of trade union bargaining power during the 1950s and 60s. This power became split between industry-wide unionists and shop stewards whose endless rounds of strike-backed wage hike demands eventually turned the public against the unions.

Citing these anti-union feelings in Britain and also the declining influence of Japanese unions, Roberts asserts that unions are on the decline and management is on the offensive in both nations: British managers establishing closer links with employees and Japanese managers working to preserve the lifetime employment system.

Yet Roberts is not an uncritical admirer of the Japanese system, arguing that 70% of the nation's workers carry a heavier burden of economic insecurity in order to provide greater security for the virtually all-male elite of permanent employees in large companies and warning that this discriminatory system may soon come under reformist pressures—either from women and other disgruntled workers at home or from overseas competitors protesting Japan's "unfair" advantage.

Looking to technology's impact on the workplace, Roberts asserts his faith in technology's ability to provide more jobs than it replaces, and in man's ability to cooperate in enjoying technology's benefits by shifting to a shorter workweek and enhanced leisure activities.

In the past two decades, the study of the Japanese model of industrial relations has grown from a small, remote niche in

Western scholarship to a subject of widespread interest among businessmen, trade unionists and governments in industrialized and industrializing nations throughout the world.

This global interest has been fostered by a number of popular books citing the harmonious and positive employment policies developed by Japanese management as an essential element in the Japanese economy's remarkable success. Not surprisingly, considerable attention is being given to those features of the Japanese model which might be successfully transferred to boost lagging productivity. In Britain, perceptions of the Japanese model of industrial relations have themselves become part of the challenges and changes taking place in British industrial relations.

## Trend toward Japanese model

Industrial relations have traditionally been less regulated in Britain than in any other country. The Trade Union Act of 1871 established a legal framework which granted the unions immunity from judicial regulation and legal penalties. Thus, for the past century, the employer-union relationship has been one of mutually developing collective bargaining procedures as a basis for settling conflicts between managers wishing to hire and keep an effective labor force and employees wishing to improve their conditions of employment. However, economic and technological developments over the past two decades have contributed to significantly altering this classic model of two sides, employers and trade unions, facing each other as adversaries and reaching mutual accommodation through their bargaining with the law virtually absent. It is in this new context that the Japanese model of industrial relations has won wide acclaim as a possible solution to contemporary problems in British industrial relations.

In the 1950s and 60s, full employment and strong labor demand greatly strengthened the hand of Britain's trade unions.



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However, the power of industry-wide collective bargaining was eventually undermined by the factory-level bargaining of shop stewards, who extracted supplementary wage increases from their employers with threats of unofficial strikes, over which there was no legal control. Thus a dual system of collective bargaining emerged, with industry-wide unions setting the base wages and with shop stewards pressuring for even higher wages. Naturally, this dual system soon produced high levels of industrial conflict and inflation.

As this dual system arose during the last 20 years, industry-wide bargaining lost much of its influence in the private sector, although it remains important in the public sector. It was this private-sector shift from industry-wide to plant-level bargaining that led Ronald P. Dore and other authorities to conclude a decade ago that the trend in Britain is toward the Japanese model of enterprise industrial relations. Since then, British awareness of the success of Japanese industrial relations has led to the establishment of Japanese-style QC Circles (Quality Control Circles) at more than 400 British companies.

## Trade unions on the decline

Since the current recession began in 1979, rising levels of unemployment have had a considerable impact on trade union membership in both Britain and Japan. In

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Britain, the unions have lost some two million members, or about 15% of the 1979 peak membership of just over 13 million. The decline in Japan has been even greater, dropping nearly 30% from its peak. In fact, trade union membership has declined throughout the industrialized world, and the evidence suggests this is not due solely to the recession. In the United States, trade union members now represent only about 20% of the employed population as opposed to the membership peak of 40% a decade ago. This decline is due to a variety of factors: changes in the structure of employment, the growth of small non-unionized companies in the newer industries, and the decline of large unionized corporations in the older industries.

In the 1970s, Britain's unions grew rapidly while U.S. unions were already on the wane, yet the social forces behind this growth were soon to prove damaging to the British unions. Much of the union membership growth came in the white-collar sector as clerical, technical, and professional workers sought to protect themselves from fast-rising inflation fueled principally by the excessive wage demands of unions in the coal, steel, energy, and transportation industries. Union membership was also increased in the private and public sectors by union pressures to secure the "closed shop" agreements, under which union membership is a condition of employment and managers become, in effect, the unions' recruiting agents.

Such union tactics have become increasingly unpopular in Britain—even among union members themselves. Many union members are extremely resentful of having been compelled to join a union in order to find or keep a closed-shop job. Britain's union leaders are seen as increasingly bureaucratic and out of touch with their rank-and-file members. Perhaps the most significant demonstration of intra-union dissent was the fact the some 40% of Britain's trade union members voted Conservative in 1979.

Japanese unions seem to have reached a similar stage. Apart from their diminishing membership, they have recently shown weakness in their annual *shunto* spring offensive. The establishment of the Japanese Private Sector Trade Union Council points to disenchantment among some Japanese union members, who feel the ideological divisions characterizing Japanese unions have not been to their advantage.

## Managers on the offensive

In both Japan and Britain, managers are clearly on the offensive. British managers, who have tried for years to come to

terms with the unions by granting them closed shops, according shop stewards special facilities, and conducting relations with their employees entirely through union representatives, have now started to take more positive steps to improve industrial relations. They are standing firm, no longer willing to tolerate slack work discipline, poor quality control, or extreme demands backed by threats of strike action. As a result, productivity and shop floor industrial relations have improved in many British industries.

Managers are well aware that their new bargaining strength is in part recession-induced, and many are taking advantage of this opportunity to improve vertical communications by developing briefing groups, joint committees, and QC Circles. In both Japanese and Western companies, managers are of supreme importance—yet their authority and effectiveness depend not only upon their organizational status but also upon whether their subordinates respect them as skilled professionals.

Managers have also found support from the Thatcher government. Prime Minister Margaret Thatcher has urged management to take positive steps for better industrial relations through improved communications and consultation. Having been elected on a pledge to create a new legal framework to curb the growth of trade union bargaining power, the government has established new legal definitions for lawful industrial dispute. A strike is now only lawful if it is confined to the workers who are employed by the company where the dispute has occurred. Sympathetic strikes and secondary picketing will generally be considered unlawful, and most important of all, the unions will no longer have absolute immunity from civil actions for damages when they act unlawfully. It is believed that these changes will lead to a reduction in strike activity and an improvement in industrial relations as more emphasis is placed on conciliation and arbitration to smooth employment reductions as overstuffed industries scale down their labor forces.

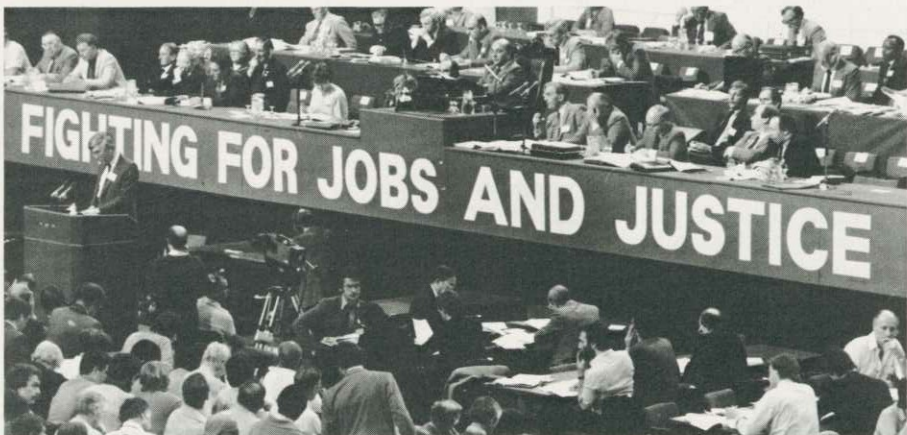
Laid-off workers in Britain are given a lump sum payment related to their length of service as a limited protection during their search for new jobs. Often the basic entitlement is doubled by union-employer agreements, and long-term employees may receive as much as £20,000 (US\$28,200) in lump sum payment. Such measures to cushion the impact of unemployment have reduced worker opposition to layoffs justified by the need to improve productivity.

## Dual labor markets

Japanese companies, committed to providing lifetime employment security for their employees, have by contrast done everything possible to avoid layoffs. So far, most Japanese companies have also been able to avoid minus growth in production—the amount of goods produced in Japan's manufacturing sector increased 2% in 1982, while in Britain it fell 17% from 1979–82. However, Japan's lifetime employment security is confined almost entirely to male permanent employees in the larger companies and the government, who together account for only about 30% of the total labor force. In the larger companies, marginal hiring of temporary workers, subcontracting, adjusting bonus payments, and farming out workers to expanding enterprises provide elements of labor cost flexibility.

In the West, such flexibility has been provided by the system of essentially temporary employment under contract. This system has been weakened significantly in Britain, however, since the concept of unfair dismissal was introduced in 1971. Under this important change in the law, an employee may ask for compensation and reinstatement if the employer cannot prove that the employee is either incompetent or guilty of some dismissable offence.

Employees in large Japanese companies cannot easily change companies without a significant loss of job status and employment security. While this sense of being



Trade union membership has declined in both Britain and Japan.



locked in is part of the strength of the Japanese enterprise system, it generates considerable tension and its stability cannot be maintained without escape routes and reinforcements. The principal reinforcement of the large-company (primary) employment system is the small and medium-size enterprises which make up the secondary system of Japan's dual labor market. This secondary system is generally similar to the primary one, but with less employment security, higher levels of labor turnover, lower wages, less training, less optimum health and safety conditions, weaker employees' unions, and more autocratic management.

Dual labor markets are not unique to Japan; they exist in Western countries as well. Despite the deplorable fact that dual labor markets can easily lead to discriminatory and inefficient personnel policies, many of the most successful Western enterprise models—IBM, Eli Lilly, Unilever, Marks & Spencer, and many others—have labor systems similar to the Japanese primary labor system. In all of these companies there is an emphasis on employment security, internal labor markets, and highly participative styles of management.

During the current recession, unemployment in Japan has risen to only 2.7%, yet even this low percentage has cast some doubt upon the long-term viability of the primary labor system's commitment to employment security if there is no substantial increase in the rate of production. As a result, advanced technology is seen as the key to ensuring increased productivity.

## Reorganization of work

While the development and introduction of advanced technology such as computerized and robotized production systems and office automation may produce considerable labor displacement in the next decade, advanced technology has not yet created a problem of net job loss. Forecasts of the past 20 years that automation and computerization would produce a collapse in employment have so far not been borne out. In spite of their reputation for creating unemployment, modern economies have shown a far greater capacity for creating jobs.

For example, although there has been a steady decline in the number of people employed in manufacturing and basic processing industries such as steel and aluminum, this has been more than compensated for by the rapid growth of the service industries. New information technologies may radically reduce staff numbers in large companies, but this same advanced equipment is being used by the thousands of innovative people who are establishing new types of small-scale service enterprises.



Photo: Asahi Shimbun  
Adjusting bonus payments is one element of labor cost flexibility for larger Japanese firms.

Apart from new jobs, there is also the possibility that if all the work which society is prepared to pay for is not enough to give full-time paid work to all who wish it, the available work could be spread over fewer hours per person to maintain reasonably full employment. There is no shortage of activities which individuals would like to carry out voluntarily if they could earn enough to provide a satisfactory basic standard of living through a relatively small number of paid hours. The challenge to society is not the threat of technological change but the reorganization of paid work and unpaid work (curiously referred to as leisure) so as to ensure that everyone can be entitled to a minimum income and without destroying the freedom of choice which a free enterprise society makes possible.

The workweek in Europe is shrinking steadily. It is likely that this trend will spread to other countries, and those industrialized countries which do not reduce their workweek to similar levels will come under attack. It is unlikely that Japan can remain indifferent to global trends toward a shorter workweek.

The problem that faces Japan and everyone else is that shorter hours may contribute to a rise in the cost of labor and thus lower competitiveness. For this reason, European trade unions are endeavoring to persuade employers in EEC countries to implement work hours reductions in coordinated stages.

Japan's primary labor system, with its emphasis on job security, group solidarity, high levels of education and training, seniority-based wages, and participative management, is well designed to handle major structural change. There is the danger, however, that those who enjoy the blessings of this system may eventually become an aristocracy of labor and, as such, a source of tension between the two sectors of employment. There could be political resentment if those in the primary sector were largely protected against the human costs of high technology while unemployment and economic insecurity intensified among the great majority in the secondary sector.

It is also worth noting that women are virtually excluded from Japan's primary

system and may become the major casualty of technological disruption. In such an event, it is unlikely that contemporary Japanese women will be as willing as their predecessors were to accept such a discriminatory situation. In addition to such pressures within Japan, there is the possibility that governments in Europe and North America will be even harder put to resist protectionist pressures from their labor movements if charges of unfair Japanese competition become buttressed by the belief that Japan gives absolute protection to a male chauvinist aristocracy of labor at the expense of the great majority of its people.

## Converging paths

Such a situation can be avoided if free trade is maintained through a free flow of capital, meaning that the more successful Japan becomes, the more imperative it will be that Japanese companies establish subsidiaries abroad. Japanese companies abroad inevitably carry with them Japanese organizational practices and management philosophies, which they must adapt to suit the local climate. Many aspects of Japan's primary system of industrial relations are not only transferable, but are eminently appropriate to the contemporary requirements of advanced industrial models born of the 19th-century *laissez-faire* societies of Britain and North America.

Japanese companies in Britain have demonstrated that the skills of Japanese management can be effective in Britain in terms of productivity and quality control, with results that match those attained in Japan. British companies following similar principles have shown that successful management is a function not of Japanese culture but of the application of organizational principles that evoke a positive and cooperative response from workers who value their right to share both the responsibilities and benefits of advanced technology. While most people expect their government to provide public order and an institutional infrastructure through which they can pursue their ambitions, they look to private enterprise as the principal means through which their economic and social objectives can be realized.

Advanced technology, coupled with organizational structures which satisfy economic and social needs, offer greater opportunities for fulfillment than ever before. Although every society has a different history and each has developed its own cultural norms, these paths are converging. Societies influence each other more and have a greater need and ability to learn from one another than at any time in the past. The advance of technology may be seen as a threat, but in reality it opens the door to the millennium. ●