

WORKING PAPER SERIES - 245

WORKFORCE REDUCTIONS AND
INDUSTRIAL CONFLICT IN POSTWAR JAPAN:
A COMPARATIVE ANALYSIS

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DRAFT: March 1993

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ABSTRACT

This paper argues that the operation of Japanese labor markets is not fundamentally different than that of labor markets in other advanced capitalist nations. I consider the problem of labor adjustment in particular. In interactions over workforce reductions, the behavior of firms and trade unions is determined by three sets of variables: institutional conditions, informational imperfections, and the impact of exogenous actors on the calculations made by firms and unions of the probable costs and benefits associated with various courses of action. Data on industrial disputes since World War II in the United States, Great Britain, Italy and Japan demonstrate the importance of the institutional protection of union organization for triggering or inhibiting disputes over workforce reductions. Like their counterparts elsewhere, Japanese unions respond aggressively when their own organizations are threatened. The greatest threat comes when, in the course of personnel reductions involving unionized employees, firms target activists to be included among those expelled from the enterprise. The targeting of union activists was characteristic during the 1940s and 1950s in Japan. Only as firms came to adopt policies protecting union members from layoff did such strikes cease. The argument is illustrated with detailed analyses of two strikes in the Japanese coal industry in the 1950s.

Although increasingly well known to interested observers in other OECD countries, the workings of the Japanese economy are still often described in idiographic terms. No less eminent a scholar than Ronald Dore begins his otherwise sensible study of Japanese enterprises and labor markets with the observation that the Japanese “have never really caught up with Adam Smith” (Dore 1986, 1), intimating, of course, that they remain bound instead to social arrangements characteristically pre-capitalist and organic, arrangements that continue to distinguish the Japanese from those of us imprisoned in what Dore himself characterizes as the “individualistic West.” Disturbingly, he contends that the operation of the Japanese firm and relations between employers and management can only be adequately explained with reference to cultural considerations.*

Perhaps this is indeed the case. In what follows, I endeavor to suggest otherwise, however. Cultural distinctiveness, however empirically obvious, is unnecessary for analyzing the behavior of unions and firms in Japan.[†] Working from a comparative frame of reference and using a theory originally developed for analyzing other advanced capitalist nations, I show that the operation of Japanese labor markets can be explicated using standard microeconomic notions of economic rationality. I examine the phenomenon of labor adjustment, and argue that the interactions of Japanese firms and unions in situations requiring workforce reductions duplicate those observed in other countries. Like their counterparts elsewhere, Japanese unions respond aggressively when their own organizations are threatened. The greatest threat comes when firms target union activists to be included among those expelled from the enterprise. Firms, in turn, always target activists for discharge except when prevented from doing so by some external enforcer (national legislation, for instance) or when the conflict that would ensue is judged too costly.

The targeting of activists was characteristic during the 1940s and 1950s in Japan. In response, Japanese unions repeatedly used the strike weapon to battle discrimination against their activists. Only as firms came to adopt policies protecting union members from layoff did such

* The research reported here is part of a larger project, entitled *Heroic Defeats: The Politics of Job Loss*, that has received funding from the National Endowment for the Humanities, the German Marshall Fund of the United States and, at the University of California at Los Angeles, from the Academic Senate, the Center for International Business Education and Research, the International Studies and Overseas Programs, and the Institute of Industrial Relations. For research assistance on Japan, I am grateful to Robert Carrico, and for translations, to Toshio Nagahisa. This paper was written while a Visiting Scholar in Political Science at Stanford University, working under SES-9108513 from the National Science Foundation.

† The argument that standard microeconomic tools of analysis are adequate and appropriate for the study of Japan has been developed by Japanese specialists. My thinking on Japan has been especially influenced by the work of Masahiko Aoki (1984 and 1988), Robert Cole (1971 and 1972), Andrew Gordon (1985), and Kazuo Koike (especially 1988).

strikes cease. This paper examines two such strikes in some detail—both at the Miike coal mines, owned by the Mitsui company—to illustrate the utility of a general theory of job loss in the Japanese context. I contend that, because of their relatively small size—they are almost all coterminous with the enterprise—as well as other specific institutional features, Japanese unions have a particularly low threshold for the dismissal of shopfloor activists, and can tolerate only an extremely small number of such dismissals before responding with industrial action. What is now known as “lifetime employment”—essentially, the protection of the unionized minority of the workforce from layoff—itself arose in part precisely because the costs to firms of laying off union members and militants was therefore higher in Japan than elsewhere, as evidenced by the relatively high proportion of strikes over redundancies that occurred during the 1940s and 1950s.

The stereotype of quiescent unions and cooperative Japanese industrial relations is largely a recent phenomenon, a product of the virtually complete job security enjoyed by union members and militants in the last three decades. An explanation of these phenomena based on institutional variation is, I suggest, both more powerful and more parsimonious than one that turns on reference to norms and culture. Of the small number of discharges of unionized employees observed in Japan in the 1970s, Dore writes that

there was a general belief among management that, both on pragmatic and moral grounds, it is worth spending a lot of money not just “to buy industrial peace” as it might be put in other cultural contexts, but also to avoid the damage to morale in the enterprise inevitably caused by expelling some of its members “simply” because they had become unnecessary through no fault of their own (1986, 88-89).

But “buying industrial peace,” which Dore apparently disdains as inferior to a morality of caring, is, I will suggest, just what firms sought to achieve in Japan in the 1970s and 1980s, largely because they had experienced exceptionally heavy costs to conflict in earlier years.

The paper proceeds in five parts. The first sketches a theory of job loss, and argues that industrial conflict over discharges is first and foremost the result of excessive threat to union organization. I develop some institutionally-specific hypotheses about when these threats will be especially pronounced. The second section offers some comparative empirical evidence for the contention that industrial action over workforce reductions occurs in Japan for reasons comparable to those characteristic of other advanced capitalist countries. A third section describes postwar employment regimes in Japan, detailing Japanese practices and comparing them with those found in other countries. The following section—the longest of the paper—investigates in detail two strikes in the Japanese coal industry in the 1950s to demonstrate the importance of the protection

of activists in triggering industrial action. A final section considers theoretical and comparative implications of the analysis.

Labor-Capital Interactions over Workforce Reductions

In market economies, firms frequently encounter economic pressures to adjust the size of their workforce. One of the most important considerations in such a situation is the selection of those to be dismissed. Various options are available, including selection on the basis of skill, performance, seniority, need, and gender (for a discussion of possible criteria, see Elster 1992, ch. 2). All else (including wages) equal, the firm would prefer to dismiss those particular employees with the lowest productivity (whether because of genetic endowments, age, or skill). In modern industry, however, the technologies of production often make it difficult or even impossible to identify those with lower productivity (see Milgrom and Roberts 1992, 185-87 and 369-70). On the assembly line, for instance, it is usually impossible to tell if any single employee is shirking.

Faced with difficulty in assessing the productivity of individual employees directly, the firm may use proxy indicators. Historically, age and gender have been commonly employed in industrial settings, with the justification that both women and older men are on average less productive than young and mid-career males.*

Where the firm has a free hand, union activists are also targeted for dismissal, since if they are not themselves less productive than other employees, one of the priorities of union organization is to counter the firm's authority in extracting effort from labor, thereby lowering the productivity of workers (see Edwards 1979). Unions also seek to increase the wage that the firm would otherwise pay, which has an impact on profits. Given that unionization lowers profitability (Freeman and Medoff 1984), firms would prefer to prevent it. For these kinds of reasons, unionization is costly to the firm, and managers would always prefer to expel union activists when possible.

The union, in turn, always seeks to defend the jobs of its activists before those of other workers, since its organizational viability depends on its activists. "The union participant," one analyst has explained, "is a necessary ingredient without which most local unions could not operate. There must be personnel to fill posts, opinion leaders to inform and stimulate, a cadre to mobilize for the various modes of latent and overt combat" (Spinrad 1960, 244). Corroborating this view, another scholar has argued:

* Since productivity also increases with experience on the job, this is a complicated issue. But one reason firms favor mandatory retirement is because of the expectation that average productivity begins to decline after a certain age.

If the management had complete discretion in making the selection [of those to be made redundant], the labour union would be vulnerable insofar as its shop stewards could be made redundant. Shopfloor workers would, therefore, become reluctant to become shop stewards. Even though the union structure of officials and members might still be maintained, the activities of shop stewards in looking after the interests of their fellow workers, which is the basis of the union's existence, would tend to diminish (Koike 1988, 88).

Activists, in addition, are hard to find. Perhaps the single most common empirical characterization of local unions is the chronic difficulties they face recruiting employees to fill union posts, and the widespread reluctance of ordinary members to serve as stewards (Lipset 1981, ch. 12). As a result of the combination of these factors, organizational survival may well be thought of as the "central aim of the leadership" (Ross 1948, 16) for the union.

If the firm deliberately targets activists for expulsion, and if the goal of the union is to prevent the dismissal of activists, the union will commonly threaten industrial action if the firm attempts to expel more than a certain number of activists. Strikes being costly to both sides, the union cannot credibly threaten industrial action if even a single shopfloor representative is targeted for dismissal. It can instead communicate to the firm that if the latter targets more than some number of activists for dismissal, the union will mobilize the rank and file to stop production; it may well be to the union's advantage if there is some uncertainty about the precise number that would trigger a strike. The firm, in turn, prefers to avoid a strike, so if the threat of one is credible, it does not target too many activists, and industrial action does not occur. Thus, if both parties are rational, and if they have complete (or nearly complete) information, industrial conflict over workforce reductions will never take place (Hicks 1966; for a discussion, see Kennan 1986).

Various factors interfere with this equilibrium outcome, however. The two most important are incomplete information and the impact of some exogenous third actor on the payoffs of the union and the firm.

1. *Incomplete information:* Incomplete information may affect the firm, the union, or both. For instance, the firm may experience too much uncertainty about how many activists can be dismissed without triggering a strike; it may not know, for instance, whether the threshold is twenty or fifty, and so may engender a strike by mistakenly identifying for expulsion too many activists for the union to tolerate. On its side, the union may not know how many activists the firm is targeting for discharge—the firm may announce numbers without attaching either specific names or procedures by which it intends to select such names—and so may estimate that too many are targeted for it to tolerate. Given that unions and firms in the real world usually interact with incom-

plete information (if only because each has an incentive to withhold or obscure information from the other), all else equal, strikes over workforce reductions are empirically likely to occur.

2. *Exogenous changes in payoffs*: In addition to the effects of incomplete information, interactions with an external actor may also affect the likelihood of conflict by changing the payoffs of one or the other of the actors (see Tsebelis 1990). A national management association, for instance, may be prepared to subsidize the costs of a strike for the firm, thereby changing the firm's calculations of the risks associated with such an event. The firm may assess probabilities and costs in such a way as to provoke conflict. Likewise, the costs of a strike to the union may be affected by the willingness of a national labor federation to pay strike benefits, mobilize other unions in support, or lobby the government to intervene. These examples suggest that in some situations, the costs of a strike may be lower (or higher) than in the absence of a third actor, again engendering (or inhibiting) conflict.

This theory thus holds that strikes over workforce reductions will not occur except when the union seeks to prevent the expulsion of activists,^{*} but that informational considerations and the impact of exogenous actors will also affect the likelihood of conflict. Where institutions exist that prevent management from targeting activists in the course of workforce reductions, industrial action over job loss will not take place and organized labor will acquiesce in personnel reductions. Examples of such institutions include seniority systems—which, by firing the most junior employees, by and large protect union activists, who typically enjoy relative seniority (see Golden 1992)—and what is commonly called “lifetime employment,” or the protection of all unionized employees from layoff. Similarly, when a union-controlled works council is allowed to select those to be made redundant, activists also enjoy substantial protection (see Koike 1988, 243–45 and Schmidt 1990, 16 on Germany). But in the absence of such institutions, informational imperfections and the impact of exogenous third actors may increase (or decrease) the threat to trade union organization.

Drawing on the above theoretical considerations, the following three hypotheses may usefully guide empirical inquiry:

- Where *institutions* protect the jobs of union activists, strikes during situations of mass job loss are unlikely to occur; conversely, where institutions render activists especially vulnerable, strikes are more likely to occur;
- Where *informational imperfections* are great, strikes during situations of mass job loss are more likely to occur;

^{*} So, for instance, the union will not strike merely to try to protect the jobs of workers, but only if too many of its own activists are also threatened. This theory sharply distinguishes the interests of the union organization from those of rank-and-file members.

- Where an *exogenous actor* affects the payoffs of one or the other actor, strikes are more or less likely to occur.

The empirical analysis that follows is organized around these three claims.

A Comparative Analysis of Industrial Action over Job Loss

Considerable empirical variation characterizes union responses to job loss. In some countries, organized labor typically tolerates high levels of job loss without industrial action—the United States is a well-known example—whereas in others unions commonly lead strikes over workforce reductions. This section presents some data comparing the extent of industrial action over job loss in four countries. On the basis of the arguments advanced in the preceding section, I propose that the main factor distinguishing countries with relatively high or low rates of conflict over workforce reductions is the presence (absence) of institutions that protect union activists from dismissal during the course of personnel reductions. This is naturally a coarse-grained argument, one that concerns only the first of the three variables identified above, if only because adequate comparative data do not exist that would allow us to assess the impact of informational imperfections or of exogenous actors. As far as institutions are concerned, however, existing data permit some general assessments.

Japan, as Figure 1 shows, is an interesting case because strikes over workforce reductions were relatively common in the 1940s and 1950s but became quite rare after that. The figure graphs the number of strikes over workforce reductions as a proportion of the total number of industrial actions in the Japanese economy for every year between 1946 and 1990.* After World War II and during the 1950s, disputes over workforce reductions were frequent, comprising more than a quarter of all strikes at their peak of 1949, for instance. In 1960, however, the number of such conflicts tumbled to under 10 percent—indeed, in most years after that, to less than 5 percent—where it has consistently remained until the present. This pattern mirrors the general pattern of industrial conflict in Japan. Strike propensity generally was high in the 1950s (higher than most other advanced capitalist nations), and remained so until the mid-1960s, after which it

* The standard measures of industrial disputes are the number of strikes, the number of participants, and the number of hours lost. While these data are available for Japan, the only data that are regularly disaggregated by cause are for the number of disputes. It is therefore not possible to analyze other aspects of industrial action over workforce reductions in Japan, and attention is confined to the number of strikes. In the comparative analysis reported below, the same limitation applies.

declined so that by the late 1970s, Japanese strike rates were lower than major western European countries, with the exception of Germany (Hanami 1984, 206; Korpi and Shalev 1980).

Figure 1 about here

As the theory presented above would predict, the decline in the frequency of strikes over workforce reductions in Japan parallels the development of institutions protecting union activists. Even after the end of the Red Purge in 1949-50, which constituted a direct attack on labor's right to organize, enterprises continued to single out union activists throughout the 1950s, systematically attempting to weaken unions affiliated with what had become Japan's major confederation, Sohyo, and to promote "second" unions. The typical pattern of disputes over workforce reductions in the 1950s went as follows: the company dismisses a certain number of employees, who nonetheless continue to report to work; a lockout ensues; numbers of workers—possibly a coalition of those who knew they would not be fired and those who hoped that by strike-breaking they could convince the firm to retain them—secede from the original union, forming a second union; the company and the new union reach an agreement and the latter orders its members to report to work; in attempting to reenter the factory, violence occurs at the factory gates; eventually, the original union is reduced to minority status and forced to settle on disadvantageous terms (Fujita 1974, 323 and 347; see also Koike 1988, 171). One analyst has argued that union schisms constitute a "conspicuous feature" of postwar Japanese labor relations, one that results in multiple unionism on the shopfloor with unexpected frequency (Kawanishi 1992, 33).^{*} Corroborating this, another argues that "most of the major strikes in postwar Japan have been solved [sic] by this method" (Nakayama 1964, 1).

In these disputes, at least through the first half of the 1950s, "union activists were *always* the target of discharge" (Fujita 1974, 354, emphasis added). As Kazuo Koike writes:

Prior to the mid-1950s when layoffs were more common, if the number of volunteers did not meet the quota, managements [sic] would make the additional selections, usually choosing older workers (45 years of age or older), those with poor attendance records, and those who were "less efficient." The last item, in particular, tended to be used to lay off active union members such as shop stewards (1983a, 49).

^{*} Eighty percent of Japanese collective agreements require a union shop (meaning that employees are required to join the union). But this is usually "soft," in the sense that employers are not compelled to discharge existing employees who leave the union. This loophole in Japanese labor contracts allows the formation of second unions (Ishikawa 1963, 462).

Even in the 1980s, another scholar could write that “There is no established rule or agreement on dismissal like the ‘seniority’ principle in the U.S.A. Therefore, management also uses these dismissal methods in its attempts to weed union activists from its work force” (Shigeyoshi 1984, 5).

In the immediate postwar period, Japanese unions won strikes against discharges, but management opposition began in earnest shortly afterwards. After 1946, unions began to lose disputes aimed at preventing workforce reductions (Fujita 1974, 319). In a dramatic description of the only large corporation that successfully cut its workforce in the first period—the Toho Movie Company—Wakao Fujita writes: “The strike began with the closing of the company’s Kinuta Studio, accomplished only after four American army tanks, one cavalry squadron, three airplanes, and 1,800 armed police surrounded the studio” (1974, 336). What took the U.S. cavalry in 1946, however, was more simply accomplished by Japanese firms in later years.

Workforce reductions still occur in Japan, and in large numbers. But after the 1950s, unionized workers were largely protected from them with the development of what is called “life-time employment” (see below). Indeed, Koike has argued that after the long and costly strikes of the 1950s, firms “have since become very cautious in their selection of the workers to be laid off” (1983a, 49). Taishiro Shirai too notes that, because disputes over workforce reductions in Japan have been especially costly, firms have learned not to trigger such strikes (1967, 330).^{*} In the 1970s, for instance, when recession resulted in noticeable numbers of layoffs, “Management was careful not to resort to the nomination of candidates for redundancies, but maintained instead a system of advertizing for volunteers” (Koike 1987, 91). The same was true when workforce reductions were required even in the years of labor shortage in the 1960s (Ujihara 1974, 160). As a result, trade unions have tended to cooperate in those workforce reductions affecting their members since 1960. Firms have stopped targeting union activists—indeed, union members altogether—in workforce reductions. This has allowed unions to gain stability on the shopfloor. No longer threatened when workforce reductions take place, unions no longer mobilize their members to oppose such reductions. Industrial disputes over job loss largely ceased in Japan once firms no longer targeted union activists in large-scale personnel reductions.

The comparative importance of strikes over workforce reductions in Japan is illustrated by the data presented in Figure 2, showing the proportion of industrial disputes waged over job loss for three countries in addition to Japan—the United States, Great Britain, and Italy. The other cases were selected because these countries exhibit considerable variation in the institutional protections they afford union organization during the course of workforce reductions. The figure

^{*} This argument is developed at greater length below.

shows that the proportion of strikes over workforce reductions in Japan in the 1940s and 1950s was comparatively high, although not uniquely so. The Japanese peak of 1949 is unmatched by any of the other three countries, although Italian proportions after the mid-1970s are almost as high. There, the proportion of industrial disputes caused by conflict over job loss rose immediately after the first oil shock of 1974 to more than 15 percent, and has stayed above 10 percent for every year since 1975. Even in the 1950s and 1960s, however, Italian unions exhibited a relatively high propensity to strike over job loss, as the proportion of disputes classed this way was often more than 10 percent.* In the United States, by contrast, rates were relatively low even in the 1940s and 1950s, and have never gone above 10 percent since 1961.† Britain, finally, exhibited very low rates of disputes over workforce reductions throughout the 1960s and 1970s,‡ while in the 1980s, such conflicts have become relatively more frequent, sometimes exceeding 10 percent of the total.

Figure 2 about here

This comparison shows that Japanese unions in the early postwar period exhibited a comparatively high propensity to strike over large-scale dismissals, much higher than American unions, considerably higher than British unions, and even somewhat higher than Italian unions. As the theory advanced in the first section of this paper suggests, institutional variations in the protection of shopfloor activists should correspond to variations in dispute rates across countries. Strike frequency should vary according to the extent to which shopfloor union activists are protected during large-scale personnel reductions.

In the United States, where union militants enjoy almost complete protection from expulsion from the firm thanks to seniority arrangements (Abraham and Medoff 1984, 90), disputes over job loss are extremely rare. Moreover, as we might expect, as seniority arrangements have become virtually universal in the years since World War II (see the discussion in Golden 1990), the incidence of disputes over workforce reductions has fallen even further. This is true despite the fact that American firms resort to layoffs with greater frequency than firms do in Europe or in Japan (Moy and Sorrentino 1981). The American data verify that the frequency of layoffs does not by itself necessarily engender industrial conflict.

* Italian data are available only since 1956.

† Data on strikes by cause are not available for the United States after 1981. However, even in the 1970s, the proportion of disputes concerning job loss remained consistently less than 5 percent.

‡ Data on the cause of industrial disputes for the United Kingdom are available only since 1966.

Italian unions also enjoy seniority provisions when redundancies occur. A 1965 agreement between the country's three union confederations and management bodies stipulates three criteria to use in the event of permanent workforce reductions (*licenziamenti*): the technical-productive requirements of the firm, seniority, and the family responsibilities of the employee (Ventura 1990, section 6.4). Temporary layoffs, however, are entirely unregulated, since the courts have ruled that the provisions regarding redundancies are not applicable (Scognamiglio 1990, 447; Ventura 1990, section 6.8). Moreover, Italian firms have used temporary layoffs to the almost complete exclusion of permanent workforce dismissals since legislation was adopted in the 1970s allowing public funds to be used to subsidize the costs of temporary layoffs to the firm (Padoa-Schioppa 1988). As the first hypothesis presented above would lead us to expect, the incidence of industrial action over workforce reductions has grown in Italy with the increasing number of institutionally-unregulated layoffs that have taken place since the first oil shock.

In Britain, finally, there is considerable variation in the institutional protections afforded union representatives during the course of workforce reductions. Seniority—there called “last in/first out” (LIFO)—although the single most important ordering device for workforce reductions, is considerably less frequently applied than in the United States. While it may be true that it constitutes “the most widely used method for choosing who in a slump will be made compulsorily redundant” (Oswald and Turnball 1985, 82), results of a 1984 survey of enterprises found that LIFO constituted the basis of selection in fewer than half the cases involved (Millward and Stevens 1986, 221). Corroborating this, the results of a 1985 mail survey of the 31 largest unions affiliated with the Trades Union Congress found that only 28 percent of the 25 unions responding reported that LIFO proved of principal importance in the selection of the redundant (Booth 1987, 405-06). Seniority, the author concludes, “does not appear to be of primary importance in the management of redundancies in Britain,...an interesting contrast to the U.S. experience” (Booth 1987, 409). Given this, it is not surprising that British rates of conflict over discharges have fluctuated considerably in the years for which data are available, comprising more than ten percent of the total number of strikes in the latter part of the 1980s (when job loss in Britain rose).

Employment Regimes in Postwar Japan

The last section offered some comparative evidence substantiating the claim that industrial disputes over workforce reductions are relatively more common in the absence of institutions protecting trade union organization, especially shop stewards. I now describe postwar Japanese labor market institutions, with particular attention to those pertaining to discharges and workforce

reductions. The information qualifies some common stereotypes of Japanese labor practices and also provides some descriptive building blocks for the analysis of specific industrial disputes that follows. I also develop institutionally-specific hypotheses for the changing rates of conflict over workforce reductions in Japan since World War II, and for the apparent high propensity of Japanese unions to strike over job loss in the first half of the postwar era.

The feature of Japanese employment practices most frequently highlighted by observers is "lifetime employment," or the apparent commitment by the firm to the continued employment of the men it hires as youths. In fact, however, considerable research by economists and industrial relations specialists has shown that this characterization constitutes an exaggerated stereotype of Japanese employment practices. Economists in particular have drawn attention to the extent to which Japanese labor markets resemble those in western European countries. I discuss three qualifications that should be made to the concept of lifetime employment: its *limited scope*, its *similarity* to employment relations in other countries, and its relatively *recent development*.

1. *Limited scope*: Lifetime employment only affects 20 to 30 percent of all Japanese employees (Boltho 1975, 35; Koike 1983, 90; OECD 1977, 15; Tachibanaki 1987, 669; Taira 1962, 117). This form of implicit long-term contracting is used almost exclusively by large enterprises, and then only for their "regular" employees. Large enterprises hire large numbers of so-called "temporary" employees, who do not enjoy the same employment commitments as their permanent counterparts. Hired and fired quite regularly, temporary employees in large firms are used to buffer the firm from fluctuations in demand. Put another way, in 1980 perhaps only ten percent of Japanese men over 45 years of age had worked more than 20 years for the same firm (Tachibanaki 1984, 81), a figure not dissimilar from its U.S. equivalent (Hall 1982).

Recent research on labor adjustment in the 1970s (when pressures on firms to reduce employment were much higher than in the 1960s, a decade during which Japan faced labor shortages) has shown that "layoffs do occur and that their number in response to decreases in production is no less than in the West" (Koike 1983a, 48; see also Koike 1987). Initially, labor adjustment after 1974 was carried out by shedding the traditionally more vulnerable employees: women, part-time, and "temporary" employees (Rohlen 1979, 238). The unionized enjoyed greater protection; it is this that allowed observers to conclude that "management will do all it can to avoid dismissing their regular labor force" (Shigeyoshi 1984, 2). By the latter part of the decade, however, large firms began expelling even permanent employees, although often by recruiting "volunteers" and offering voluntary early retirement. Substantiating the major argument advanced in this paper, even in Japan in about 20 percent of the cases in which large firms undertook forced redundancies in the 1970s, industrial action followed (Koike 1988, 172-73).

Perhaps to mitigate such disruptions, in the 1970s the Japanese government passed legislation to buffer the effects of layoffs, including legislation granting firms subsidies to reduce layoffs (Kume 1988, 676; Pempel 1982, p. 105). One analyst estimates that the unemployment rate in Japan would have been more than double the one-and-a-half percent it actually attained in the mid-1970s in the absence of government subsidies allowing firms to furlough workers at government expense rather than firing (Rohlen 1979, 247).

Small and medium sized enterprises also typically fail to provide the protections associated with permanent employment. Wages are lower, jobs insecure, and working conditions generally worse (Koike 1983b, 89). Unions are uncommon in small firms. For instance, fewer than ten percent of firms employing 30 to 99 persons have unions (Koike 1983b, 96). Wage differentials between large and small firms in Japan are unusually wide, arguably because of the effect of union wage bargaining in the former (Boltho 1975, 28-33; but cf. Koike 1983b, 92).

Finally, even "permanent" employees are forced to retire at a comparatively young age (usually 55 years), but because pensions are not available until age 60, most "retired" workers immediately seek new employment (Pempel 1982, 142). In the late 1970s, for instance, the OECD reported that fully 80 percent of "retired" Japanese worked (OECD 1977, 36). Effectively, then, men who enjoy "permanent" employment are forced into the parallel unstable labor market upon retirement, where they continue to work for years at lower wages and facing chronic employment insecurity.

2. *Comparability with other countries:* As a result of the limited scope of permanent employment overall mobility rates in Japan are not much different than in western European countries (Cole 1971, 117).^{*} A more noticeable difference characterizes mobility rates in the U.S. and Japan, but this is because employment elasticity in the U.S. is unusually high; higher, for instance, than in western European countries (see Koike 1988, 69; Rohlen 1979, 254-55). Between 1950 and 1970, average monthly separation rates were between two and two-and-a-half percent in Japan, but between four and four-and-a-half percent in the United States. However, even in Britain (where separation rates are on the higher end of the European spectrum), average monthly separation rates were very close to Japanese rates: 2.7 percent (Boltho 1975, 35). Koike presents data showing that in Japan—as elsewhere—the very young change jobs frequently, whereas men in the 1930s and 1940s tend to remain with their firms; as a result, long-service workers are no more

^{*} This argument is somewhat controversial. A good presentation of evidence supporting the view that Japanese firms are more resistant to shedding labor than firms in other OECD countries is Tachibanaki 1987; see also Shirai 1967. But even Tachibanaki notes that in Japan, with enough fall in output, workforce reductions occur; the threshold, he argues, is higher than in the U.S. or western Europe (pp. 652-53). Moreover, despite his attentiveness to special features of Japanese employment rates, Tachibanaki too concludes that "it is unreasonable to emphasize the importance of lifetime jobs in interpreting the working of the Japanese labor market" (p. 670).

common in Japan than in member states of the European Community (Koike 1988, ch. 2; see also Hall 1982). Like firms in western European countries, Japanese firms tend to use hours reductions and then worksharing arrangements when output declines rather than resorting early on to reductions of employment, as commonly occurs in the contemporary U.S. (Koike 1983a, 48; see also Moy and Sorrentino 1981).

3. *Relative novelty*: Finally, to the extent that it exists, job security in Japan is a relatively new phenomenon, one that has developed chiefly in the last three decades. Much of the debate in the literature concerns the origins of permanent employment, especially the extent to which it may be a product of unique features of Japanese culture.^{*} The most persuasive interpretation of its development is that, as in the other advanced capitalist nations, postwar job security for a minority of mid-career male employees emerged as part of the development of what are called internal labor markets (Doeringer and Piore 1971; see also Milgrom and Roberts 1992, ch. 11). Research by historians, economists, and sociologists confirms that the culturalist hypothesis is not well supported by the evidence. Empirical work by Koike has been especially important in demonstrating that economic rationality, not cultural distinctiveness, offers an adequate handle on Japanese labor relations and personnel management (see 1983a, 1983b, 1987, and especially, 1988; for a summary of the terms of debate, see Jacoby 1979). Theoretical work by Aoki makes a similar point (1984; see also 1988).

“Lifetime employment” initially emerged in the 1920s, but only in a select number of large enterprises (see Okochi 1965 and Sumiya 1966). It became widespread only in the 1950s, although even then, its scope remained highly uneven (Fruin 1975). The dominant interpretation of its development in the postwar era is that it was part of the development of internal labor markets in Japan—also characteristic of other advanced capitalist nations—or the need of employers to retain a highly skilled workforce (Cole 1972; Hanami 1972, 85; Kawanishi 1992, 29). For this reason, it is usually argued that the system of “lifetime employment” that emerged after World War II was substantially different than that of the pre- and inter-war eras (e.g. Koshiro 1984). Corroborating the importance of internal labor markets, research has shown that, whereas Japanese employees exhibit strong commitments to their firms, this is largely the result of the incentives provided by the career expectations associated with strongly developed internal labor markets (Marsh and Mannari 1972). As one would expect of a system meant to tie employees to the firm, Japanese wages are usually characterized as “seniority” wages (that is, they rise steeply with seniority) and the large firm in Japan provides generous welfare benefits to its permanent employees, including health benefits, pensions, and housing (Dore 1973, ch. 12). For reasons such as

^{*} The debate was initiated by Abegglen 1958, which offered a culturalist interpretation of Japanese management and labor relations.

these, observers have noted that Japanese firms successfully induce considerable loyalty among the permanent workforce (see Shalev 1990). Not surprisingly, empirical evidence shows that Japanese employees overwhelmingly prefer to remain with their current jobs (Tachibanaki 1984, 78-79).

For these three reasons, then, the new consensus seems to be that Japanese labor markets and employment practices are not qualitatively different than those found in other advanced capitalist nations. In many regards, they resemble western European practices. To the extent that they differ from those adopted by firms in the United States, the latter are also distinct from the practices generally found in western Europe.

This is not to say that Japanese labor markets exhibit no special characteristics. Two specific institutional features of Japanese labor relations account for the extreme sensitivity of unions there to workforce reductions: the small *size* of unions and the common contractual provision *restricting bargaining recognition* to employees of the firm. Taken together, these features explain why unions exhibit an extremely low threshold for the targeting of activists in Japan, a threshold even lower than that typically found in other countries.

1. *Size*: Japanese unions are almost all enterprise unions; that is, their membership is drawn exclusively from the firm's (permanent) workforce. Substantiating the argument that this lowers the union's threshold, Tadashi Hanami explains that large-scale dismissals

threaten the very foundation of the enterprise union's existence. This threat is due to the fact that these unions recruit their members exclusively from among the employees of a particular enterprise and, as a rule, employees who are laid off lose their membership. The unions, therefore, have no other way of fighting mass dismissals than by "total opposition." They often resort to desperate means, which they label "honorable defeat," that are reminiscent of the Kamikaze tactics used by the Japanese army during World War II (1979, 62).

Corroborating this line of argument, observers have often noted that most major industrial disputes since World War II have centered on job security and workforce reductions (Cole 1971, 118; Hanami 1972, 99; Levine 1958, 118), and that disputes over discharges have been especially bitter and protracted (Shirai 1968, 329). Some have concluded from this that Japanese workers are mainly concerned with employment security, not wages increases (Shirai 1974, 289), although such a conclusion is obviously unwarranted in the absence of direct evidence regarding the attitudes of employees. I would suggest instead that Japanese unions may have a particularly low threshold for the dismissal of activists, and that this is in part because the organizational unit

encompasses only the firm, rather than the whole industry, as is usually the case in continental European countries.*

2. *Restricted recognition*: At the same time, Japanese bargaining agreements usually prohibit any but employees of the individual firm from enjoying recognition to bargain. Contractual arrangements usually require Japanese union officials to be employed by the enterprise for which they bargain; if they are not, the enterprise is not obliged to recognize them for collective bargaining purposes (Kawada 1974, 246). If an employee quits or loses his job, he is no longer able to serve as a union official for the organization that bargains for the firm. That only employees of the firm in question are allowed to represent its employees for collective bargaining purposes is another reason that Japanese unions are especially sensitive to the dismissal of union activists. In no other advanced capitalist countries is the figure of the shopfloor activist identical to that of the full-time official. In Japan, firing an activist is virtually tantamount to firing a union official.

These specific institutional features make Japanese unions unable to tolerate the dismissal of even a relatively small number of shopfloor activists without experiencing an acute organizational threat. Industrial relations experts have noted that this is one explanation for the development of the practice of not firing unionized workers in Japan at all. Taishiro Shirai has written:

This policy of retaining the workforce as far as possible is due partly to a wish to maintain the human capital accumulated through in-plant training and partly to a paternalistic philosophy, but in large measure it is prompted by the desire to avoid a bitter struggle with the enterprise union concerned (1983, 135).

Koji Taira concurs, arguing that seniority wages and lifetime employment as they developed in the postwar era were the result of union pressure (1970, 184). Unhindered by institutional barriers, Japanese firms were extremely aggressive in targeting union activists for dismissal during the 1940s and 1950s. The same was true in other countries in which institutional protections of trade unions did not exist: Britain and Italy, for instance.[†] At the same time, however, in Japan institutional characteristics of labor relations gave trade unions an unusually low threshold for accommodating such threats. Together, this generated an especially costly pattern of interaction, one in which long and bitter strikes were common. This equilibrium proved mutually unsatisfactory. Perhaps because of their unusually good abilities to coordinate their activities (see Soskice 1990; see also the discussion of Nikkeiren, below, page 21), Japanese firms were able to coordinate on a

* Since many American unions are also enterprise unions, they too should exhibit low thresholds. A more detailed historical analysis than can be attempted here would be required to verify this hypothesis. However, it is suggestive that the U.S. has developed the functional equivalent to lifetime employment in the protection of shop stewards, namely seniority systems for layoffs.

† For discussion of targeting in the British automobile industry in the 1950s, see Golden 1992, 425-26. The Italian labor movement was virtually paralyzed by the massive dismissal of shopfloor activists in the mid-1950s.

new, more satisfactory equilibrium, one which also answered the requirements of industry in establishing extensive internal labor markets suitable to a changing labor supply.

Although institutional variables help explain the varying frequency of industrial actions over job loss, I argued above that attention to informational imperfections and exogenous agents would also be useful. The next section details two of the longest and most bitter of Japanese strikes over workforce reductions to illustrate the importance of these three variables.

Case Studies of Workforce Reductions and Industrial Conflict in Japan: The Miike Strikes of 1953 and 1959-60

Employment in the Japanese mining industry underwent considerable fluctuation during the 1950s, falling from 620,000 in 1953 to 460,000 just three years later, due to an international crisis in the industry, and rebounding slightly after that. At the end of the decade, however, the permanent shift of the Japanese economy from coal to petroleum-based energy sources caused mining jobs to plummet from a new peak of 610,000 in 1959 to 540,000 in 1960 and then to 460,000 the year after that (Ministry of Labor, various years). Both periods of decline—the middle and the end of the decade—produced major industrial disputes over the terms of workforce reductions. Among the most important were those at the Miike mines, held by one of Japan's most important mining companies, Mitsui.

After a 113-day strike in 1953, in 1955, Japanese miners employed at the Miike mines obtained an agreement giving them the right to help select persons for layoff when necessary. Only five years later, however, labor lost such rights after a 262-day conflict, “the longest and largest strike in the history of Japanese labor relations” (Samuels, 1987, 114), a strike that focused the nation on the plight of Japanese miners. Both strikes, as we shall see, were triggered when Mitsui targeted large numbers of union activists for dismissal in an ultimately successful attempt to break the Miike union.

The 1953 Miike Strike

Japan emerged from the second world war with its economy devastated. Under the U.S. occupation authorities, priority was set on reestablishing production, breaking up the old industrial cartels, and establishing free trade unions. Enacted in 1945, the Trade Union Law protected the right to organize, the right to bargain, and the right to strike, and strictly prohibited discrimination against union members (Levine, 1958, 24; for a copy of the law in English, see Ayusawa, 1962b, 156-70). In an extraordinary spurt of mass enthusiasm, union membership rose from virtually

nothing to more than 50 percent of the non-agricultural workforce within a few short years, the fastest growth of membership in world history (Levine 1958, 26)

But as the cold war set in, occupation policy shifted. Under the Dodge Line, begun in 1949, priority moved to reducing inflation, effecting mass layoffs, and breaking up the Communist-dominated unions. Labor legislation, including the Trade Union Law, was overhauled, making organization more difficult (Garon 1987, 240). Waves of layoffs occurred in 1949 and 1950 in a “consolidation drive” designed to shed excess manpower and gain higher productivity with capital investments; over 100,000 employees were fired in railways alone (Gordon 1985, 389). In an operation known as the “Red Purge,” management, with help from U.S. counterintelligence (Halberstam 1986, 123), used the layoffs to single out union activists, many of whom were members of the recently-legalized Communist party (Levine 1958, 28). Organized labor lost every attempt to protect itself between 1949 and 1950, and whole unions collapsed as a result of the purges. In the electric power industry, for instance, 2,183 activists were dismissed in 1950, with the result that the union simply disintegrated on the shopfloor (Kawanishi 1992, 108). The country’s largest labor federation, the Sanbetsu, fell into insignificance as its leaders were singled out for dismissal. In its place, Sohyo, a breakaway federation established in 1950, quickly became the country’s largest labor organization. Thanks to the attacks on union organization, membership fell from seven to five million.

It did not do so without conflict, however. Even after the Red Purges, and throughout the 1950s, a series of major industrial conflicts marked management’s attempts to regain managerial prerogatives after the wave of rank and file militancy that had occurred immediately after the war, when labor gained considerable shopfloor powers (Ichiyo 1984).

The coal industry witnessed especially dramatic industrial disputes around issues of workforce reductions and job security. One reason for the conspicuous disputes in coal lay with the unusual structure of trade union organization in the industry. At the end of the second world war, collective bargaining in coal was industry-wide, although most bargaining in Japan was at the enterprise level. Coal had been deemed a priority sector by the government at the end of the war, since production there was critical to postwar economic reconstruction, and this meant that the organization of the industry was essentially under government control for some years (see Samuels 1987, ch. 3). The national employers’ association in coal dissolved in 1953, and national bargaining ended. It was replaced by what is called “diagonal” enterprise bargaining: namely, collective bargaining at the level of the enterprise, but in which national union officials from Tanro, the national coal miners’ union, participated (see Cook 1966, 72-75). This structure concentrated labor resources, facilitating rank-and-file mobilization and permitted intense and

lengthy disputes. The involvement of national union officials in enterprise bargaining lent Tanro the authority of an industrial union despite the enterprise setting of collective agreements. In 1958, for instance, in a 14-day strike over summer bonuses, Tanro "singled out Sumitomo Mining, and staged an intensive strike at the mine, while works were carried out as usual in other mines" (*The Oriental Economist* 1958, 493). Tanro was almost the only union in Japan with the capacity to coordinate national conflict in such a fashion. In addition, the Red Purge had come relatively late to the coal industry, allowing Tanro time to devise a counter-strategy, and as a result, the union lost only 0.5 percent of its membership in the purge, compared with other unions which had lost as much as 1.5 percent (reported in Hein 1990, 235-35). This meant that the organization was more intact when it entered the 1950s than were most other unions, and that its links to the rank and file had not been as badly disrupted by the purges. As a result of these various factors, throughout the 1950s, Tanro was one of Japan's strongest unions, and often served as "lead batter" in the coordinated annual spring wage rounds that began under Sohyo's auspices in 1955 (Cook 1967, 105).

With the end of the Korean War boom, demand for coal fell in Japan. In the mining industry, 91,000 miners were let go between 1952 and 1954 in a major rationalization drive (Frantz 1984, 7). At the Mitsui company, one of Japan's largest mining enterprises and owner of the Miike mines, among others, management sought to dismiss 5,738 men in late 1953. The company singled out everyone over 50 years of age, everyone with less than three years seniority, those with poor attendance or productivity records, women, children, and those of "bad character." The latter proved a euphemism for union activists, who were deliberately included by the company as "uncooperative" (Hein 1990, 244). When Miike's enterprise union, an affiliate of Tanro, opposed rationalization, Mitsui listed 1,815 men slotted for "voluntary" retirement instead.* A major dispute ensued, what has been called "one of the most serious disputes in postwar Japanese labor history" (Hanami 1979, 65).

As excerpts from the transcripts of the bargaining that took place between labor and management indicate, at issue was not workforce reductions as such but rather the attempt by the company to gain unilateral control over the selection of those for dismissal (see Hanami 1979, 65-67). On this critical issue, the company backed down and the strike ended in a victory for labor. Workforce reductions were carried out, but the company relinquished the idea of "designated dismissals" and in 1955 Mitsui signed an agreement with Sankoren in which it promised that it would not

* It is common in Japan that firms list employees for "voluntary" retirement to reduce the size of their workforce. As one study notes, however, in a discussion of various disputes over job loss around 1960: "Those who were hostile to the company usually were discriminated against and, rather than suffer a loss of face as a result of discharge, they would choose 'voluntary retirement' . . . Thus, there had developed a peculiar personnel management system in which the employer could make arbitrary and discriminatory decisions" (Fujita 1974, 335).

effect unilateral dismissals in the future (Japan Coal Miners' Union 1961, 5; Hein 1990, 244).^{*} Such success made the Miike Coal Miners' Union one of Japan's most powerful shopfloor organizations, and the Miike men emerged as Japan's best paid, best treated miners (Martin 1961, 27). As one observer put it, by the end of the decade, "The union's control of its members at the Miike Mine is literally fabulous" (*Oriental Economist* 1960a, 38).

The Miike Strike of 1959-60

By the end of the decade, however, Japan's coal industry faced serious problems, considerably more serious than those that had spurred the rationalization drive earlier in the decade. For one thing, despite rationalization in the early 1950s, Japanese coal companies had not invested adequately in their industry in the years after World War II, and even by the mid-1950s, the failure to modernize began to catch up with the industry (see Hein 1990, 216 and 232-33). By the late 1950s, productivity in Japan was well below European levels, at a time when even European producers were beginning to face excess capacity. In 1959, average monthly production per miner was 14.9 tons in Japan, compared with 29 tons in West Germany and 29.2 in Britain (reported in Kiyoshi 1962, 480). Second, the disadvantageous geography of Japanese coal meant that extraction was necessarily relatively expensive. This increasingly rendered coal uncompetitive as other sources of energy became more widely and more cheaply available. Finally, while coal had been heavily favored by the Korean War boom in the early 1950s, by the middle part of the decade the Japanese economy began turning to other sources of energy, and what eventually emerged as the secular and permanent decline of the Japanese coal industry set in. In addition, a sudden and severe worldwide depression of coal occurred in 1958, and world coal prices plummeted. This helped catalyze a major reorientation of policy on the part of both coal producers and the Japanese government, as both parties converged on the "energy revolution" and began working out programs to shift national resources from domestic coal to imported oil. In short, by the end of the 1950s, the Japanese faced a permanently declining coal industry, one that "is experiencing in an acute form the same difficulties that are plaguing the coal business all over the world as a result of an energy revolution" (*Japan Quarterly* 1960, 6).

In 1959, a government report proposed that Japan confront the shift to imported oil by reducing the number of miners by a third by 1963. The report projected job loss for 110,000 miners, largely from the larger, unionized collieries (Martin 1961, 26). In a policy known as "scrap and build," resources were to go to the most efficient mines, while the less efficient were to be

^{*} It is worth noting that the discharges announced in 1953 were nonetheless carried out. Some secondary analyses erroneously report that the union's victory consisted of a reversal of the original discharges, and that the firm backed down in workforce reductions. This is apparently not true. Instead, the union won the right to participate in the selection of those to be dismissed in any future discharges.

closed down. The goal was to cut personnel drastically and to raise productivity in the mines still operating, thereby making coal a more efficient competitor with imported oil (*Oriental Economist* 1959a, 654).

The Mitsui Mining Company owned six of Japan's largest mines, employing on the order of 35,000 men (Cook 1967, 106; Martin 1961, 26) and producing 13 percent of Japan's coal (Japan Coal Miners' Union 1961, 1). It was Japan's major producer in an extremely fragmented coal industry. The Miike mine, in turn, was Japan's largest, most modern colliery at the time, and with 14,000 members, the Miike Coal Miners' Union was the largest affiliate of both Sankoren, the enterprise federation, and of Tanro, the national industrial union of coal miners whose membership then stood at about 200,000 (*Oriental Economist* 1959a, 654). The Miike Union was thus Japan's most powerful local union (Martin 1961, 27). Although the quality of ore at Miike was high, productivity at the mine was relatively low, due in part to the strong pit-level powers the union had acquired in the aftermath of its 1953 strike (*Oriental Economist* 1960a, 38).

Following the Awaksara Report, Mitsui initiated its workforce reductions in standard Japanese fashion: in March of 1959, it called for 6,000 volunteers to take early retirement. In five of its six mines, adequate numbers of men came forward. But at the Miike mine, which had been asked to find 2,000 volunteers, the union produced a list of only 1,000 names and refused to nominate another 1,000 men. In response, in December 1959, the company itself designated another 1,277 Miike miners for dismissal, among whom figured 300 union activists, branded by management as "saboteurs" (Hein 1990, 323; Martin 1961, 28; *Oriental Economist* 1960a, 38). As the Japan Federation of Employers' Associations sternly reported:

At Mitsui's Miike mine in Kyushu, management announced a reduction of 4,700 miners by naming for discharge those who had disrupted production as well as those who offered to retire voluntarily.... The management here has no intention of suppressing or breaking the union movement. Rather, it intends to discharge, from necessity, those who have habitually interrupted production over a long period... (*JFEA News* 1960a, 2).

Even before, Mitsui had clearly indicated that it believed special problems existed at the Miike mine, problems that would necessarily require purging 300 union activists from the ranks of the men there (*Oriental Economist* 1959b, 707). As one observer put it: "The company wanted not only to reduce the *quantity* of work force but to sift the *quality* of its personnel in the process of rationalization" (Ayusawa 1960, 30; emphasis in the original). In other words, management deliberately targeted union activists in selecting those to be let go. The secondary literature reports that the critical point triggering the dispute was management's attempt to pick off 300

activists, thereby effectively breaking organized labor's shopfloor power (Shimizu 1982, 449; Hirai 1991, 205)*.

Arguing that the dismissals represented an attempt to gain the "total destruction of the union," (Martin 1961, 28), Tanro opposed the unilateral selection of those to be let go, "maintaining that, unless the management's proposal of laying the workers off by names is taken back, it will never cooperate with the management in the latter's effort to rationalize the industry" (*Oriental Economist* 1960a, 38). With Tanro's backing, the Miike Coal Miners' Union undertook to strike. Carefully planned to avoid provoking management, strike action was scheduled to occur only on Tuesdays and Fridays, "thus giving little excuse for a complete lockout" (*Oriental Economist* 1960b, 131). Moreover, an intermittent dispute of this sort would have allowed labor to continue virtually indefinitely, since individual workers were losing little in pay.

Despite this, on January 25, 1960, the Mitsui company proceeded to lock out the mines. Management had been divided between two wings, the more conciliatory of which wanted merely to reduce the number of mineworkers. The hawks, by contrast, sought to expel union activists as part of the mass dismissals. The company's top management in Tokyo was dominated by the former, whereas the hawks occupied managing positions at the Miike mine itself (Hirai 1991, 211-14). In December, negotiations centered on the "quality" of proposed personnel reductions, and a compromise seemed near. With the agreement of the Miike local, Sankoren and Tanro prepared to concede workforce reductions, on the condition that dismissals not be designated by management. Within the company, the hawks were persuaded to relax their insistence on 300 designated dismissals, and an agreement seemed likely (Hirai 1991, 230-31).

Management, however, suddenly hardened its stance, countering labor's offer with the requirement that the 300 activists previously designated take retirement, that another 10 activists be dismissed in disgrace, and that an additional 2,210 workers selected by management be dismissed as well (Hirai 1991, 226). The company specified exact names and notified 1,492 workers, including 670 activists and members of the Japan Socialist Party and Japan Communist Party, that they were scheduled for retirement as of December 2 (Shimizu 1982, 462-63; *Sohyo News* 1960, 9). Apparently, the leading Japanese employers' association, Nikkeiren, along with the company's banks, had opposed concessions and successfully pressured the firm to move back to the hard-line position (Hirai 1991, 232).†

* My thanks to Toshio Nagahisa for the translation of both articles.

† Established in 1948, Nikkeiren allowed Japanese employers to coordinate their activities, especially as regards the shaping of the industrial relations system (Crawcour 1978, 238). For instance, Nikkeiren helped coordinate the wave of layoffs that occurred after 1949 (Okamoto 1974, 174-75).

At this point, collective bargaining broke down altogether, and in January, the lock-out began. Organized labor countered with a strike. The strike and lock-out ended only after 262 days of conflict, more than 1,000 arrests, over 1,500 injuries, the death of one miner on the picket lines, and the schism of the Miike Coal Miners' Union. Among the most violent of labor disputes in Japanese history, more than 530,000 police were dispatched during the strike, and 350,000 strike supporters were mobilized (Ayusawa 1966, 339; *JFEA News* 1960c, 3).

The company itself was well prepared for the dispute. In the 1953 strike, Mitsui had been weakened as its competitors took advantage of events to encroach on its markets. During the 1959-60 strike, by contrast, cartelization of the mining industry successfully protected Mitsui. In a pre-strike meeting with its competitors, seventeen of Japan's biggest coal companies agreed to provide coal to Mitsui's clients during the strike but not to attempt to take over its markets (Frantz 1984, 15; Japan Coal Miners' Union 1961, 12; *Oriental Economist* 1960b, 131). Nikkeiren helped mobilize national support for the company among business circles, providing additional financial help (Martin 1961, 28; *Oriental Economist* 1960b, 131). In addition, thanks in part to the deep recession in coal in 1958, the company had already stockpiled twelve million tons of coal prior to the dispute (reported in Ayusawa 1966, 337).

Five times during the course of the strike, the union agreed to allow non-binding arbitration by the Central Labor Relations Committee (CLRC), and five times the CLRC reconfirmed the dismissal of the 1,277 miners. The only concession made to the union was to convert the dismissals back to "voluntary retirements," and to attach generous severance payments to the retirements. But, notwithstanding the 1955 agreement between Mitsui and Sankoren, the commission repeatedly endorsed the company's unilateral selection of those to be let go, confirming management insistence on purging "saboteurs" from the ranks of the employed.

As the strike and lock-out progressed, the Miike Coal Miners' Union came under increasing pressure to capitulate. Two months after the lock-out began, dissidents within the Miike Union seceded, forming a second union, although "Nobody expected a union split at such an early date" (*Oriental Economist* 1960d, 263). Having gained the support of a fifth of the union's Central Executive Committee (69 of 254 members) before breaking away in March 1960 (*JFEA News* 1960b, 4; Nakayama 1964, 2), the second union quickly enrolled more than 4,000 members, or a third of Miike's miners, and with the company's help, organized a back-to-work movement (Martin 1961, 28). This resulted in violence at the picket lines, as groups of miners tried to enter the pits. The schism found Tanro "surprised at its own organizational weakness..." (*JFEA News* 1960b, 4).

The schism had in part been triggered by conflicts among the various union organizations in play. The Miike Coal Miners' Union had received the support of the national coal union, Tanro, and Tanro backed the strike action initiated at Miike. This was not the case for Sankoren, the Mitsui Coal Miners' Federation which organized all six of the Mitsui mines of which Miike was but a part. Although initially opposed to the workforce reductions, Sankoren had agreed not to interfere with the company's attempt to enlist "volunteers" in obtaining workforce reductions. With a majority of its members employed at Mitsui's five other collieries, Sankoren eventually opposed the Miike strike, arguing that the colliery dispute was "hopeless" and that CLRC mediation ought to be accepted (*Oriental Economist* 1960c, 226). As a result of these differences with Sankoren, the Miike Coal Miners' Union seceded from its parent enterprise federation in April 1960 (Cook 1967, 106; Japan Coal Miners' Union 1961). Most other unions affiliated with Tanro, however, continued to support industrial action on the grounds that "dismissal of specified workers... would dishearten union workers" (*Oriental Economist* 1960c, 226). Although Tanro and Sohyo both continued to support the Miike miners, the company was obviously helped by the fact that it could continue to work its five other mines, thereby reducing the financial impact of the Miike strike.

Nonetheless, the strike proved expensive for both sides. Badly in debt, the company was forced to seek "advances" on payments from clients, while Sohyo orchestrated a major fund raising drive as well as taking out a major loan from the Workers' Bank, a loan on which it was paying ¥100,000 a day in interest alone (Ayusawa 1966, 338-39).

Finally, nine months after the company locked out its miners, and facing certain defeat, the union accepted the CLRC plan, despite great opposition by rank-and-file delegates from the Miike mines. The company thus acquired the right to use designated dismissals (*Oriental Economist* 1960e, 509). Even so, the strike continued for another two months, in an effort by the Miike Coal Miners' Union to gain a non-recrimination clause. In the end, non-recrimination was agreed to but only for a period of five months. After that, the company systematically targeted union organizers in the pits, and, according to union sources, some 1,200 activists were subsequently dismissed (Japan Coal Miners' Union 1961, 20). At the end of 1961, for instance, the company dismissed 28 rank-and-file union members for strike activity, and in late 1962, ten strike leaders were fired, including the union's chairman (*Japan Labor Bulletin* 1963a, 2; *Sohyo News* 1963, 1). By the end of 1962, "[m]ost leaders of the first union were discharged" (Cook 1966, 104n20). In addition, the company announced that "it had no intention of negotiating with the leaders who were no longer members of the Union... A struggle led by discharged officials would be ineffective because they could not take full responsibility for the workers' advantage..." (quoted in *Sohyo News* 1963, 1).

Finally, employees affiliated with the second union were given better transfers into higher paying jobs, the General Secretary of the original union charged (Shigeru 1960, 3).

All these actions further weakened the Miike Coal Miners' Union by encouraging workers to join the second union in its place. Not surprisingly, in the aftermath of the dispute, the Miike Coal Miners' Union became the minority union at the Miike colliery. By 1961, the second union had 7,000 members at Miike, whereas the original union was left with only 4,000 (Cook 1966, 104n20).

With few resources following such a lengthy and expensive dispute, Tanro lent what remained to the Japan Socialist Party (JSP) in an ultimately successful effort to win better conditions for redundant mineworkers through national legislation, passed in 1963 (Cook 1967, 107; Hein 1990, 21 and 324-26). The very public campaign, undertaken by a "Struggle Congress" formed by the JSP, Tanro, and Sohyo, aimed to pressure the government on three fronts: "Tanro will mobilise miners to come up to Tokyo to exert pressure on the Government through mass deputations, Sohyo will organize general strikes by all the workers of the country, and the Socialist Party will develop a struggle within the Diet" (*Sohyo News* 1962b, 3). The legislation that was adopted marked a turning point in the reluctant development of Japanese welfare state policies (Pempel 1982, ch. 4).

Mines closed quickly after the defeat at Miike; indeed, more miners left the industry than projected (*Japan Labor Bulletin* 1963b, 3) and by 1964, voluntary quits were so high that labor shortages in coal were reported (*Japan Labor Bulletin* 1964a, 2 and 1964b, 2). Miners, at least those under 35, apparently had less difficulty finding new employment than had been expected (Cook 1967, 120), although it is doubtful that they enjoyed wages or working conditions comparable to those in the industry they had left.

Interpreting the Disputes

Above, I proposed that three variables would usefully analyze disputes over job loss: institutional variation, informational imperfections, and the impact of exogenous actors on the payoffs. This section assesses the utility of these for the two cases under consideration.

1. *The 1953 strike*: Although there is less information available on it than on the later strike, the first dispute corroborates the three hypotheses advanced above: namely, that, when institutions fail to protect union activists on the shopfloor, informational imperfections and exogenous actors may make for an explosive combination facilitating conflict. The first offers a good handle on the causes of strike itself; the second, on its eventual outcome.

First, evidence shows that the Miike union was reacting specifically to the threat to its activists, not to personnel reductions per se. The strike was deemed a victory not because jobs were saved—they were not—but because of the subsequent guarantee of future protection for union activists. Second, the most plausible explanation for what triggered the strike is that the firm inadvertently overshot the union's threshold, targeting too many activists for discharge. This was, as we have seen, easy to do in the period, since Japanese unions had unusually low thresholds of tolerance. But third, the influence of exogenous actors changed the payoffs for the firm, making the strike more costly than originally anticipated. In particular, the company's loss of markets to its competitors made the strike more expensive than may have been initially calculated. The eventual concession made to the union may well have been a product of the high costs of the strike, costs that were the product of the extensive fragmentation of the industry and the relatively poor ability of coal companies to coordinate their activities at the time. In other industries, firms were reportedly more able to coordinate their actions in dealing with trade unionism, and were thereby able to avoid making such concessions.

Paradoxically, the impact of competition among employers may also have worked to encourage the strike in the first place. Writing of competition in the industry in the early 1950s, Hein notes:

Ironically, by periodically striking, the union cut production for the mine owners, eliminating the need for the owners to do this themselves. Temporarily, the actions of the union benefited the operators and buttressed their strategy of creating artificial scarcity to propel coal prices back up (1990, 243).

This suggests that in 1953, management at Mitsui may have initially been somewhat indifferent towards the prospect of industrial action on the part of organized labor. Although conflict threatened the company by allowing competitors into its markets, it also reduced the supply of coal, thereby allowing prices to rise. At least initially, when it may not have been clear that the dispute would be as lengthy as proved to be the case or that Mitsui's competitors would be as successful in raiding its markets as they were, the company could have targeted activists for dismissal without attending greatly to whether it was selecting more than the union could bear and whether doing so would trigger a strike or not. That is, the company may have underestimated the probable costs of industrial action, and devalued the importance of assessing with care the union's trigger point.

2. *The 1959-60 strike*: This second dispute is better documented in the literature, but theoretically more complex. Whereas in the first case it is not implausible to argue that management triggered industrial inadvertently, by mistakenly targeting too many union activists for dismissal, a similar

line of argument is highly implausible in the second case. By the time the company drew up the lists of those to be discharged, it had clear and unequivocal evidence that by targeting 300 activists, it would provoke a strike. Conflicts between management groups turned on the very issue of whether to provide a strike or not. The empirical evidence supports the interpretation that the conflict, when it came, had been deliberately triggered by the firm. Informational imperfections seem hardly relevant.

Instead, by 1959, much of Mitsui's management, especially that responsible for the Miike mine, had become determined to vitiate its 1955 agreement with organized labor. *The Oriental Economist* hazards the following interpretation of this hardening of attitude:

The Mitsui Mining management has long been known for its soft touches to the unions. It has granted almost all of its unions' demands before. The red-ink figures for the past three terms running (upwards of ¥5 billion in the books alone), however, seems to have roused the management to the crux of the whole matter (1959b, 707).

This suggests that the firm was under growing financial pressure to undertake a major realignment of its industrial relations, and that the estimated costs of conflict may have paled next to the estimated costs of continuing to allow organized labor its considerable pit-level powers. More importantly, however, it seems that the conflict between management groups was won by the hard-liners primarily thanks to exogenous pressures from Nikkeiren and the company's banks. We can only speculate on the reasons. Nikkeiren had long played a major role in coordinating Japanese companies in their dealings with trade unions, and it is likely that the existing arrangements at Miike struck the federation as repugnant, and potentially a threat to the type of industrial relations system it was encouraging more generally. In particular, the English-language literature suggests (admittedly, not very precisely) that Nikkeiren was strongly committed to the principle that firms recognize only their own employees as legitimate bargaining agents, which became one of the strike's major issues as Mitsui fired union officials and then refused to allow them to negotiate on behalf of their mines. Previously, of course, Tanro's officials had been entrusted with the authority to engage in "diagonal" bargaining for any of its affiliates. By the end of the strike, this was apparently no longer the case.

The impact of exogenous actors on the payoffs of the firm thus seems to have played the major part in encouraging Mitsui to provoke a dispute with organized labor. On labor's side, institutional, informational, and exogenous variables all seem to have been important, although in somewhat different ways for each actor (the Miike Union, Tanro, and Sohyo). I analyze each in turn.

The responses of the Miike Coal Miners' Union were theoretically and comparatively unexceptional. As I have argued is inevitably the case, a trade union will resist workforce reductions if too many shopfloor activists are singled out for redundancy. A report in *The Oriental Economist* corroborates the importance of the protection of activists for the Miike Union:

What makes the first unionists so stubborn, then? One of the most important reasons is that, among the 1,200 workers picked by the management for discharge, there are included some 300 "active" union workers. In labor's line of thinking, if the workers are to be discharged simply because of their union activities, there would finally be no one who would take on the union jobs and this will constitute a major obstacle in Japan's union movement (1960d, 263).

Given the pre-existing 1955 agreement, the Miike Union had every reason to believe that protection of activists was a concession that the company was prepared to make. Indeed, had Nikkeiren not intervened, that may well have proven to be the case.

Tanro, too, hoped to get the 1,200 names rescinded, protect Miike's 300 militants, and come to some agreement over whom to let go. Yet Miike miners constituted only a fraction of Tanro's members. If even Sankoren—the Mitsui enterprise federation—eventually sided with its five other mines against its Miike affiliate in the dispute, it is unlikely that Tanro's continued commitment to the Miike Union was engendered solely by its commitment to Miike's activists. More likely, Tanro was motivated by the desire to protect existing organizational structure and its own role in the collective bargaining of its affiliates. The intervention of Nikkeiren in the dispute may well have signalled to Tanro that its very existence as a legitimate bargaining actor was at stake. In addition, both the Miike Union and Tanro seem to have underestimated how quickly a second union would form and to have overestimated the Miike Union's ability to mobilize its rank and file over time. Various secondary reports from the time note that the Miike Union was surprised at the difficulties it so quickly experienced in preventing the formation of the second union (see page 22, above).

Sohyo, finally, also exhibited a relatively low trigger point as regards the firing of activists in the coal industry. The president of the confederation, Kaoru Ota, indicated one reason for this in remarks made at an extraordinary convention of Tanro in October 1962, when he noted that "The Japanese labor movement in the past decade was headed by miners. Sohyo will support you and fight with you" (quoted in *Sohyo News* 1962a, 4). Tanro is regularly reported to be "the most powerful union of all the *Sohyo* affiliates" (*JFEA News* 1960b, 4). If the dismissal of miners at Miike threatened the continued vitality of Tanro, this in turn threatened the continued vitality of Sohyo itself.

Some Implications

It is common to read that cultural factors are especially important in Japanese industrial relations, and indeed that such factors play an important role in accounting for Japanese economic success in the postwar period. By contrast, the evidence presented here suggests that Japanese unions and employers behave in predictable ways not fundamentally different from unions and employers elsewhere. "Lifetime employment" is a variant on the kinds of internal labor markets that offer employees seniority, protect unions on the shopfloor, and stabilize labor organization. Like the seniority systems found in internal labor markets in other countries, lifetime employment substantially reduces industrial disputes over layoffs and workforce reductions, since such reductions no longer threaten union activists and union organization.

It is not infrequent that, in industrial disputes around job loss, the union is blamed for an unrealistic understanding of the workings of a market economy and is believed to try to oppose workforce reductions *per se*. The Japanese literature often reflects this understanding of events. The Japan Federation of Employers' Associations, for instance, in its analysis of the 1959-60 Miike dispute, argued that "the strike was brought to a head as a result of the Union's failure to recognize ever-changing conditions in the structure of the economy" (*JFEA News* 1960c, 3). The argument I have presented undermines the view that strikes over workforce reductions are somehow irrational or based on unrealistic aspirations for market relations. Such strikes are instead relatively predictable outcomes of institutional, informational, and exogenous influences.

Finally, the argument presented here casts new light on the oft-noted relationship between enterprise unionism, seniority wages, and "lifetime employment" (Okochi 1965; Sumiya 1974), conventionally considered the three pillars of Japanese industrial relations. These three phenomena are usually believed to be mutually reinforcing (see Milgrom and Roberts 1992, 349-52 on strategic complementaries and Japanese personnel management). The research reported here concurs in this view. In addition, however, I propose that one causal mechanism tying these three phenomena together lies with the union's concern for organizational maintenance. In particular, because enterprise unionism induces an extremely low tolerance for the dismissal of activists, Japanese firms have an unusually strong incentive to refrain from the forced dismissal of any union members. The likelihood of inadvertently targeting too many shopfloor militants is especially high in such a context. This may have encouraged the development of a system of labor relations in which union members find their jobs safeguarded from forced redundancy altogether.

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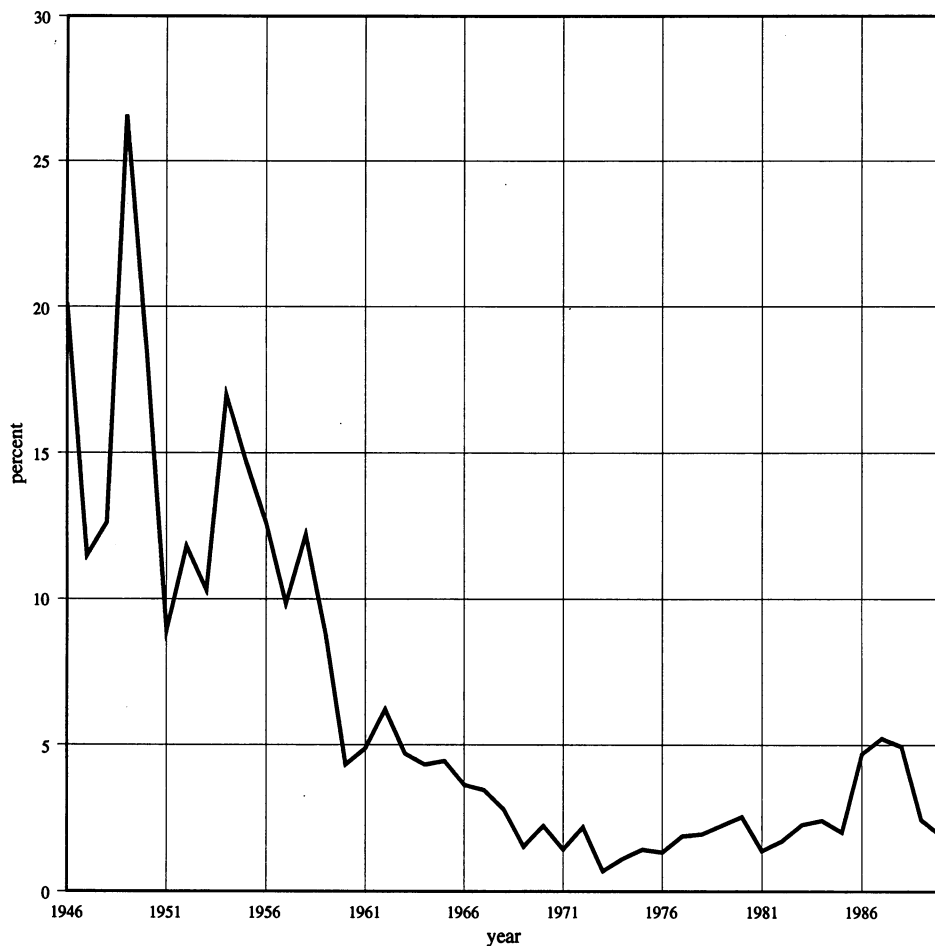
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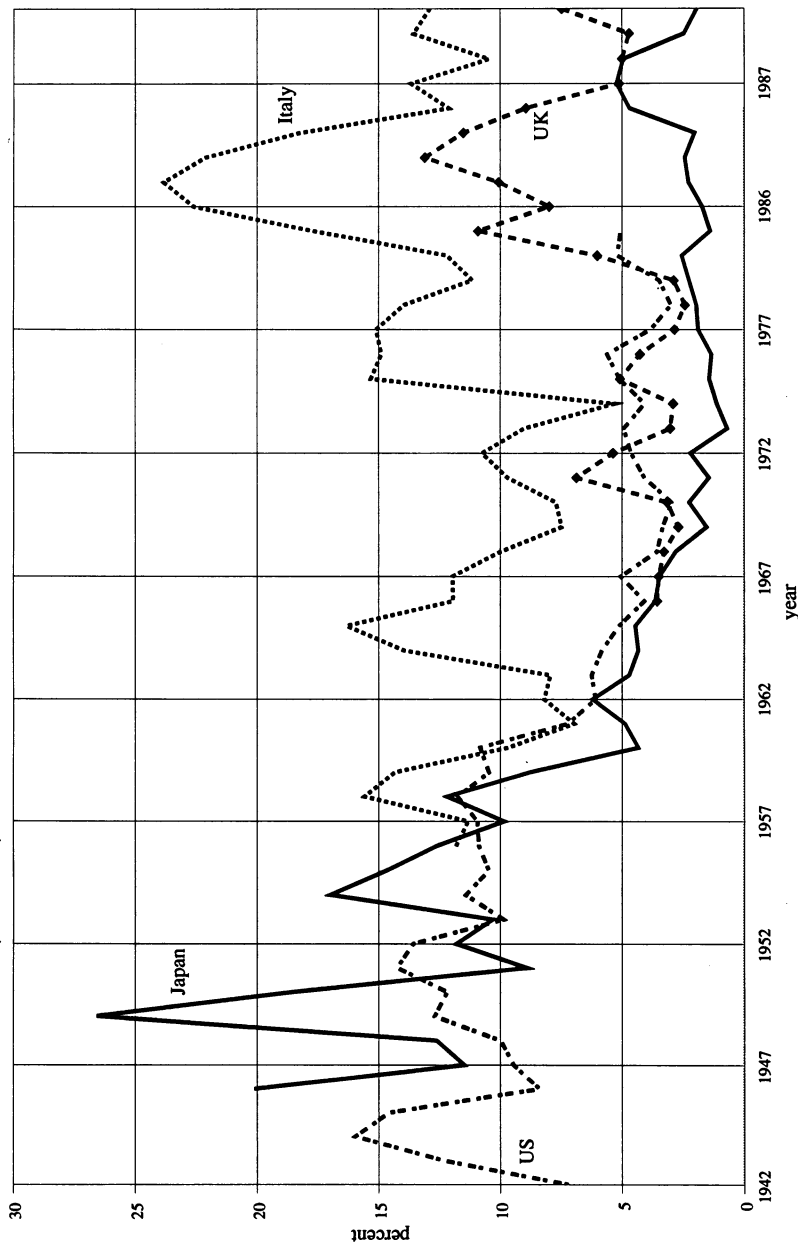
Sohyo News, 1960-1964

Figure 1: Number of disputes over dismissals as a proportion of all disputes in Japan (1946-1990)



Sources: Ministry of Labour, Year Book of Labour Statistics (Tokyo: Ministry of Labour, various years).

Figure 2 : Number of disputes over dismissals as a proportion of all disputes in Japan, Italy, Great Britain, and the United States (1942-1990)



Sources: For Japan, see Figure 1. For Italy, Istituto Nazionale di Statistica, *Annuario di statistiche del lavoro* and *Annuario statistico italiano* (Rome: ISTAT, various years). For Great Britain, Department of Employment, *Employment Gazette* (London: HMSO, various issues). For the U.S., Bureau of Labor Statistics, *Bulletin* (Washington, D.C.: U.S. Government Printing Office, various issues).