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Takeshi Inagami*

The Death of the „Labour Movement“ and the „Japanization“ of Industrial Relations

The ending of the Cold War gave birth to new debates, new ideas – even an atheoretical theory that the „End of History“ had arrived. But more important was the bigger question: so what kind of capitalism had won? The urgency of the question was enhanced by the fact that, through the 1980s both the Neo-American-type political economy, and its main contender, the neo-corporatist type, had run up against numerous difficulties¹ and shown their inherent limitations. The 1980s were a bad time for all national „models“ of the political economy. It is not surprising that academic attention turned increasingly to the two countries whose macro-economic performance seemed relatively superior – Germany and Japan.

But there are, of course, important differences between the two countries, even if both are classified as similar exemplars of „Rhine-type capitalism“. Dore's attempt to characterize those differences and at the same time to foresee the future pattern of German industrial relations has much in common with the convergence thesis developed in his classic *British Factory: Japanese Factory*. Its provocative suggestion is: (1) that in the long run German industrial relations, like those of many other European nations, will undergo a process of devolution to the enterprise level, and (2), in the course of such devolution something comparable to the Japanese firm-as-community will be created. In short, one can describe Dore's argument as – to use the word Streeck once used (1984b) – as the Japanization hypothesis. And (3), this process implies the death of any „Labour Movement“ based on class consciousness and aiming to transform society, leaving only a system of worker representation such as exists in the United States and Japan.

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¹ America's internal economic difficulties led to sustained pressure on Japan (demands for expansion of internal demand, deregulation, market-opening, acceptance of a high yen exchange rate, the „Japan is a deviant from world norms“ argument, etc.) which secured some political advantages without, however, curing the internal problems.

The theoretical implications of the „collapse of the Swedish model“ are also considerable. In the first place it was a model for the political economy of a single industrial country designed for its manual workers. As such it was bound in time to be subject to amendment or „collapse“. Secondly, one cannot understand the workings of that process of amendment without taking account of internal conflict on the union side, conflict which was essentially class conflict between the LO representing the working class and the TCO representing the new middle class. The very craft/occupational structure of the unions – if compared with other countries' industrial or enterprise union structure – had all the traditional hallmarks of a class-conscious „labour movement“.

Certainly, as Dore suggests, Japan's class-conscious labour movement is dead. I would say that it reached the stage of brain-death with the defeat of the union in the Miike strike of 1960 – the year that saw the publication of Kerr and his associates' *Industrialism and industrial man*, the „embodiment of the cold war in social theory“. Final heart failure came with the break-up and privatization of the national railways in 1985.

I would like to concentrate in this comment on two points: how *does* one characterize the Japanese model of industrial relations? And is Germany moving towards it?

I. Japanese Style Industrial Relations

Enterprise-based cooperative industrial relations

Japanese industrial relations are based on a cooperative relationship between the individual union and the individual management of separate enterprises. There is no legally-based system of co-determination as in Germany,² nor is there the dual system of collective bargaining external to the firm and works council consultation within it. The distinction between collective bargaining and consultation is ambiguous, and in practice it is fair to say that the consultation element dominates. As for wage bargaining, although there is a complex process of creating something like a social consensus at the national level with a pattern setting role being played by the metal industries (steel, automobiles, electrical, shipping and heavy machinery) and transmission mechanisms affecting the public sector and the small firms, (see Dore et al. 1989, Soskice, 1990 and Sako, forthcoming), actual wage bargaining takes place within individual firms.

But why cooperative enterprise unions? In fact, why enterprise unions at all? Unions, like other organizations, require some community of interest, or of ideals, among their members – which in this case are, typically, the regular full-time employees of the firm, i.e., excluding retired pensioners, temporary and part-time workers, and managers who are defined by the current Trade Union Law as „representatives of the interests of the employer“. What interests do these regular full-time workers have in common?

Dore points to three factors which help to give them a sense of membership in their company rather than in some occupational group cross-cutting company boundaries. First, the wage system is not based on occupational qualifications or job functions, but on the one hand on personal characteristics such as educational level and on the other on seniority and merit as assessed by personnel appraisal systems. Secondly and relatedly, occupational labour markets are undeveloped, and

² However, unions are quite deeply involved in management issues. In a recent survey 60 percent of unions spoke of informal contacts between managers and union leaders, disclosure to union leaders of confidential information, and opportunities to comment effectively on company strategy.

compensated for by well-developed on-the-job training systems. And thirdly, average tenures are long, and promotion tracks lead deeply into management. It is clear that this contrasts with the situation of the German worker whose „unit of common interest“, spreads across the boundaries of individual firms, thanks to the wage determination system and the skill-training system. If only within certain given limits – e.g., the metal industries of Nordwürttemberg/Nordbaden – people of the same category (blue-collar, white-collar, technicians, *Meister*) and of the same wage or salary group have their pay determined by the same set of negotiations, irrespective of the firm for which they work. Very different from the Japanese internal wage system, which is non-transparent to the outside and has many firm-specific characteristics.

Other factors reinforce this confinement of the (usually male) regular workers' „unit of common interest“ within the firm, and not just their long average job tenures (as the OECD *Employment Outlook 1993* showed, there is not, in that respect, much difference between Japan and Germany, or even France). Such are: the promotion system which can lead up into the higher ranks of management (Tsusansho, 1995); the persistence of a community consciousness in the firm which, for instance, inhibits a Toyota employee from ever taking a job with Nissan, or a Hitachi employee from ever moving to Toshiba³; the firm-specific nature of the wage-determination system; the persistence, even now, of a personnel management ideology which sees the manager's job as „guaranteeing the livelihoods of the employees“;⁴ and the fact that the Japanese corporate governance system serves greatly to restrict the controlling voice of shareholders (see Dore 1989, 1992, Charkham 1994, Prowse 1995). It is this complex of factors which makes it plausible for the regular employees of a firm to perceive themselves as having a common interest with the firm in which they work, and with its management – that, in other words, they constitute an enterprise community.

Which means that the question of how far German industrial relations have become „Japanized“ resolves itself into the question of how far the characteristics listed above – or functionally equivalent characteristics – have come to characterize German industrial relations, or, to put it in another way, how far changing conditions have made the German worker's „unit of common interest“ coincide with the individual firm.

The limits of enterprise-based industrial relations

³ This applies across the board, from manual workers to managers. Attempts to explain this in terms of non-transferrable firm-specific skills find no support in opinion surveys. It seems rather to be an expression of personal distrust – shown by both workers and recruiters – for members of alien „rival communities“.

⁴ The characterization, based on a long series of empirical studies of Matsushima (1962). It has much in common with what Dore (1973) called „welfare corporatism“.

This picture of Japanese industrial relations needs qualification however, in that the coming of the first oil shock required cooperative enterprise-based relations to be supplemented by the participation of unions in policy-making.

Wage-bargaining was the central issue. Until the oil crisis, unions could basically just make demands for „large wage increases“ and not concern themselves with the effect such increases might have on the national economy. Afterwards, the unions – particularly those belonging to the IMF-JC federation (International Metalworkers Federation: Japan Committee) which were exposed to international competition became much more concerned about the effect of inflation on real wages, and the effect of wage increases on inflation. One might summarise the change in thinking of influential union leaders as follows: (1) unions could no longer simply concentrate on getting nominal wage increases; (2) compatibility with the needs of the national economy meant that wage demands had to take account of the international competitive position of the exporting metal industries, and this meant that those industries had to be the wage increase pattern-setters (clearly echoing the Swedish EFO or the social concerns which enter into German wage bargaining); (3) the concentration on real wages required the unions to be in a position to exert effective influence over government policies not only on price controls, but also on taxation and social security; (4) and this meant that unions needed to create an organization that could speak on policy issues with a unified voice: the *need* to make effective representations to the bureaucracy and to the political parties responsible for the formation and execution of policy was not matched by *capacity*, on the part of the major private sector unions. These reflections prompted moves on the one hand to unify the national centre organizations, and on the other to create – in the Labour Union Policy Roundtable, formed in 1976 – a body which would have the specialist function of making the unions' voice heard in government policy making.

Relating this to Dore's analysis, one could describe the formation of this body as an attempt by the IMF-JC and the Domei federation (of predominantly private sector unions) to erode the strength of the old „Labour Movement“ forces – the Sohyo federation dominated by the public sector unions (Local Government, Teachers, Railways, Posts and Telecommunications) together with the Socialist Party – and to build instead a new, institutionalised, policy-participation network that would link the unions to the government bureaucracy, to employers organizations, and to all the political parties except the Communists. This conflict between the old and the new forces among the unions finally resulted in the collapse of the old and the established hegemony of the new – the landmark events being the the 1985 break-up and privatization of the railways and the evolution of the Policy roundtable into Rengo, the new national trade union centre in 1989.

Important points to note about this emergent concern with participation in policy making: first, that it not only marked the beginning of a loose kind of corporatism, but also showed the limitations of enterprise-based industrial relations; secondly, that the recognition of the need to supplement cooperative enterprise-based relations with

involvement in national policy-making resulted in a kind of centralization⁵ of labour union activity, and thirdly, in marked contrast to the tendency in Europe in the 1970s for the participation frontier to move from outside to inside the firm, in Japan it was the reverse. From which one might just possibly derive the prediction that, instead of the Japanization of German industrial relations as Dore suggests, the two countries might converge on some unknown intermediate point.

A loose administrative corporatism

A comprehensive view of Japanese industrial relations has to take account of this development and institutionalization of policy participation. „Corporatism without labour“ (Pempel and Tsunekawa 1979, Wilensky and Turner 1987) is no longer an accurate description.

I call the Japanese system a „loose administrative corporatism“ (Inagami 1991, 1992). Katzenstein (1980) used the term „loose neo-corporatism“ to describe Western Germany and Streeck (1984b) used a similar formulation. In Japan's case the „looseness“ consists in (1) the fact that it is founded in a decentralized micro-corporatism; (2) the fact that the leading private sector unions which have pushed for policy participation have shown considerable tolerance of neo-liberal programmes – they were in favour of the break-up and privatization of the railways, for example, and have shown a basically cooperative attitude on deregulation and market-opening.⁶ As for the „administrative“, I refer to the fact that, in contrast to Sweden or Austria or Germany, it is the bureaucracy not the social partners themselves which plays the leading role.

As to the effectiveness of the unions' participation in policy-making opinions differ.⁷ Rengo's policy demands have rarely been completely at odds with the dominant view in the relevant bureaucracies or employers' associations. There have been examples of proposals originating from Rengo which have been pursued through various deliberative committees and through formal and informal contact with bureaucrats and eventually issued in legislation. At the very least, there have been cases – the revision of the Labour Standards Law, the establishment of a Law Governing Parenting Leave, and tax reform, for example – in which the views expressed by Rengo have played an important role. (Ohmi 1994)

⁵ If one looks at the post-war period as a whole, one might say that the maturing of the cooperative enterprise-based IR system represented a decline of the „shop-floor community“ which was consonant with a class-based „labour movement“, in favour of the development of the „enterprise community“ – also a kind of centralization. (See Inagami, 1981)

⁶ See, for example, the joint declaration of the IMF-JC and the Nikkeiren employers' federation, *Ten joint proposals for dealing with the overvalued yen and the hollowing out of industry* (September 1995), or *On deregulation* in the 12 Jan 1996 issue of Rengo's policy magazine, *Rengo*, (No.91).

⁷ Dore has offered a quite scathing assessment of their effectiveness. (Dore 1990)

The whole picture of Japanese industrial relations must, then, include, not only the cooperative enterprise-based system, but also the industry-wide level, and the national policy-making level with which Rengo concerns itself – the whole three-level structure. Japanese neo-corporatism does have its own problems⁸ but presumably when Dore speaks of German industrial relations becoming Japanized he is not referring to the whole „loose administrative corporatist“ structure, but only the enterprise-level pattern which is at its base.

What kind of enterprise community?

A further question is how far the typical Japanese „enterprise community“ is itself undergoing qualitative change. The first part of the 1990s, thanks to the prolonged recession, saw a flood of superficial arguments to the effect that the lifetime employment system had „collapsed“. But, as Dore himself has observed (1996), the reality is rather different from what certain managers and neo-classical economists would like it to be. To be sure, support for change in the Japanese employment system is greater now than it has ever been.⁹ The Nikkeiren employers' federation has proposed that firms should have a tripartite portfolio of employment arrangements including (in addition to regular employees and part-time, etc. temporaries) „deployers of high-level specialist skills“ who have mobile careers (Nikkeiren 1995). But in fact, if one is talking of male white collar workers in large firms – the major target of „employment adjustment“ measures during the recession – there has been something of a shift from „lifetime employment in the firm“ to „lifetime employment in the original firm or one of its subsidiaries or dependent suppliers“ and in that sense an enlargement of a quasi-internal labour market, but certainly not a breakdown of the long-term stable employment system. (Inagami 1995).

There have, however, been changes in the *nenko* system – the rules governing the role of seniority in promotion and pay. The Ministry of Labour did a sample survey of 4,063 workers in firms with more than a thousand employees in 1994. The 46 percent who chose, „rethinking of the *nenko* promotion system“ as „what you would like to ask of the company's personnel systems and policies“ greatly outnumbered the nine percent who chose „preserve the system“. In a parallel survey of 515 personnel managers, the proportion who said that it was quite common in their firm for division chiefs to have older longer-service people under them was 38 percent, and in the case of section chiefs 32 percent. Another question in the employee survey was: what do you think are „very important“ as characteristics of the ideal workplace. Only 2 percent said „age and seniority being given their due

⁸ Too many to go into here, e.g., clashes of interest between industry sectors, the declining sense of a „public interest“ in the manufacturing sector, the relation to new types of social movement, the ambiguities of Rengo policy and of its relations with political parties.

⁹ See, for example, the Keizai Doyukai's *Dai-juikkai Kigyo hakusho (Enterprise White Paper, No.11)*, 1994

weight“. Most votes went to: „being able to express one's opinions freely“(81%), „people cooperating to learn from and help each other“(70%), „having clear authority structures and division of job functions“(66%) and „having one's privacy respected“(55%).

So there is – in the same survey half the male respondents said that it was reasonable to have to sacrifice a bit of one's personal life for the sake of the company and a third said that, yes, they supposed they could be described as „good company men“ – some sense that the old pattern of a relentlessly demanding company community ruled by age and seniority should give way to a freer and more open community of people who learn from and help each other (and thereby suppress tendencies towards naked cut-throat, interpersonal „market“ competition), and that there should therefore be not abolition but modification of the *nenko* system, and not abandonment but down-playing of *nenko*-type egalitarianism¹⁰. The background to this is a gradual diminution in the tendency to identify with the firm and the penetration of a „loose“ kind of individualism¹¹.

II. The Japanization of German Industrial Relations

Enterprise-specific elements in human capital formation and wages

Let us, drawing both on the foregoing and my own inquiries in Germany, list some of the factors which prompt Dore to suggest that German industrial relations may be moving in a Japanese direction. In the first place, average job tenures are not greatly different as between Germany and Japan. Secondly, employee representatives on the *Aufsichtsrat* have a large influence on the choice of managers, but as to how much managers are promoted up from the ranks within the firm I know of no good data, but my impression is that it is rather less than in Japan. As for the personnel management ideology which privileges „guaranteeing the livelihoods of the employees“, it is a good deal less pronounced in Germany than in Japan. Corporate governance is, in Germany as in Japan, a matter very much under review, but even large firms frequently take the GmbH form and rely for their financing not on the stock exchange but on the intermediation of universal banks which exercise a dominant influence (OECD 1995). Hence, if one takes into account also the co-determination system, it is very difficult to imagine that the stakeholder-model-type German firm will make the qualitative change into a neo-American type management

¹⁰ In the same survey as that quoted above respondents were asked what they thought should ideally be the wage spread among people of the same age, same seniority and same educational qualification in the same firm. The answers averaged by age group were the same for all ages – from 30 percent above average to 20 percent below – an indication, probably, of what Whittaker (1990) has pointed to as the still robust egalitarian norms which characterize the Japanese system.

¹¹ One characteristic of this looseness is that the individualism is repressed, and as such it is not an individualism which threatens the end of collectivist industrial relations. (Cf. Bassett and Cave 1993; Brown and Rea 1995)

system giving priority to the shareholders' interest. In short, Germany and Japan differ considerably in their structure and manner of corporate governance, but are similar in the sense that both are free of shareholder sovereignty.

Dore places great emphasis on the other two of my earlier list of characteristics of the Japanese system – the firm-specific nature of human resource formation, and, linked with it, the firm-specific nature of wage systems. I cited the fact that a Japanese worker who moved from one firm to that firm's direct rival would be likely to lose personal credibility as an indicator of the strength of firm-as-community consciousness, and surely by that criterion – whether or not it has anything at all to do with the firm-specific nature of skills – Germany is a long way from Japan. However, Dore cites as evidence that skills are becoming more firm-specific, the fact that, in spite of the famous apprenticeship training system, the sense of identification with a craft and its skills is a good deal weaker than in Britain, the fact that the hitherto fragmentarily sub-divided crafts are being amalgamated into larger groups in the apprenticeship system, the fact that the skills and knowledge actually required are becoming more firm-specific, and the fact that apprenticeship in a high-prestige firm with the best facilities and trainers and curriculum carries with it the possibility of a full-time job on completion of the apprenticeship, so that an apprenticeship becomes something like a probationary employment contract. *A priori* these are reasonable arguments; the question is: how far has such a process gone? The direction of change and the degree of change are separate questions, and it is the question of degree which I question.

What it comes down to is: how far have German wage systems become genuinely firm-specific. Dore cites (1) factory-specific wage premia of up to 20 percent; (2) the use of range rates which allow for individual variation in pay depending on performance evaluation – a shift from rate-for-the-job to rate-for-the-person criteria, and a matter over which the works council has a good deal of influence, (3) the possibility of using this leeway to reward seniority, and (4) the spread of team-working. And he quotes as an illustration the standard career promotion trajectory of manual workers in a thousand-employee machine-tool maker near Stuttgart. This is the most interesting and persuasive part of Dore's analysis, and it calls to mind similar developments which have been recorded in Britain and Sweden. (Inagami 1990, Olsson 1990, Brown 1994)

But the question is: how far has the process gone? Take the firm-specific wage premia which Dore says reach about 20 percent (a figure I also was given by Gesamtmetall). 1. Is there any secular tendency for that proportion to increase? and 2. Has there been any increase in the number of firms in which this, originally voluntary, supplement has become institutionalised? As for the first question, one knows that a number of large firms, needing to cut labour costs, reduced or eliminated this premium in the 1992-3 recession – Robert Bosch GmbH and Mercedes, for example. These premia, in other words, are not protected from the effects of the business cycle or the fortunes of particular firms. Moreover, there are considerable industry differentials. „In the metal and chemical industries they can

account for 25-30 percent on an individual's total wage packet, but in banking and commerce no more than 5-7 percent“ (IDS 1993: 12). And again, „within the metal industry itself, large firms may be paying 15-20 percent higher wages, but in, for example, ship-building which enjoys lesser international competitiveness, only 2-3 percent“ (Shonfield 1993: 168). The DGB research institute reported that „wage drift has been stable for the last ten years“ (Inagami and Whittaker 1994). Williams claims that it was in the late 1960s that the wage drift was strongest and depending on the industry was as low as 3 and as high as 30 percent, but died down in the 1970s (1988: 38).

There seems, then, to be no tendency for these wage premia to increase over time, and, on the other point about institutionalization, we have no data proving any increase in that respect either, so one must conclude that only to a very limited degree can one talk about the Japanization of the wage system. To return to the question: „what is the unit of common interest?“ it remains true that 80 percent of an individual's wage is determined, according to his occupation and region, across the board and without reference to the firm in which he works.

If this wage determination mechanism is to change it will be at the employers' initiative, and a response to the growing pressure of international competition and the imperative need to cut labour costs. If, for instance, large numbers of small and medium firms were to desert the employers' organizations, or if there were to be much greater use of opening clauses in enterprise level negotiations, then the possibility of much wider inter-firm differentials opening up, and the concomitant development of internalised firm-specific wage structures would be vastly increased.

Strengthening international competitiveness and employment adjustment

If one understands „Japanization“ narrowly to mean the development of decentralized cooperative industrial relations, there is one possible factor which might produce this result which Dore does not mention. That factor is the intensification of competition and the rethinking of labour practices which it may bring, together with the „hollowing out“ phenomenon (relocation of German manufacturing abroad) and employment adjustment. The sense of a serious crisis is there: witness the Federal Government's industrial location policies and the Land governments' efforts to strengthen the international competitiveness of the traditional automobile, electrical and chemical industries and to assist in the birth of new industrial sectors (see, for example Staatministerium Baden-Wuerttemberg, *Aufbruch aus dem Krise*, 1993) or the more recent „Alliance for work“. With fears increasing that Germany's traditional non-mass-production high-quality manufacturing may be under threat (DIHT 1995: OECD 1995; Kern and Witte 1995: Audretsch 1995; *The Economist* March 18th 1995) the importance of firm-level discussions between managers and the work-force is bound to increase. For example, the development of out-sourcing, or the relocation of production to Eastern Europe will have implications for employment which the works councils of individual firms will have to face up to. Again, the introduction of new technology for the development of new levels of

quality and competitiveness, may require the revision of labour practices, and new forms of organization and training. IG Metall – which does not deny the need for cost-conscious management – may be effective in acting as consultant for works councils on these issues, but the actual discussions and decisions will have to be taken at the firm level. Framework agreements and general statements of policy are all very well, but they don't take one very far. The firm-level weighting in industrial relations is bound to increase.

A somewhat different and more fundamental question which one might ask about restructuring for greater international competitiveness is: are works councils not likely to be seen by managers as a nuisance? Heinrich von Pierer of Siemens disclaims any such view (*Financial Times*, 16 Feb. 1996). But should it become the majority view in the future, and should it result in really radical change in the mechanisms of wage determination, then there would result a process of decentralization but through a very different scenario from the one which Dore depicts.

But it is a scenario which potentially could bring Germany even closer to the realities of modern Japan – a Japan which has none of the extra-firm industry-wide wage bargaining mechanisms of Germany, where inter-firm wage differentials are much greater, and where there are no legal obligations to create co-determination mechanisms within the firm. But the Dore Japanization hypothesis is not that radical.

The enterprise community as a community of common interest

A final question: if the processes which Dore describes were to lead German industrial relations in a Japanese direction, is there a possibility of developing really Japanese-type enterprise communities?

There is certainly not much diminution in the extent to which Japanese firms and their regular workers and those workers' unions are sharers of information and have a sense of common interest, though, as we have seen, even in Japan there is an irreversible trend, driven by the preferences of both managers and workers, towards making the enterprise community less all-demanding, more open, less dominated by a rigid *nenko* hierarchy. And this implies, in parallel, a – modest – diminution in the extent to which employees identify with their firm.

So what, then, will they identify with? One answer is: not their company but their work. In the survey quoted earlier 80 percent of respondents said that they would „like to have a job in which one would be happy to work twice as hard as anybody else“. Another answer is: more close involvement with family and friends. In the same survey, 60 percent said that they had hobbies or were studying or otherwise socially active in contexts that had nothing to do with their work or their workmates, and 80 percent said that they agreed that „there is nothing interesting about a person who's only interested in his work“.

In other words, one can hardly say that there has been much diminution in the work ethic in Japan (and consequently not much sign of what Bell called naked

hedonism), but the trend towards a lesser identification with the firm or its union, and the preference for a „privatist“ life-style separated from the workmate network is likely to grow and to be accelerated by the reduction in work hours. The all-demanding enterprise community which dominates even the private lives of its employees is not going to be any longer acceptable.

The process which Dore envisages is one in which the enterprise becomes more important as the „unit of common interest“ and, as a consequence, the extent to which employees identify with their firm increases. That is certainly a possibility, and taking account of the trends in Japan just described, that could mean that the gap between the nature of the „enterprise community“ in Germany and Japan (if community is still the right word) would be narrowed – but from both directions.

Conclusion

I have been trying to add two suggestions to Dore's perspective on the future of German industrialization.

The first is that there might be a process of loose convergence between Japan and Germany towards an as yet unknowable third position. This means, on the German side, an even greater development of enterprise-decentralized cooperative industrial relations – the part of the Dore view which I accept. Though I foresee limits to the process to which Dore ascribes this result – namely the increasing concentration within the enterprise of both wage-determination and training. (One has to take account both of the difficulty of changing traditionally well-established systems and the flexibility of those systems themselves.) In short, I would expect the wage-bargaining system and the dual system of training to be retained even if their importance in the whole picture diminishes. On the Japanese side, the central institutions of the cooperative enterprise industrial relations system remain intact but their functional limits have required supplementation at the industry level and, for policy participation purposes, at the national level. What I called the „loose administrative corporatism“ system will probably be forced to change, but is unlikely to disappear altogether. Central to this convergence notion is the idea of a slowly diminishing difference between Germany and Japan in the extent to which the enterprise community is the „unit of common interest“. Note that this point of convergence is not an American-type system of total retreat from collective industrial relations towards decentralization and individualization.

The second point is to suggest a scenario of even more radical Japanization of German industrial relations. This envisages the possibility, for instance, of a breakdown in employer solidarity with mass defections of the *Mittelstand* from employer organisations, of the reduction of the coverage of wage contracts to firms with union organization (cf. OECD 1994); of the growth of enterprise-level bargaining much beyond that which the opening clauses now make possible (which would require a change in the law); or of a loosening of the laws governing workplace industrial relations to increase the range of unilateral managerial

discretion. Such developments would involve radical changes in the wage determination and training systems, and involve unprecedented legal changes. They would amount to an end to co-determination as we understand it, and to the German-model of political economy. Whether that is likely to happen or not depends, essentially, on one thing – whether German manufacturing industry manages to maintain and improve its international competitiveness within the framework which co-determination and the dual system of training create.

At the moment I consider this latter scenario rather less likely than the convergence scenario. So how do I then differ from the Dore hypothesis? In two respects: first, in seeing narrower limits to the sort of evolution which Dore suggests will make German more like Japanese industrial relations. And secondly, in suggesting that, if one looks at the evolution of Japanese industrial relations over the last quarter of this century as a whole, it is less reasonable to think that one industrial relations system will become more like the other, than to imagine both in movement and slowly converging towards a common point.

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