

Individualisation of Wage, Individualisation of Employment Relations

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1 Japanese Context

- Individualistic wage formation and employment relationship at early 20th century
- **Seniority-based wage system** at post-war period
- Failure of **job-based wage system** in 1960s
- Spread of **ability-based wage system** from 1960s (1st stage of individualisation)
- Shift to **performance-based wage system** from 1990s (2nd stage of individualisation)
- Criticism to performance-based wage system in 2000s

2 Ability-based Grade System

- Grades (A-G) and sub-grades (A1-A5, B1-B5, etc.) corresponding to wage level
- Promotion to higher grade or sub-grade based on performance evaluation as well as **potential ability and attitude**
- Grade or sub-grade **attached to workers**, not jobs
- Length of service: criterion of ability
- Partly individualistic but mainly collective **seniority-oriented system**

3 Spread of Performance-based Wage System

- Employers' advocacy: new wage system **based on objective performance**, not on subjective ability
- Hidden intention: **reduction in labour costs** of baby-boomers
- Essential difference between US and Japan
- Japanese system **lacks job description and job evaluation**
- Basic structure: ability-based grade system
- **Short-termism and non-accumulation** of past performance

4 Criticism to Performance-based Wage System

- Prof. Takahashi's "False Performance Principle" and Mr. Joh's "The inside of Fujitsu" in 2004
- Revision of performance-based wage system **from individualism to collectivism**
- 2008 Labour Economy White Paper: shift to non-pecuniary remuneration for performance

5 Individualisation of Employment Relations

- Legal principle: collective rules precede individual agreements
- **Decline of union density** and **increase of non-regular workers** → individualisation of working conditions (collective agreements to work rules)
- Nominal non-union majority representatives
- Intrinsic individualisation of working conditions of white-collar workers: performance-based wage system

6 Individualisation of Labour Disputes and Dispute Resolution Mechanism

- No individual dispute resolution mechanism except for civil suit until 2001
- Decrease of collective dispute cases and individualisation of such disputes
- Increase of consultations from individual workers
- **Individual Labour Disputes Resolution Law** in 2001 (administrative conciliation)
- **Labour Tribunal Law** in 2004 (tripartite tribunal consists of career judge and social partners)