

## **APPRAISAL OF SIGNIFICANT FEATURES OF INDUSTRIAL RELATIONS: A LESSON FROM JAPAN AND GERMANY**

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### **Abstract**

The success of any organization or enterprise is anchored on the capabilities and expertness of the employees. Hence managers are encouraged to design a positive friendly working environment for their employees to enable them to achieve the organizational objectives. The focus of this report is to appraise the industrial relations systems demonstrated by Germany and Japan, their similarities and differences. The essay compared and discussed the three main actors involved in industrial relations which include employers' associations, trade unions, and the state. Dispute resolution, and changes that occurred since the 1980s were also discussed. Meanwhile, the cases presented offer striking examples which serve to illustrate many internationally important industrial relations processes. They are also eminently useful for both Nigeria and other African countries and the comparative debate is that they reflect different levels of economic development and different social constitutions. The study makes use of secondary data from journals and other relevant literature. The findings revealed that Japan practices an enterprise trade union while Germany practices an industrial trade union. They have similar problems of labour market management (combating unemployment, safeguarding wages level, expansion or maintenance of basic social insurance and safeguarding employees' rights). It was discovered that the dispute resolution systems among the two countries were entirely different. Hence due to Germany's flexible working policy, Germany enjoys higher social rights than employees in Japan, with German industrial firms maintaining higher degrees of worker autonomy. A lesson for African countries to imitate.

**Keywords: Appraisal, Industrial Relations, Trade Union, Employee, Employer, Collective Bargaining, Dispute Resolution**

### **Introduction**

It is becoming ever more important to comprehend today's work and employment issues alongside a knowledge of the dynamics between global financial and product markets, global production chains, national and international employment actors and institutions, and how these relationships play out in different national contexts. Employees are considered the most important components in a company or organization because they assist in a great way towards the development and growth of any organization. It is believed that the growth of any organization is as a result of the immense contribution of its employees. Hence managers are encouraged to design a positive friendly working environment for their employees to enable them to achieve the organizational goals.

The focus of this report is to discuss and appraise the industrial relations systems demonstrated by the aforementioned countries, their similarities and differences. The essay will compare and discuss the three main actors involved in industrial relations which include employers' associations, trade unions, and the state. Industrial relations legislation, dispute resolution, and changes that occurred since the 1980s will also be discussed. The conclusion will summarize the main component of industrial relations between the respective countries.

### **Industrial Relations**

Before diving into the comparison of industrial relations in Germany and Japan, certain concepts will be made comprehensive which will enable further discussions. According to Rudolf and Zhang (2010) employment relations also called industrial relations or labour relations describe the relations of exchange between capital and labour, it includes the forms of cooperation and conflict relations which exist between capital and labour in the shaping of employment relationships in company, sectoral, national, or transnational level. These relations are formed on a unilateral, bilateral, or trilateral basis, depending on whether one actor (capital) has enough power to engage in one-sided decision-making, two actors (capital and labour) seek agreement through compromise or the state enters the scene as a third party (Rudolf & Zhang, 2010).

According to Rudolf and Zhang (2010) trade unions and the state, in the establishment and safeguarding of collective regulations, relate to each other, work together, merge into one another, substitute one another or come into conflict constitute one of the most significant indications of how industrial relations practices differ between countries. Industrial relations deals with either the relationship between the state and employers and workers organization or the relationship between the occupational organizations themselves (International Labour Organization, ILO, 2019).

### **Trade Union**

Trade unions are the main collective actors in the industrial relations system. They are organizations of workers formed in an attempt to improve the living and working conditions of their members. The main focus of the trade union is to counter the maltreatment and mismanagement of the employer. In addition, they represent employees who had no power in the workplace, hence, they gather together to create awareness and also to protect their interests.

In the contemporary workforce, trade unions are found in many developed industrialized societies as mass organizations with centralized bureaucratic structures, involved in socio-political governance, and included in government decision-making (Rudolf & Zhang, 2010). Although the development of an industrial relations system has its history in every country, the characteristics of trade unions in Japan and Germany were similar and differed in some ways.

Firstly, the occupation of Japan by the United States after the Second World War had a major impact on the development of Japanese industrial relations. Chand (2017), acknowledged that the growth structure of trade unions was a fluctuated growth which has a close similarity with

a trade union in Germany. Japan's trade union existed during the 1880s but declined during World War 2 (1941-1945) and increased rapidly after World War II, while trade union in Germany emerged after the 1841 revolution and was abolished in 1933 by Hitler, and after World War 2, Chad (2017) noted that trade Union emerged again in Germany.

Evidence shows that trade unions' growth structure fluctuated during World War II and this affected both countries. Also, both countries experienced rapid growth of trade unions after World War II, which was a result of external support. For Japan, trade union growth was a result of support from the USA while in Germany trade union growth emerged from the guidance of allied powers led by the USA and the United Kingdom (Chad, 2017). The development of trade unions after World War II for both countries was influenced by external bodies.

Meanwhile, trade unions in the respective countries were different in terms of their population size. OECD (2017) statistics show that in 1999 the Japanese trade union's membership size was 22.2% while that of Germany was 25.3%, in 2013, Japan's trade union population declined to 17.8% while that of Germany was 18.1%. Hence this evidence shows that the German trade union has a slightly high membership size compared to Japan in the stated years. More so, another difference as noted by Chad (2017) is that enterprise trade union is the dominant type of trade union in Japan while industrial trade union dominates Germany. According to Chad (2017), an enterprise trade union in Japan represents employees from one firm excluding other employees from different firms, Industrial trade unions represent employees based on their occupation. For instance, Metalworkers in Germany are represented by the Metal Industry Trade Union. Meanwhile, history and tradition seem to play a big role in connection with the relationship between management and workers in Japanese industrial relations. As has often been pointed out by some authors, Japanese workers have been less militant and more loyal to their company than workers in Germany. The importance of history and tradition in Japanese industrial relations has been highlighted at a theoretical level in the Classical culture Approach, where the understanding of Japanese industrial relations has been related to traditional values in Japanese society. This approach has however been questioned by analyses focusing more on the development and solution of conflicts in Japanese society (Lipsky, Seeber & Fincher 2003).

The major difference between Japan's and Germany's trade unions is that the trade union in Germany is more powerful and influential, within employee relations and industrial relations compared to Japan. According to Chad (2017), that is why Japan's trade union was a large industrial trade union and not a small enterprise union.

Notwithstanding the various historical differences, forms and functions in a market economy, a fundamental area of activity can be identified for trade unions which is frequently described as the formation of a labour market cartel. Trade unions are usually considered to be successful labour market cartels when they develop the power to temporarily withdraw a relevant number of essential workers from the labour market, and also restore them only when the enterprises (or government) agree to improve general working conditions and wages. The main purpose

of the trade unions is well defined in these terms; they attempt to dissolve or limit competition between workers to prevent a race to the bottom on the individual pursuit of employment. Trade unions can be considered to be successful when they accomplish a monopoly of supply in the labour market.

Responses by researchers to changes in employment from the 1980s to the early 2000s were often shaped by a continuing commitment to pluralistic employment relations. There was widespread recognition that employer power was growing relative to that of labour, and traditional institutions were breaking down. At the same time, mutual gains appeared to still be possible given the right set of coordinating institutions. Germany was used as an example where unions retained more of their past institutional power, as well as positive cases of labour management partnership in more liberal Anglo-American economies (O'Brandy, 2020). The trade union is a common party that exists in both countries but they engage similarly and differently in some contexts.

### **Employers' Associations as a Reactive Development in the Formation of Collective Actors**

The major purpose of the employers' association was to protect the employer's interest against trade unions. In the aforementioned countries, employers' associations, both act on a regional and industrial association, to stand against the labour offensive (Bamber et al., 2011, p. 263). In the case of Germany, Bamber et al., (2011) pointed out that individual employer associations represent firms according to industry and region. Another similarity is that employers' associations were collectively bargaining with trade unions based on employment conditions. This entails that employers' associations and trade unions are bound together to settle terms and conditions as well as disputes to make it within a harmonious boundary. Also, the National Employers' Association in both countries is not involved in collective bargainings such as the Confederation of German Employers and Nikkeriren (Chad, 2017).

Hence, collective bargaining in both countries was implemented and practised at a different level. In Germany Bamber et al., (2011, p.198) noted that the industrial association is responsible for collective bargaining, while in Japan, collective bargaining takes place only at an enterprise level except industrial or national level [p.264]. Furthermore, the employer association federation population in Germany was higher than that of Japan. This shows that Germany and Japan have some similarities and differences based on their respective employer associations.

### **State Involvement**

Within an industrial relation, the state was viewed as the last and most significant sector within an employment relation, whose objective is to foster a cordial relationship between the two unequal actors. Nevertheless, the duties and functions of the state are similar and different in Germany and Japan.

The firstly notable similarity of the duties of the state in Germany and Japan is that Germany and Japan act as employers who employ civil servants. Badejo (2017) reports that the conservative duty of the state is to provide a legal structure to direct and regulate the association of employer and employee with their representation. In both countries, the state creates a legal

structure where the state passes an employee relation and industrial relation to control the industrial relationship. According to Chand (2017), Japan passed a Public Order Act in 1900 known as the 'Anti-labour Act' that does not allow workers to organize and form a trade union. In Germany, the state passed a Works Council Act in 1952 to establish a 'works council' in firms and accept the representation of employees by Directors in company Boards. This shows how the state plays an important role in promoting a harmonious relationship within an industrial relation.

In comparison, it shows that Germany was more active in an industrial relation compared to Japan. Thus, in Germany, the state was actively assisting both the employee/association and the employer/association by maintaining a peaceful industrial relations environment (Chand, 2017, p.47). In Japan, the state has less involvement in industrial relations. Chand (2017) stated that the state and trade union had no close relationship, supported only by the social democratic party to trade union. This demonstrates the real difference in how the state was involved in industrial relations. More so, Japan was considered peaceful in history compared to other countries including Germany. The reason as noted by Chand (2017, p.3, 24) is that Japan plays a very important role in creating a conducive environment that will be comfortable for the relationship within an industrial relation.

The major similarity between Japan and Germany based on industrial legislation is that the state was the main source of enforcing and passing the industrial relation legislation in both Japan and Germany. The state played an important role in terms of passing and enforcing industrial relation legislation in both countries. Another similarity of the industrial relation in both countries is that comparing the past legislation to the present legislation it can be seen that the worker's rights are getting extended to them Chand (2017).

### **Dispute Resolution**

Martin and Andreas (2015) ascertained that dispute resolution is quite different and there is no conformity to each other. They stated across the country, workplace conflict and its resolution take different forms. Hence Chand (2017, p. 21) identifies and describes how the dispute was handled in Japan. The first level of a resolution system was 'firm in-house procedures and followed by conciliation, mediation, arbitration, emergency reconciliation system and labour relations commission. They noted that the firm's in-house procedure means that the dispute was settled at the firm level, while if it was not solved, then, it will bring up to the next level which is conciliation. Conciliation is involving of assistance from a third party, but if the dispute is not solved, then the mediator (which consists of public officials, labour, and management representatives) will be involved. If again the conflict is not solved, the arbitrators will do the resolution by making a final decision that is fair and reasonable. Martin and Andreas (2015) observed that the two dispute-handling mechanisms were rarely used in Japan.

Conversely, Germany focused on a dual system based on the representation of interest via collective bargaining (Yasui, 2017). More so, Marsden (2015), Addison et al. (2017), and Bollettino (2017) described how the dispute was handled in Germany. Trade unions and employer organizations conclude a joint dispute resolution agreement (Schlichtungsvereinbarung). Both parties are bound together to settle a dispute but if the

collective agreement fails, then a joint dispute resolution procedure (Schlichting) will be applied to avoid the outbreak of industrial actions. Hence the dispute resolution system is different in Japan and Germany.

### **Conclusion**

In summary, industrial relations consist of three main actors who shape the relationship as a complete process. It is very clear that in both countries, the three main actors share similar and different characteristics. As illustrated under the trade union, it can be seen that trade unions in both countries are similar in their growth structure, both were affected during World War 2 and they have rapidly increased due to the support from external countries. Firstly, trade union in both countries differs in terms of density/trade union membership, Japan practices an enterprise trade union while Germany practices an industrial trade union. Trade union in Germany was found to be most influential within employee relations and industrial relations compared to Japan.

Secondly, the employer associations of both countries are similar in acting on regional and industrial levels; they also carry out a collective bargain with the trade union. However, the employer association differs in both countries because collective bargaining was conducted at a different level in both countries and the employer association federation density differs in both countries as well.

Thirdly, the state in both countries is similar within an employment relation, the state is an employer through the civil servant, and they create and regulate industrial relation legislation just as seen in Japan and Germany. Lastly, it was discovered that the dispute resolution systems among the two countries were entirely different.

For the labour market, Japan tends to have a lower unemployment rate than Germany. Employees in Germany work less and have more holidays compared with Japan; labour in Germany with a wider range of training programs is at a high skill level, though Japanese workers are also well trained, the transportability is low compared to Germany. Trade unions in Germany are concerned with social issues and have some relations with political activities. National employers' associations are available in Japan and Germany. Legislative support for collective bargaining is placed in Germany and Japan.

Both union density and coverage of collective bargaining are high in Germany while low in Japan. The bargaining level in Germany is mainly at the industrial level but at the company level in Japan. When there is no legislation on works councils in Japan, it is available in Germany. Finally, employees in Germany enjoy higher social rights than employees in Japan. The discussion so far offers a striking examples which serve to illustrate many internationally important industrial relations processes. They are also eminently useful for both Nigeria and other African countries and the comparative debate in that they reflect different levels of economic development and different social constitutions. The study makes use of secondary data from journals and other relevant literature.

Furthermore, the results showed that Germany operates as an industrial trade union and Japan as an enterprise trade union, with both countries facing comparable labor market management issues (fighting unemployment, preserving wage levels, expanding or maintaining basic social insurance and defending employees' rights). It was also found that the two nations' conflict settlement processes were completely dissimilar. Because of their flexible working policies, German workers have more social rights than Japanese workers do, and German industrial companies uphold higher levels of worker autonomy. An example that African nations should emulate.

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