

The New Politics of Labor:
Shifting Veto Points and
Representing the Un-organized

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1. The New Politics of Labor

Labor politics in Japan became quite contentious in the 1990s. Bureaucratic co-ordination of conflicting interests at the level of advisory councils failed to reach a consensus and policy-making processes became more openly belligerent. Accordingly, the Diet became a more important policy-making arena¹.

Traditionally, policy-making processes in the realm of labor law have long been consensual and substantial decisions have been made by the MOL's advisory councils². It is a common policy-making procedure across the board in Japan that substantial decisions are already made before bills are proposed to the Diet, either by ministerial advisory councils or the LDP's PARC (Policy Advisory Research Committee?)³. Yet, the importance of the MOL's advisory councils as the locus of decision-making has been exceptional compared to other jurisdictions. Moreover, interference of political parties at the level of the Diet has been rare because labor laws neither provide distributive benefits to politicians nor entices new players after the decision-making by the advisory councils. Thus, the normal policy-making style in the MOL's jurisdiction can be largely characterized as "bureaucracy-led."⁴

The MOL's advisory councils lost some of their consensus-building function in the 1990s, which brought about more wrangling and involvement of political parties. Why did "the new politics of labor" emerge in the 1990s? My paper shows that a new player, the Deregulation Subcommittee, entered the policy-making procedure, which impaired the consensus-building capacity of the MOL's advisory councils. Since conflicts were not reconciled prior to parliamentary deliberations, the Diet, the final veto point, gained its relative importance as the locus of decision-making.

The shift in veto points in labor politics is foremost attributed to the change of the policy-making procedure at the level of governing processes (i.e., a creation of the Deregulation Subcommittee). Nevertheless, the emergence of the new politics of labor needs to be analyzed in a broader and structural context as well. What interest pushed the formation of the Deregulation Subcommittee? My paper argues that Keidanren's commitment to deregulation and its lobbying style that tends to bypass advisory councils changed the policy-making procedure of labor market regulations. Moreover, Rengo also had its own reason to politicize labor politics. Due to the low and ever decreasing unionization rate, Rengo needed to represent not only the interest of affiliated unions but also that of unorganized regular workers as well as atypical workers. In order to appeal to unorganized workers, openly contentious politics serves Rengo's strategy for recruitment and organizational expansion better.

The rest of the paper is organized as follows. The next three sections examine three cases

¹ On the similar observation, see Ikuo Kume, "Rodo Sesaku Kate no Seijyuku toHenyo," *Nihon Rodo Kenkyu Zasshi* (No.475, 2000): 2-13.

²Toru Shinoda, "Singikai: Danjo Koyo Kikai Kintoho wo meguru Ishikettei," *Nibongata Seisaku Kettei no Henyo* ed. by Minoru Nakano (Tokyo: Toyo Keizai Shinposha, 1986): 79-110.

³ Sone and Iwai elaborate "the obstacle course model" to explain this political phenomenon of shifting decision-making arenas to pre-parliamentary institutions. See Yasunori Sone and Tomoaki Iwai, "Seisaku Katei ni okeru Gikai no Yakuwari," *Nenpo Seijigaku* (1987): 149-174.

⁴Frank J. Schwartz, *Advice and Consent: The Politics of Consultation in Japan* (Cambridge: Cambridge University Press, 1998): 117.

that deviated from the formerly prevailing policy-making procedures: statutory working hours reduction in 1993 (Section 2), the 1998 Labor Standards Act (Section 3), and the 1999 Dispatched Manpower Business Act (Section 4). These cases all illustrate the emergence of the new politics of labor, although they differ in causes, processes, and settlements. The fifth section analyzes the role played by a new player, the Deregulation Subcommittee. The sixth section then analyzes veto power of unions by looking at political institutions and different strategies required at different veto points. The section also argues that Rengo was both *forced* and *enabled* to represent unorganized interests in the 1990s, which also contributed to the emergence of the new politics of labor.

2. Working Time Reduction in 1993

The policy-making process of the introduction of a statutory 40 hour work week was the first case of deviation from the established procedure of labor law legislation. Major small business associations asked the LDP's intervention in order to gain their preferential treatment, which fueled labor delegates' opposition. All the labor delegates for the first time boycotted the advisory council. Despite unions' boycott and protest, they were not able to overturn the MOL's decision to allow small businesses to be exempt from the then working-hour regime. However, this unprecedented political process pushed the MOL to take unions' side when the reduction of working hours became an agenda in following years.

Statutory working hours are regulated by the Labor Standards Act in Japan and had long been 48 hours. In 1987, the Labor Standards Act was amended, stipulating a new 40 work hour regime. Its full implementation, however, took ten years. Bearing in mind that the Labor Standards Act is compulsory with penalty rules, the MOL gradually reduced working hours by revising additional clauses of the Labor Standards Act and amending the ministerial ordinance. In 1990, the MOL first introduced the 44 statutory working hours. Then in 1993, it finally implemented the 40 statutory working hours. At the same time, it granted grace periods to small businesses. Exact terms of the grace periods varied depending on sectors and firm sizes. In general, the statutory working hours for businesses granted the grace periods were 48 hours in 1988, 46 hours in 1991, and either 44 or 46 hours in 1994. It was only in 1997 that the all sectors of the Japanese economy were bound to 40 statutory working hours.

According to the agreement reached at the Central Labor Standards Advisory Council in December 1992, the implementation of 44 statutory working hours was supposed to start from April 1993 without exception. Despite its agreement, small business associations objected to the implementation of 44 hours, arguing that the reduction of working hours under recent severe economic conditions would harm small businesses. The four major organizations of small businesses—the Japan Chamber of Commerce (Nihon Shōkō Kaigisho), the Japan Federation of Societies of Commerce and Industry (Zenkoku Shōkōkai Rengōkai), the National Federation of Small Business Associations (Zenkoku Chūshō Kigyō Dantai Chūōkai), and the National Federation of Shopping Center Promotion Associations (Zenkoku Shōtengai Shinkō Kumiai Rengōkai)—vigorously lobbied the MOL and the LDP and demanded the extension of the grace period. They wrote petition letters to members of the LDP's Labor Committee, the chairman of the Central Labor Standards Advisory Council, and the MOL, and requested that the statutory

working hours to small businesses should remain at 44 hours instead of 40 hours and that the current grace period of 46 working hours should continue to be applied even after April 1993.

The small business associations also lobbied LDP politicians at the local level. The mobilization of their local federations and member-companies turned out to effectively pressure the LDP, as they often run political machines in support of conservative politicians during campaign periods.

Facing strong political interference directly from the small business associations, as well as via the LDP, the MOL logrolled the legislation of the 1993 amendment of the Labor Standards Act for the extension of the grace period for another year. The LDP pressed the MOL to accept the demand of the small business associations by hinting at the abortion of the 1993 Labor Standards Act. The MOL judged that the compromise on the grace period was a minor setback compared to the failure of legislating the whole framework of the statutory working hours embodied in the 1993 Labor Standards Act.

Terms and conditions of the grace period were regulated by government ordinance. This meant that review by the Central Labor Standards Advisory Council was required in order to extend the current grace period. All of the seven labor delegates bluntly opposed overturning the past agreement at the Council. They attended the council meeting, but left before votes were cast to express their disapproval. The MOL, the chairman of the Council, and public interest representatives tried to convince Rengo and the labor delegates to return to the negotiation table, but they refused to participate in voting. Rengo organized several demonstrations in front of the MOL as well as expressed its opposition via several channels to Nikkeiren, the Small and Medium Enterprises Agency, the MITI, and the Tokyo Chamber of Commerce. Rengo also organized a nation-wide campaign mobilizing its local offices. Thirty-four branches of the Local Rengo wrote petitions to the Local Labor Standards Offices, articulated their discontent at the Local Labor Standards Advisory Councils, or solicited agreements from public interest representatives.

Despite Rengo's strong objection and wide mobilization, the Council voted for a new ministerial ordinance without the presence of the labor representatives. It was unprecedented that all of the labor delegates were not present at the advisory council, but the MOL had no other option except to allow the special grace period to small businesses in order to carry on the reduction of statutory working hours.

Reacting to the MOL's decision, Rengo lobbied five opposition parties (JSP, Komei-to, DSP, SDL, and Kaikakuren) and these parties agreed with Rengo to send a petition to the Labor Minister, asking for an overturning of the extension of the grace period. Despite this political pressure, the MOL did not change their decision.

Rengo's setback, however, constrained the behavior of small business associations when the Labor Standards Act was revised in 1996. Both the MOL and the public interest representatives did not allow the small business associations to ignore the Council. The MOL dismissed continued claims for an extension of the grace period by the small business associations. The use of political power ironically discredited the claim of the small business associations⁵.

⁵ The small business associations continued to pressure the MOL to allow them special treatment. The

The political process of the reduction in the statutory working hours in 1993 was the first case in which the advisory council was steamrolled. The fact that such a reduction would hit the small business sector the hardest made the decision-making process highly political. Nikkeiren, where the interests of big business are represented, does not use political clout and in fact it does not have resources to mobilize conservative politicians. In contrast, small business associations were able to use their extensive networks at the local level and effectively exerted pressure on the LDP politicians in their districts.

Facing the direct political intervention, Rengo declared that “a scuffle outside of the grounds” should not be allowed in the labor law making procedure. Indeed, Rengo raised an objection not only to the extension of the grace period *per se*, but also to the fact that the deal was struck by the LDP and the MOL behind the scenes without the involvement of labor representatives. It was thus the small business associations’ willingness to politicize the issue that changed the concerted politics of the MOL, Rengo, and Nikkeiren.

3. The 1998 Labor Standards Act

Discretionary Work Hour Rules

The policy-making process of the 1998 amendment of the Labor Standards Act was also very contentious. This time, it was not the politically mighty small business associations but Nikkeiren, with the help of Keidanren, that actively advocated issues that labor would not accept without qualifications. Unlike the small business associations, Nikkeiren did not try to bypass the advisory council. Nevertheless, the emergence of the new policy-making procedure led by the Deregulation Subcommittee resulted in undercutting the advisory council.

The amendment of the Labor Standards Act in 1998 was the most extensive revision since it was first drafted in 1947. Several amendments were added after its initial passage, but the 1998 amendment was by far the most wide-ranging in scope and the most controversial in substance. It basically coalesced the liberalization of work hour rules and the strengthening of regulations on employment contracts and termination notices. The most contentious proposal was discretionary work hour rules. If discretionary work hour rules are applied, certain hours set by employer-employee negotiations are counted as working hours regardless of actual hours that workers spend to accomplish a task. Discretionary work hour rules were first adopted in 1987 to professional jobs such as designers, producers, directors, information technicians, and research and development engineers. Another six jobs were added to the list in 1997, but all the jobs were still limited to professional jobs. By contrast, the 1998 amendment enabled employers to apply the discretionary work hour rules to white-collar workers who deal with management in a core division of a company. On the surface, employers succeeded in largely extending the coverage of the rule. However, Rengo succeeded in inserting detailed conditions for introducing the discretionary work hour rules, which made the new rules

Small and Medium Enterprises Agency issued a ministerial circular that allowed the small businesses to ignore the Labor Standards Act. This circular became public later, which incited protests from the MOL and Rengo. The Agency soon withheld it. In order to deal with political pressure from the small business associations, the MOL created new subsidy programs for small business employers who implemented the reduction of working hours.

practically unusable⁶.

The legislation of such a controversial law would have been quite difficult, had the MOL waited for consensus to be made at its advisory council. Without a strong political will from the cabinet, the advisory council would have spent tremendous time for negotiation and reconciliation between employers and unions. Indeed, until the cabinet endorsed the legislation for the extension of the discretionary work hour rules, neither serious discussions nor negotiations were conducted at the advisory council.

In 1992, the Central Labor Standards Advisory Council first recommended that a new research committee be set up to examine the scope of coverage of the discretionary work hour rules. Following this recommendation, in April 1994 the Study Group of the Discretionary Work Hour Rules was formed in the MOL's Labor Standards Division. It published its report in April 1995, but it was not able to reconcile widely opposing views of employer delegates and labor delegates. Nikkeiren demanded that the revision of the Labor Standards Act for the discretionary work hour rules be applied to all white-collar workers⁷. Rengo argued that such a revision would result in long working hours without wage premiums. Instead, it demanded full implementation of 40 statutory working hours without any exceptions, reform of paid vacations, regulation of over-time work, and so on. The MOL and the public interest representatives were willing to discuss new rules for discretionary work hours, but they were hesitant to rush to any conclusions. After the report of the Study Group was published, deliberations took place at the Central Labor Standards Advisory Council's Working Hour Division from October 1995 to March 1997. Yet, substantial negotiation did not take place at that point.

The MOL suddenly changed gears in July 1997. It presented to the Central Labor Standards Advisory Council its own draft including the extension of the discretionary work hour rules to white-collar workers. The fact that the MOL presented a proposal to its own advisory council was unprecedented. It is usually the role of public interest representatives to present drafts to the advisory councils. They normally work closely with the MOL, which makes the MOL's conspicuous leadership all the more unnecessary.

The MOL's sudden and strong initiative was pushed by the cabinet decision, which was, in turn, based on the recommendation of the Deregulation Subcommittee. In December 1996, the Deregulation Subcommittee proposed four items to be deregulated in the realm of labor law: the deregulation of one-year basis irregular work hour rules; the enlargement of coverage under discretionary work hour rules to include all white-collar workers; the extension of term-contracts from one year to three-five years; and the abolition of protective measures for women such as limitations on over-time and holiday work and night shifts. The recommendation of the Deregulation Subcommittee was soon incorporated into the cabinet's decisions. In March 1997, the cabinet certified "the Program for Innovation and Creation of Economic Structure" in which it claimed to

⁶ On the detailed preconditions for introducing the discretionary work hour rules to planning division (*kikaku gyōmu-gata sairyō rōdōsei*), see Kazuo Sugeno, *Rodobo*, the fifth edition (Tokyo: Kobundo, 2000): 296-299. Both Rengo and Nikkeiren admit that the new rules based on the 1998 amendment would not spread the introduction of the discretionary work hour rules (Interview with Kenichi Kumagai, Division Director of Labor Law Division, Rengo, July 21, 2000; Interview record with Nikkeiren's Labor Law Department, September 7, 2000).

⁷ On Nikkeiren's proposal, see *Sairyō Rōdōsei no Minaoshi nitsuite (Iken)*, Nikkeiren Sairyō Rōdōsei Kenkyūkai, November 1994.

legislate necessary measures for deregulation of work hour rules. The Economic Council under the Economic Planning Agency also proposed the relaxation of labor market regulations, mentioning the same deregulation items that the Deregulation Subcommittee and the Cabinet proposed.

Once the cabinet decisions are made, room for maneuvering narrowed for bureaucratic co-ordination, as ministries need to respect them. The cabinet's endorsement of the Subcommittee's recommendations in March 1997 apparently led to the sudden and strong initiative of the MOL in July 1997. The cabinet also decided that the necessary legislative revision to expand the coverage of the discretionary work hour rules should be proposed to the Diet in the regular parliamentary session of 1998. The Japanese regular parliamentary session starts in January and its term is 150 days. In order to keep up with this political schedule, the Central Labor Standards Advisory Council was forced to close deliberations by December 1997, which meant that only three months were left for tripartite negotiations at the Council. As a result, the MOL did not have time to consult with public interest representatives to draft a proposal. Instead, it had to present its own proposal to the advisory council, even though such a direct intervention was unprecedented.

Despite the MOL's effort, the Council failed to arrive at a consensus and it reported its legislative recommendation, juxtaposing irreconcilable opinions of labor, employers, and public interest representatives. Based on the council's recommendation, the MOL then drafted an outline of the government bill and sent it to the advisory council in January 1998. Five days later, the Council approved it without any objections.

Unlike the case of the working hour reduction in 1993, labor delegates did not take the Council hostage. They did not aim to thwart the operation of the Council. Instead, Rengo shifted its focus from the advisory council to the Diet to seek substantial revisions of the government bill. One of the reasons for such a strategy shift was that Rengo was not able to unite its own organization. Some industrial unions agreed on the introduction of discretionary work hour rules. The confederation of Japan Automobile Workers' Union and the Japanese Electrical Electronic & Information Union publicly supported the introduction of discretionary work hour rules. Both of the industrial federations endorsed Rengo's opposition to the 1998 amendment of the Labor Standards Act because they understood the importance of united actions as Rengo. Even though they could tolerate Rengo's official line and mobilization in general, it would have been difficult for them to vote at the advisory council against what they officially supported. Therefore, even if Rengo preferred to use the tactics of non-attendance to the advisory council, it simply might have only resulted in producing defectors. Exposing a rupture in the organization, obviously, would not have improved Rengo's capacity to bargain with political parties. Thus, a veto point shifted to the Diet.

Parliamentary Politics: New Tactics and Mobilization

In order to realize substantial amendments to the government bill in the Diet, Rengo first had to make the Democratic Party recognize the importance of the issue and support Rengo's opinions. In February 1998, Rengo drafted an alternative bill and made it public. This new tactic turned out to be quite effective. Based on Rengo's draft, the Democratic Party⁸ negotiated with the Liberal Party, the Social Democratic Party, and the Komei-to⁹ at

⁸ In the 1998 case, the Democratic Party was not yet existence. However, five parties formed a

the board meeting of the Labor Committee in the Lower House. The Democratic Party even drafted its own bill, which was very similar to Rengo's bill, in order to raise leverage vis-à-vis the governing LDP. The DP did not actually submit the bill to the Diet, but the presence of the alternative bill made negotiations with the LDP and the government more effective¹⁰. All the major parties including the LDP, except the JCP, agreed to the revision of the government bill by May 16. However, the Japan Social Democratic Party (JSDP), which did not officially have a seat in the board, proclaimed that it would not support the revision because it was not included in the negotiation process¹¹. Since the JSDP was in the coalition government with the LDP at the time, government bills could not be passed without the JSDP's support. In June, the Labor Committee was forced to continue deliberating the bill in the next parliamentary session due to the lack of deliberative time in the regular parliamentary session.

The Upper House election was held in July, and contrary to most people's expectations, the LDP lost badly. The change in the balance between the governing parties and the opposition parties enabled the DP to gain more revisions when the bill was discussed in the following parliamentary session. Rengo basically realized almost all of its demands either in the form of the revised bill or the supplementary resolutions. As a result, the implementation date of the new discretionary work rule was extended a year, which gave Rengo time to influence the decision-making processes of ministerial ordinances. Rengo also succeeded in inserting a phrase requesting the MOL to consult the Central Labor Standards Advisory Council when it drafts ministerial ordinances regarding detailed rules for introducing the discretionary work hours. The formal commitment of the advisory council to policy-making procedures was all the more crucial for Rengo, which decried the Deregulation Subcommittee bypassed the advisory council. Finally, the most important revision was that the acceptance of workers themselves became *de-facto* requirement. Nikkeiren and many labor law experts admitted that this regulation made it extremely difficult to introduce the discretionary work hour rules. In other words, Rengo succeeded to a large extent in narrowing the possibility of the spread of the new discretionary work hour rules¹².

The shift in power at the Upper House clearly helped Rengo achieve such a gain. However, even before the Upper House election, the LDP has already made a concession. Thus, demonstrations organized by Rengo contributed to such a substantial victory. During the parliamentary sessions, in order to pressure political parties, Rengo named the labor day of 1998 "the Labor Standards Act Mayday." It also organized a demonstration called the "10,000 workers' meeting." In the latter case, the actual number of mobilized people was somewhere between 6,000 and 7,000 people, but it was nonetheless the largest demonstration that Rengo had ever organized. In addition, Rengo's activists visited

parliamentary caucus (kaiha) called Minyuren, and acted essentially like a party in the Diet. For simplification, this paper calls Minyuren the Democratic Party.

⁹ At the time, Komei-to was renamed Shinto Heiwa. In order to avoid unnecessary confusion, I use its old and current party name.

¹⁰ Interview with the chief legislative assistant for a DP politician who was the member of the Labor Committee at the time, September 19, 2000.

¹¹ Even though the JSDP did not send a member to the board due to its small size, it was invited to the board meetings.

¹² According Rengo's latest survey, only five unions reported that their companies introduced the discretionary work hour rules, applying 53 employees, as of September 2000. See *Kikaku Gyomugata Sairyō Rodo sei no Jisschi Jōkyō ni Kansuru Chosabokokusho* (Rengo, June 2001).

offices of DP members of the Labor Committee every time the committee sessions were held, and they also observed the committee sessions. Rengo's frequent presence in front of relevant politicians made the DP prioritize the issue of the Labor Standards Act over other issues. Moreover, Rengo's counter bill also raised the bargaining power of the DP vis-à-vis the LDP.

Without the recommendation of the Deregulation Subcommittee, the extension of the discretionary work hour rules would not have been legislated at such a pace. Had the advisory council forged consensus prior to parliamentary deliberations, substantial revisions would not have been added at the Diet. The birth of the Deregulation Subcommittee, therefore, shifted veto points from the advisory councils to the Diet. Once the Diet becomes a substantial decision making arena for labor-related laws, political processes turn out to be openly contentious because unions need to mobilize protest to pressure political parties.

4. The 1999 Dispatched Manpower Business Act

The Deregulation Subcommittee's Recommendation in 1995

The revision of the Dispatching Manpower Business Act is another case in which the Deregulation Subcommittee made policy-making processes contentious. Unlike the previous case, the major deal between unions and the government was struck not at the Diet, but at the level of the advisory council. Therefore, the amount of protest raised by Rengo was smaller in scale. It was unions' concerted action at the advisory council that enabled them to receive substantive concessions from the MOL.

When the Dispatching Manpower Business Act was first legislated in 1985, it employed the "open list method" by which types of jobs were listed. The 1999 revision was quite significant in such that it introduced the "negative list method" by which only exempted jobs are specified. Like the introduction of the discretionary work hour rules, it was the Deregulation Subcommittee that set the agenda.

In December 1995, the Deregulation Subcommittee proposed the introduction of the negative list method. When its recommendation became public, the Central Employment Stability Council, which is in charge of dispatched manpower business, was in the midst of negotiations for increasing entries to the positive list from sixteen to twenty six job types. The timing of the recommendation was symbolic in such a sense that the Deregulation Subcommittee clearly overrode the decision-making authority of the advisory council. Moreover, in February 1996 the Deregulation Subcommittee invited the officials of the MOL to its hearing and exerted explicit pressure on the MOL to introduce the negative list method. Since it was still before the passage of the 1996 amendment in the Diet, the MOL responded that the deregulation by increasing the number of job entries was appropriate. Some members of the Deregulation Subcommittee even hinted that the MOL should respect the decision of the Deregulation Subcommittee rather than the advisory council which might reach a different conclusion.

Following the policy proposal of the Deregulation Subcommittee, in December 1996 the government decided to fundamentally review the framework of the dispatching manpower business, which in fact meant the introduction of the negative list method. Responding

to the cabinet decision, the Central Employment Stability Council began to discuss the negative list method from January 1997. Deliberations have continued for a year, but substantial negotiations were not conducted, as the MOL and public interest representatives did not provide a concrete platform. Discussions centered on the general effects and problems of the negative list method and the compatibility between the existing long-term employment system and the dispatched manpower business.

The deliberation on the substance began all of a sudden on December 24, 1997. This sudden change resulted from the cabinet decision, like the case of the 1998 Labor Standards Act. On November 18, the cabinet made a decision to propose the amendment of the Dispatched Manpower Business Act in the next parliamentary session as part of “the Emergency Economic Measures.” In order to keep the deadline, the MOL had to close the deliberations in the Central Employment Stability Council by early summer. Moreover, the Deregulation Subcommittee’s third recommendation was published on December 12, 1997, and stated that the advisory council should respect the Subcommittee’s opinions as much as possible and demanded that the advisory council introduce a negative list.

Negotiations at the Advisory Council

In December 24, 1997, the public interest representatives released a draft for the first time revising the Dispatched Manpower Business Act. Since the introduction of the negative list was already politically determined, they had to justify why such a policy change was necessary. They argued that the negative list should be introduced to facilitate the temporary adjustment of demand and supply in the labor market. This rationale legitimized that the period of using dispatched workers should be limited to a short time, and indeed they proposed a year limitation. The public interest representatives meant to compensate the introduction of the negative list by placing a restriction on the time period so that unions would agree. Unions feared the most that the liberalization of the dispatched manpower business might undermine long-term employment practices and encourage employers to replace regular workers with dispatched workers. The one-year restriction, therefore, should have gained unions’ consent.

Labor delegates, however, intensely reacted against the argument that policy would serve as a “temporary adjustment of demand and supply in the labor market.” They were afraid that such a justification would not allow manufacturing lines to be exempt. In the manufacturing sector, demand for workers frequently swings and part-timers and seasonal workers are traditionally employed to meet temporary peaks in demand. It was also known that illegal dispatched workers were already spread in factories. Public interest representatives aimed to legally recognize illegal dispatched workers so that they would receive appropriate protection, whereas unions argued that such legislation would accelerate the employment of dispatched workers. Unions’ real intent of disapproval is unknown, but the exception of manufacturing lines was the most heated issue in the advisory council.

The public interest representatives of the Central Employment Stability Advisory Council were not able to convince the labor delegates by the deadline. On May 14, the advisory council reviewed its policy recommendation, which juxtaposed three different views of labor, employers, and public interests. The labor delegates attended the council, but voted against the recommendation. Despite unions’ opposition, the recommendation was approved by a majority at the advisory council. Following its passage, the MOL drafted

an outline of the revision of the Dispatched Manpower Business Act. The outline was supposed to be reviewed and approved by the advisory council on May 18. However, all of the labor delegates refused to be present at the advisory council to authorize the outline. At least one labor delegate's presence is required by ministerial ordinance to hold the Central Employment Stability Advisory Council when it review outlines of laws. The MOL, hoping to propose the bill to the Diet at the provisional parliamentary session starting from July 30, urgently negotiated with unions. With the MOL's effort, the labor delegates agreed to open the advisory council, but in return the MOL had to promise to revise its outline to a considerable degree.

The advisory council usually authorizes outlines of government bills on the same day that it is consulted. The MOL broke this practice, presented its initial outline based on the recommendation on July 15, and presented a revised version of the outline on August 5. The revised outline stated that the dispatched manpower business would not be allowed in inappropriate sectors, and that the Labor Minister must ask the opinion of the Central Employment Stability Advisory Council to revise the boundaries of exception. Moreover, the MOL pledged that the additional clauses of the revised Act would mention that manufacturing lines would be exempt for a while. Due to the MOL's concessions, the most controversial issue was settled at this point. The labor delegates' united action of nonattendance worked quite well to extract such a compromise.

Parliamentary Politics

Even though the issue that Rengo cared the most about was settled prior to the parliamentary session, Rengo still lobbied opposition parties in order to amend the government bill. The Diet, in fact, significantly revised the bill. Why did the Diet become a locus of substantive decision-making? The deadline set by the cabinet deprived the advisory council latitude to discuss all the issues that labor and management did not agree on. Six months were basically used up deliberating the exemption of manufacturing lines and some other measures that would prevent the replacement of regular workers by dispatched workers. Other protective measures for dispatched workers needed to be negotiated.

Rengo claimed that the government bill should be revised over seven issues and organized demonstrations to raise its leverage vis-à-vis political parties. The magnitude of protest, however, was much smaller compared to protest activities against the 1998 Labor Standards Act. Dispatched manpower businesses burgeoned only in big cities like Tokyo, Nagoya, and Osaka, which made the nation-wide mobilization difficult. The fact that dispatched workers are not usually unionized made responses of local-level unionists slow and somehow detached. Given these conditions, Rengo targeted the DP members of the Labor Committee of the Lower House and the Labor and Social Policy Committee of the Upper House. Rengo did not draft an alternative bill, but instead worked closely together with the DP to produce the basis of the "three parties' joint demands for revisions." Among the seven issues that Rengo advocated, the DP accepted all but one and approached the Komei-to and the JSDP to endorse the joint demands. All three parties, then, negotiated with the LDP and the Liberal Party at the level of the Committee board meeting. The governing parties approved the amendment of the government bill in line with the "three parties' joint demands for revisions proposal." The revised act was then approved by majority at the Labor Committee.

All six issues were accepted either by revision of the government bill or by supplementary resolutions approved in the Lower House and the Upper House. All the supplementary resolutions were later incorporated in ministerial ordinances¹³. The one issue that was not accepted by the DP among Rengo's seven demands was the ban of "the registration-type" dispatched workers. This kind of dispatched worker registers at several temporary staff service agencies and is dispatched when jobs are available. Depending on demands in the market, incomes and work life can be quite volatile. The majority of dispatched workers are categorized into this type. Rengo's claim for banning the registration-type dispatched workers almost meant the abolishment of temporary work agencies and the denial of the legal framework of the Dispatched Manpower Business Act itself. When the DP did not support Rengo on this issue and when the Lower House's revision did not include it, Rengo harshly criticized the DP and other opposition parties and mounted the level of protest and lobbying. Such an attitude taken by Rengo made the political process at the Diet seemingly contentious. However, it is probably safe to state that Rengo's stance on this issue was driven by its recruitment strategy. Since Rengo's most serious concern was already taken care of at the advisory council (i.e., the exemption of manufacturing lines), it was able to cover the interest of dispatched workers, hoping such interest representations leads to an expansion of the organization.

5. New Players

The previous sections showed that the formation of an independent commission, the Deregulation Subcommittee, made the policy-making procedure more contentious and political. In general, independent commissions are often established in part to stave off political interference. Delegations of power to such institutions make policy-making procedures non-partisan and make it easier to carry out decisions that are expected to face intense resistance. The non-partisan characteristic of independent commissions allows them to influence policy outcomes. The above cases, however, show that the cabinet's delegation of power to the Deregulation Subcommittee incited political parties' intervention in the Diet. In contrast, the cabinet's delegation to the MOL's advisory councils usually prevents such intervention as the logic of delegation well suggests. Why did the Deregulation Subcommittee invoke the contentious politics?

What is the Deregulation Subcommittee?

The Deregulation Subcommittee was created in response to domestic and international pressure for economic deregulations. By the early 1990s several advisory councils and study groups repeatedly reported that structural reform and deregulation were indispensable for Japanese economic recovery and the US government also strongly demanded economic deregulation to ameliorate the US-Japan trade imbalance. In 1993 the Hosokawa cabinet introduced ninety-four deregulatory items as part of its economic recovery plan, which was the first explicit gesture of the government's commitment to deregulation. In the meantime, the Third Administrative Reform Council proposed the establishment of the Administrative Reform Headquarters attached to the Cabinet as well

¹³ On detail comparisons of Rengo's seven demands, the three parties' joint demands for revision, the revised Dispatched Manpower Business Act, supplementary resolutions, and ministerial ordinances, see Keisuke Nakamura and Mari Miura, "Rengo no Seisaku Sanaka: Rokiho, Hakenho Kaisei wo Chushin ni" in *Rodo Soshiki no Mirai wo Saguru: Henkaku to Teitai no 90 nendai wo Koete* (Tokyo: Rengo Sogo Seikatsu Kaihatsu Kenkyujo, 2001): 395-559.

as a third-party organization in order to supervise the actual implementation of reforms and deregulation. The Economic Reform Study Group headed by Gaishi Hiraiwa, the then chairman of Keidanren, also claimed that the establishment of a third-party organization with the appropriate authority would facilitate deregulation.

In 1994, responding to these recommendations, the government proposed to set up the Administrative Reform Commission to supervise the three areas of reform: namely, deregulation, freedom of information, and division of labor between the public and private sectors¹⁴. In the following year, the Deregulation Subcommittee was founded under the Administrative Reform Commission, which led the deregulation processes during the next three years. It was dismantled in 1997 as planned, but the Deregulation Committee immediately succeeded it with a three-year tenure. It reorganized into the Regulatory Reform Committee in April 1999 and was disbanded in March 2001, as was planned.

During its existence, the Deregulation Subcommittee consisted of fourteen to nineteen members including economists, legal specialists, journalists, representatives from employers' associations and business, and one representative of labor. It was divided into several working groups (e.g., twelve in 1995) and each group consisted of three members. Decisions were made at the working group level and there was no horizontal intermediation across working groups. The Subcommittee held numerous hearings from related organizations and ministries, decided on new items to be deregulated, negotiated with jurisdictional ministries concerning detailed plans for implementing deregulation, and published its annual report in the end of each year. The cabinet endorsed the reports as the government's official commitment by the end of the fiscal year in March. The Subcommittee not only repeated this process every year, but it also monitored the extent to which its proposed deregulatory measures were actually realized in the previous year. When it found the implementation unsatisfactory, it recommended the same item for deregulation next year. Hence once an item appeared on the annual report of the Subcommittee, related ministries and interest groups had difficulties sabotaging it¹⁵.

Policy recommendations of the Deregulation Subcommittee and the Regulatory Reform Committee were well respected by regulatory agencies, but the LDP overturned the cabinet's decision to deregulate licensing liquor sales from September 2000. It was the first case that the policy recommendations of the Deregulation Subcommittee and Regulatory Reform Committee were reversed. It is also quite unusual that the government revised a cabinet decision that is supposed to be binding. The government was afraid that the authority of the Regulatory Reform Committee was tarnished a great deal. In order to promote further deregulation, it was necessary to grant higher legal status to its successor. Keidanren and the US government also demanded the creation of a stronger organization. Responding to these pressures, the government established the Regulatory Reform Congress in April 2001, directly attached to the Prime Minister Office, as an advisory body to the Prime Minister. It consists of less than fifteen members and it monitors the government's three-year plan of deregulation which was endorsed in March 2001. Ryūtarō Hashimoto, Minister of Administrative Reform under the second Mori cabinet, was appointed as the first minister who is in charge of the Regulatory Reform

14 On the Administrative Reform Commission, see Atsushi Kusano, "Deregulation in Japan and the Role of Naiatsu (Domestic Pressure)," *Social Science Japan Journal* (Vol. 2, No. 1., April 1999): 65-84.

15 This basic procedure and the workings of the Deregulation Subcommittee remained intact after it reorganized into the Deregulation Committee and the Regulatory Reform Committee.

Congress. He was soon replaced by Nobuteru Ishihara due to the birth of the Koizumi cabinet.

Labor Market Deregulation and the Role of the Deregulation Subcommittee

In the cases examined above, the Deregulation Subcommittee clearly played a crucial role in setting the agenda. Without the presence of the Deregulation Subcommittee, these policy changes would not have occurred, at least not at such a pace. The undercutting of the authority of advisory councils was indeed intended by promoters of the Deregulation Subcommittee. It should be noted that the Deregulation Subcommittee was devised by the Management and Coordination Agency as part of its administrative reform attempts. It was not fiscal or economic bureaucrats, but management bureaucrats that initiated the deregulation processes because the latter recognized that ministerial advisory councils often serve to build consensus thereby obstructing deregulation¹⁶. Thus, a new policy-making procedure, they argued, needed to be designed in such a way that a new decision making organization would be able to circumvent advisory councils. This intention was fulfilled in the case of labor market deregulation.

The power of the Deregulation Subcommittee was an unexpected blow to Rengo. Rengo was completely unprepared to the new channeling of political decisions in the realm of labor law. Generally, at least until recently, Rengo had been sympathetic and supportive to the basic principle of deregulation and administrative reform. Indeed, the predecessor of Rengo, the Policy Promotion Labor Council, became heavily involved in the administrative reform process in the 1980s to support the privatization of Japan National Railways and Nippon Telegrams and Telecommunications. Rengo's delegates to the government's various advisory councils have always strongly supported deregulation. The context in which 'deregulation' was discussed allowed Rengo to take such a position. Both the government and employers' associations publicly stated that economic regulation should be reduced or completely abolished, but necessary social regulation should be maintained. Rengo was thus able to safely presume that deregulation would mean deregulation of obsolete business regulations, not deregulation of social protection. When the Deregulation Subcommittee was created, it was widely regarded that its main target would be the distribution sector. Under these circumstances, it was not surprising that Rengo did not foresee that the Deregulation Subcommittee would bluntly propose regulatory reforms of the labor market.

More importantly, it was quite unimaginable to Rengo that the tripartite decision-making procedure would not be respected. The corporatist decision-making structure under the jurisdiction of the MOL is considered to be necessary institution for industrial democracy. Moreover, the advisory councils' *de-facto* veto power made Rengo ill-equipped to adapt to the emergence of the new policy-making procedure. Since unions' input had been institutionalized in the MOL's advisory councils, Rengo reacted the most heatedly to the fact that the advisory councils were bypassed. When it demanded revisions of the government bills for the 1998 Labor Standards Act and the 1999 Dispatched Manpower Business Act, it sought to insert a phrase in the laws that the MOL would be required to ask opinions of the advisory councils to determine ministerial ordinances. Rengo's demand illustrates how much Rengo feared the decline of the advisory councils' role and

¹⁶ The Deregulation Subcommittee's view on negative aspect of advisory councils, see its "First Report on Deregulation," Dec. 14, 2000 in *Gyosei Kaikaku Innkai: Sori beno Zenteigen* ed. by Gyōsei Kaikaku Innkai OB Kai, (Tokyo: Gyosei Kanri Kenkyu Center, 1998): 36-37.

authority.

There is no doubt that the Deregulation Subcommittee led the deregulatory processes, but it would be misleading to claim that its proposals completely deprived the MOL of its agenda setting role and consensus-building capacity. The Deregulation Subcommittee advocated both deregulatory measures and new regulations. It had concrete policy proposals for the deregulation but only basic orientations for the new regulations, which gave the MOL room to maneuver in deciding on appropriate protective measures. In other words, the MOL was still able to lead the negotiations in the advisory councils by proposing new regulations that would compensate for the relaxation of some regulations. Indeed, when the MOL asked the advisory council to introduce the negative list to the dispatched manpower business, public interest representatives, on the behalf of the MOL, proposed a one-year limitation period, which was meant to be a compromise between the labor delegates' refusal of the negative list and the cabinet's and employers' demand for its introduction. Unions, as explained above, misinterpreted the MOL's intention. However, it should not be underestimated that the MOL still had room to maneuver, even though the Deregulation Subcommittee and the cabinet made decisions over the head of the MOL. The dwindling capacity of consensus building by the advisory councils, therefore, should be explained by the fact that the deadline to reach a decision was politically scheduled. Imposition of substantial policy changes, coupled with short latitude for negotiation outside the Diet, made the Diet the important locus of decision-making.

Who Wants Deregulation?

If the Deregulation Subcommittee had agenda-setting power, how did it decide on the agendas? Opinions of the Deregulation Subcommittee were basically determined at the working group level, as mentioned before. Who became members of the labor issue working group considerably affected the content of the Deregulation Subcommittee's recommendations. Committee members were not expected to represent their organizations, unlike in the case of ministerial advisory councils. Indeed, Hiroya Noguchi, the only labor delegate at the Deregulation Subcommittee, supported the idea of the negative list method *per se*. Two experts on labor issues, Naohiro Yashiro and Noriaki Kojima, were sympathetic to reforming rigid labor market institutions and emphasized the necessity of allowing flexible work styles. Since these members controlled the Deregulation Subcommittee's agenda, their own opinions affected its output the most¹⁷.

Deregulatory issues that the Deregulation Subcommittee advocated were the ones that employers' associations had also demanded for years. With respect to influencing the Deregulation Subcommittee, employers' associations in general and Keidanren in particular were better players than Rengo. Rengo was unprepared for such a new procedure, whereas Keidanren even supported its creation. Indeed, Keidanren's increasing presence in the labor law making is changing the corporatist policy-making processes. Traditionally, Nikkeiren has been the representative of employers in the realm of labor related issues. Keidanren does not send its representatives to the MOL's advisory councils. As Nikkeiren is often described as the human resource division of Keidanren, the two organizations' opinions do not diverge. However, they differ in their lobbying styles. Nikkeiren does not mobilize political power and does not lobby the LDP to influence

17 Interview with Hiroya Noguchi, Secretary General/Managing Director, JTUC Research Institute for Advancement of Living Standards, July 25, 2000.

government bills in the Diet. It prefers to negotiate within the framework of tripartite representation.

Keidanren, on the contrary, frustrated with bureaucratic co-ordination, seeks direct access to political decisions. One channel was the Deregulation Subcommittee. Keidanren also frequently lobbies the LDP to propose politicians-sponsored bills to undercut the advisory councils. For example, Keidanren and the LDP's Commerce and Industry Committee worked together to draft a bill to revise the Commerce Act. Members of the Legal System Advisory Council, most of whom were law professors, condemned the LDP's use of a politician-sponsored bill, arguing that it undemocratically disregarded the advisory council. The LDP-Keidanren-led legislation provoked Rengo's oppositional reaction, which drove the DP to propose its counter proposal that touched on issues that the LDP's bill did not include. The DP-sponsored bill, the Workers Protection Act, in turn, drove the MOL to draft a similar bill, the Labor Contracts Continuous Act. The government bill was passed and the DP bill was aborted in the Diet, as was expected under the LDP's governance. This case also shows that Keidanren's lobbying style is another factor which made the Diet a more substantial arena of negotiations.

6. Veto Power and Strategies of Unions

The above cases illustrate that unions were able to obstruct deregulatory forces either at the advisory council or at the Diet. What allowed them to influence policy outcomes? I argue that unions have institutionalized veto power at the advisory council. As long as they are able to maintain internal cohesion, the formal procedural rules of the MOL's advisory councils grant unions veto power. In contrast, unions need to negotiate with political parties at the Diet. The shift in veto points from the advisory councils to the Diet, therefore, made the political process openly contentious because unions need to mobilize support in order to raise their leverage vis-à-vis parties.

Political Institutions and Veto Power: The Advisory Council

Political institutions clearly matter determining the number of veto points as well as effective strategies required at each veto point. Unions are able to block legislations because the advisory councils are the *de-facto* veto points and unions' veto power is institutionalized at the MOL's advisory councils. In other words, unions' veto power is nested in the advisory councils' veto power.

The MOL's advisory councils' *de-facto* veto power is constitutionally designed. With respect to the labor standards act and other labor market regulations, the MOL is required to consult its advisory councils on the legislation of bills and implementation of ministerial ordinances. Usually, the advisory councils first report their policy-making recommendations to the labor minister. Based on their recommendations, the MOL drafts bills and asks the same advisory councils that produced the recommendations to review outlines of the bills (*hōan yōkō*). Since the bills are drafted based on the advisory councils' recommendations, the advisory councils usually approve outlines of the bills unanimously. After the legal examination of the Cabinet's Legal Department, the bills are endorsed by the cabinet as government bills and finally proceed to the floor.

Under these procedural rules, there are two veto points: vote for recommendations and

vote for outlines of laws. Although they are both veto points, their structures differ, which makes different strategies necessary exert veto power.

At the first veto point, discontented parties are able to vote against the advisory councils' recommendations. Under a majority rule of voting at the advisory council, a veto player is formally a median voter. A median voter always resides among public interest representatives because the MOL's advisory councils consist of tripartite representation. Labor delegates and employer delegates usually oppose, putting public interest representatives in the middle. Therefore, the veto power of unions, or any other discontented parties, will never be effective at this point unless a median voter (i.e., public interest representatives) takes a side. Since public interest representatives do not veto what they proposed, no one can exercise veto power here.

In theory, labor delegates and employer delegates, if they ally, veto proposals made by public interest representatives. However, the MOL is not obligated to follow recommendations of the advisory councils, even though it is required to consult the advisory councils. Thus, veto power of labor and employer delegates is not institutionalized at this stage. Obviously, it is highly unlikely for issues that both unions and employers oppose appear on advisory councils' recommendations.

At the second veto point, discontented parties are again able to vote against outlines of government bills. At this stage, at least the presence of one delegate from unions, employers, and public interest representatives is required by ministerial ordinances. If all of the delegates of labor or employers are absent, the advisory councils will not be held and then the bill will be blocked. It is this the procedure rule that institutionalize veto power of unions or employers. As long as discontented parties are able to maintain internal cohesion, they are able to block reforms at this veto point. Unions hardly exercise this veto power, however. The 1999 Dispatched Manpower Business Act was indeed a rare case. The fact that unions have institutionalized veto power usually compels the MOL to pre-empt unions' discontent, thereby making the exercise of a veto unnecessary. The MOL fears that non-consensual decisions might make it less smooth to implement labor market regulations. It also averts disputes between unions and employers that wreck legislation. The death of government bills at the level of the advisory councils forces a division chief to resign¹⁸. As a result, the MOL has to meticulously formulate a plan agreeable to both sides. When the MOL pursues a new agenda that would seemingly cause squabbling between unions and employers, it devotes enormous time and energy and logrolls labor-friendly reforms and business-friendly reforms. Thus, most controversial matters do not get on the agenda in the first place.

Another reason for the rare exercise of veto power should be attributed to the division within the labor movement. Rengo works closely with labor delegates of the MOL's advisory councils and manages joint actions of all the labor delegates. Even with the help of such a mediator, labor delegates sometime split. Before Rengo was formed, joint actions of labor delegates was much more difficult to maintain. The lack of internal

¹⁸ In the case of the Equal Opportunity Act in 1985, labor delegates hinted that they would not attend the advisory council's meeting that was supposed to review the outline of the act. The then division chief, Ryoko Akamatsu, wrote a letter to resign. The labor delegates were later convinced by Akamatsu to prioritize the passage of an incomplete act over the non-passage of a complete act, and the advisory council approved the outline.

cohesion and the existence of a defector in the same camp make it impossible for unions to use this power.

Parliamentary Negotiations and Rengo

This paper has shown that the Diet became a substantive arena of negotiations. Since the Diet is formally the last veto point in the legislative process, the shift in veto points from the advisory councils to the Diet itself is not unprecedented. Those who are not satisfied with the recommendation of the advisory councils, usually a fraction of unions or employers' delegates, look to political intervention to kill or substantially amend bills in the Diet. However, those attempts usually fail. Why was Rengo able to succeed in amending the government bills in its favor?

A fundamental difference between the advisory councils and the Diet is that unions are players in the former, but not in the latter. At the Diet, official players are members of parliaments who actually cast votes on the floor. Given strict party discipline in the Japanese Diet, political parties are actual units of players. Thus, unions first need to negotiate with their allied party. If their ally is not a median voter in the Diet, unions also need to convince a median voter to make a concession.

Currently, Rengo's allied party is the DP. Because Sohyo and Domei merged into Rengo, the DP includes both ex-Socialists and ex-Democratic Socialists. Those who are interested in labor-related issues usually come from either the JSP or the DSP, and ex-LDP politicians in the DP hardly get involved. Yet, crossing the boundary of old rivalries is not easy. The relationship between Rengo and the DP has not been as synchronized as the one between Sohyo and the JSP or between Domei and the DSP. Ex-Domei affiliated unions at times lobby ex-Socialist M.Ps who were ex-unionists of Sohyo or vice-versa, which makes communication between Rengo and the DP sometimes prickly. Given the DP's fluid organizational structure and the under-institutionalized channel between the two organizations, Rengo was able to effectively use its resources to convince the DP to support amending the bills favorable to Rengo. Rengo's new tactics, such as drafting an alternative bill, organizing mass demonstrations, and lobbying the DP members of the Labor Committees of the two houses, successfully worked.

The DP was not the median voter in 1998 and 1999. In the case of the 1998 Labor Standards Act, the median voter was the JSDP until the Upper House election in July 1998. The DP's failure to convince the JSDP led to the suspension of the amended bill. After the election, the JSDP stepped down from the coalition government, and the LDP under Obuchi's prime ministership began to try to build a coalition with the Liberal Party and the Komei-to. The Komei-to has been the median voter and its sympathy to the 1998 Labor Standards Act and the 1999 Dispatched Manpower Business Act was crucial for Rengo and the DP to gain extensive revisions.

Contentious Politics: Representing the Un-organized

The other reason for the contentious politics is that Rengo has incentives to make its activities visible to the public in order to recruit members and expand its organization. Even though Rengo expresses the interest of unorganized workers to an extent in the advisory councils, unorganized workers will not see Rengo's such endeavor. Open conflicts appeal more to unorganized interests. The necessity of increasing unions' membership by expanding their targets is not novel. Indeed, Rengo tends to represent

the interest of workers in small and medium-sized enterprises. What is new about the new politics of labor in the 1990s? I argue that the appearance of labor market deregulation as an important item on the agenda for Japanese economic reform both forced *and* enabled Rengo to perceptibly represent unorganized workers.

Rengo was *forced* to defend the interest of atypical workers in order to protect the interest of their affiliated members. The interest of regular workers and that of atypical workers converge to a large extent in the deregulatory process of labor market institutions. Deregulation of the labor market deprives unions of their entitlements, yet new regulations coupled with labor market deregulatory measures often give more social protection to employees in small enterprises and atypical workers. Unions, that avert most the erosion of employment protection, have strong incentives to raise the labor costs for atypical workers. If new social protection measures make it more expensive for employers to hire atypical workers, the replacement of regular workers by atypical workers is less likely to occur. Huge gaps between regular workers and atypical workers in terms of compensation packages and employment protection paradoxically make unions advocate stronger regulation of atypical workers.

Rengo's inclination to represent un-organized interests has a limit, however. Needless to say, Rengo's priority is protecting the interest of its members. For example, labor delegates to the advisory councils tend to focus on protective measures that might have an effect of raising the labor cost of atypical workers rather than protective measures that might not have such an economic effect. Labor delegates tend to stress issues like the expansion of social and employment insurance to atypical workers or the imposition of a penalty on employers who terminate contracts before the term has expired, compared to issues like sexual harassment and protection of privacy.

Labor market deregulation usually invokes a sharp insider-outsider cleavage. Such a division, however, *enabled* Rengo to represent the interests of outsiders. The postwar history of the Japanese labor movement was essentially composed of conflicts between exposed-sector unions and public sector ones. Employment protection is one of the central issues that pit these sectors against each other because the public sector unions did not share the same degree of urgency to deal with the problems of unemployment and corporate restructuring. The formation of Rengo put an end to the conflict in the labor movement, shifting the balance of power from radical public-sector unions to moderate cooperative unions in the exposed-sector, both substantially and symbolically. The cleavage between the two sectors in the labor movement did not cease to exist, but the emergence of the inside-outsider cleavage accentuated by labor market deregulation tends to downplay the old cleavage.

First, unionists share the common interest of defending employment protection of regular workers against market forces that make work contracts more precarious. Second, the exposed-sector unions do not challenge the leadership of Rengo even if it aims to represent interests beyond its organizational boundaries because the interests of regular workers and of atypical workers can be compatible, as explained above. Internal conflicts within Rengo tend to be contained since affiliated-industrial unions fear that open rivalry within Rengo would undermine the finally united power of Rengo. The case of the 1998 Labor Standards Amendment clearly illustrates that the unification of the labor confederations empowered Rengo by subduing the conflicting interests of industrial unions.

Rengo's leaders are able to represent un-organized workers without the risk of invoking internal conflicts.

Conclusion

The number of veto points generally determines the ease of obstructing reform attempts. Simply put, larger numbers of veto points allow opponents to fight back. Often noted political institutions that influence the number of veto points include presidentialism vs. parliamentarism, central state vs. federalism, and bicameralism vs. unicameralism. While the number of veto points certainly indicates political institutional barriers to reforms, my paper suggests that the structure of veto point deserves additional scrutiny. The shift in veto points from the advisory councils to the Diet made the otherwise consensus-oriented policy making process openly contentious.

In representative democracies, the last veto point in policy-making processes is either the legislative or the president/cabinet where veto players are elected members of parliaments and appointed cabinet members. Policy opponents, such as unions in my case, are not formal veto players at the final veto point. Their veto power is not institutionalized at this most important veto point. They need to negotiate with political parties and politicians or the government in order to influence policy outcomes. Whether or not their lobbying or protests succeed thus depends on negotiations between them and veto players. Thus, an exclusive focus on the number of veto points discounts the importance of the structure of veto points.

When unions are granted institutionalized veto power, policy advocates and the government have incentives to create new political procedures in order to override the institutionalized veto power of reform opponents. Public commissions are often established to legitimize reform proposals but also to bypass or undercut veto points. German's *Deregulierungskommission*, Sweden's Lindbeck Commission, proposed reform plans and led the deregulation debates. In a similar vein, the Japanese government created the Deregulation Subcommittee in 1995 in order to authorize regulatory reforms and bypass ministerial advisory councils that functioned as veto points in the Japanese policy making processes. Whether or not such public commissions actually override veto points depends on whether authority and constitutional power are actually given to them. In the case of the Deregulation Subcommittee that existed between 1995 and 1997, it had significant ramifications on the process and content of labor market reforms. It accelerated deregulatory processes by undercutting advisory councils, but it politicized the decision-making process itself. Unions' hostile resistance in part resulted from the fact that the government aimed to invalidate their institutionalized veto power.

Whether or not the Diet continues to be a substantial veto point depends on the power of the LDP in the Diet and pre-parliamentary negotiations. The substantial revisions in the Diet in 1998 and 1999 resulted from the fact that the LDP was not the median voter. The necessity of extensive amendments in the Diet, in turn, came from the failure of pre-parliamentary reconciliation. Now that Rengo is aware that the Regulatory Reform Committee and its successor, the Regulatory Reform Congress, is the locus of decision-making, it actively lobbies it. As long as consensus is arrived at prior to parliamentary deliberations, the Diet does not play an important role in negotiations and

deal-makings.

At the same time, curtailed deregulation of the labor market institutions in the 1990s drive employers to continue to demand further deregulation. Indeed, the Regulatory Reform Committee published its third recommendation in December 2000, which included revisions of labor market regulations. Keidanren also put a priority on the deregulation of the labor market¹⁹. These persistent pressures for deregulation may indeed keep labor politics contentious.

¹⁹ See “21seiki ni Muketa Aratana Kisei Kaikaku no Danko to Taisei Seibi wo Yobo suru—2000nenndo Keidanren Kisei Kaikaku Yobo,” Keidanren, October 17, 2000.