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Foreign Firms In Japan Facing Labor Problems

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TOKYO — Doing business as a foreign company in Japan is like running an obstacle course. The hurdles include language barriers, a cumbersome distribution system and exorbitant office rents. Now another difficulty is emerging: labor disputes.

The issue became highly visible early last year when United States Lines Inc. closed its office in Japan and fired its local employees. The labor union involved contends that U.S. Lines violated Japanese law and its labor contract by not paying a month's salary to workers in lieu of the required one-month notice of termination.

The union also says the American concern owes its 100 former workers a total of 1.4 billion yen ($11 million) in severance and retirement bonuses.

But what particularly upsets the Japanese is the abruptness with which U.S. Lines pulled up stakes and its failure to discuss severance, pensions or other matters with workers. In similar circumstances, workers say, a Japanese company would have discussed the closing with employees and tried to find them jobs elsewhere.

Court Protection

McLean Industries Inc., U.S. Lines' parent, filed under Chapter 11 of the U.S. federal Bankruptcy Code in November 1986. (Under Chapter 11, a company receives court protection from its creditors while it tries to reconstruct its finances.) A legal representative of the company said in New York that if the severance and other claims made by the Japanese workers have been filed with the bankruptcy court, the court must rule on them. She declined to comment on specific claims against the company.

Japanese employees of U.S. Lines have taken their case to their government, which promised in mid-1987 to seek a solution through diplomatic channels.

"I will never work for a foreign company again," says Haruo Miyashita, the 38-year-old union president who had worked 15 years for U.S. Lines in Japan. "Everything is preposterous."

Since the dispute emerged, the Labor Ministry has announced plans to set up a council, with foreign companies participating, to discuss Japanese labor policy. The ministry says it isn't trying to control foreign companies, but it concedes that the U.S. Lines case has concerned the government. "I was really astounded that such a major, internationally known firm caused this problem," says Shotaro Nakamura, a deputy director of the Labor Ministry.

Bad Blood

The U.S. Lines dispute is just the most prominent recent example of bad blood between U.S. or European companies and their Japanese work forces.

Although overall labor disputes in Japan have dropped during the past decade, labor disputes involving foreign employers are rising. They accounted for more than 10% of the cases pending before Japan's main arbitration panel, the Central Labor Committee, earlier last year, even though foreign companies employ less than 1% of Japan's 40 million workers.

In part, the disputes reflect the clash of cultures. In Japan, for example, management and labor usually discuss a problem until they reach a settlement. When a foreign company simply walks away from the bargaining table, the Japanese workers take their case to the government.

Carl Zeiss Co., a subsidiary of West Germany's Zeiss, Carl, Stiftung and an importer of West German optical equipment, is a recent example. The company refused to bargain with the union representing its workers over the union's demand for a room at the company facilities and other benefits, saying the issues had already been settled.

But a local government panel ruled

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that Carl Zeiss's refusal to talk was an unfair labor practice and ordered the company "to comply faithfully with the collective-bargaining request" from the union. The German company is appealing the finding in court.

Japanese courts occasionally get tough with foreign companies that don't play by local rules and customs.

In 1985, a local court ordered American Express Co. to reinstate and give back pay to seven employees from a branch office in Naha, Okinawa, it had closed in 1979. The court ruled that American Express hadn't exerted enough effort to find jobs for the dismissed employees.

Labor disputes are nothing new to foreign companies in Japan. In past decades, U.S. banks were subject to frequent strikes and demonstrations, though these have declined in recent years.

An official at the Japan Federation of Employers' Associations says the union has become less confrontational, and the banks, many with long histories in Japan, have become more sensitive to Japanese labor practices.

But many of the growing number of foreign companies in Tokyo are discovering what the foreign banks discovered long ago — Japanese labor expects companies to adhere to Japanese labor practices.

"When in Rome do as the Romans do," says Yasunobu Narutomi, a lawyer specializing in labor issues. One of the biggest problems for Western companies is hiring high-quality Japanese workers. With some notable exceptions, such as International Business Machines Corp., working for a foreign company carries much less status in Japan than working for a domestic concern. Many Japanese workers at foreign companies are considered, correctly or not, to be those who can't conform to Japanese corporate life.

Thomas J. Nevins, a labor consultant, says Japanese workers at foreign companies are more radical than their counterparts at Japanese concerns because they are less committed to the generally accepted practice of lifetime employment. If they want to prosper in Japan by securing qualified and loyal workers, experts believe, foreign companies will have to hire recent graduates, as most Japanese companies do. But that won't be easy.

It is rare for Japanese companies, particularly major ones, to dismiss workers because of cyclical business conditions. Experts note, however, that Japanese students generally avoid foreign companies in the belief that they fire workers easily.