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E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 760050

894.5041/1-145 -- 12-3147-48-49



UNITED STATES POLITICAL ADVISER FOR JAPAN

DIVISION OF FR

1947 JAN 31 AM 8 40

Tokyo, January 17, 1947.

UNRESTRICTED MAIL ROOM

No. 820

SUBJECT: Report Entitled "Average Money Wages in Manufacturing, Mining, Transportation and Communications Industries".

1/ The United States Political Adviser has the honor to enclose five copies of Special Report No. 19, dated November 30, 1946, issued by the Economic and Scientific Section of General Headquarters, Supreme Commander for the Allied Powers. This report, entitled "Average Money Wages in Manufacturing, Mining, Transportation and Communications Industries", contains data compiled by the Cabinet Bureau of Statistics of the Imperial Japanese Government for the month of August 1946.

894.5041/1-1747

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Enclosure:

- 1. Special Report No. 19 (five copies).

DEPARTMENT OF STATE FEB 6 1947

Original and hectograph to Department.

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UNITED STATES POLITICAL ADVISER FOR JAPAN

DIVISION OF FR

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Tokyo, January 22, 1947

No. 824

MAIL ROOM

DIVISION OF JAPANESE AFFAIRS
FEB 13 1947
DEPARTMENT OF STATE

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SUBJECT: Report Entitled "Average Money Wages in Manufacturing Mining, Transportation and Communications Industries."

The United States Political Adviser has the honor to enclose five copies of Special Report No. 21, dated November 29, 1946, issued by the Economic and Scientific Section of General Headquarters, Supreme Commander for the Allied Powers. This report, entitled "Average Money Wages in Manufacturing, Mining, Transportation and Communications Industries," contains data compiled by the Cabinet Bureau of Statistics of the Japanese Government for the month of September 1946.

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- Enclosure: 1. Special Report No. 21 (five copies)

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STANDARD FORM NO. 64

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*PV file Japan
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Office Memorandum • UNITED STATES GOVERNMENT

DATE: August 14, 1947

Return [Signature]

TO : PL - Margaret R. T. Carter
FROM : ILH - Mr. Holland *TW*
SUBJECT: Memorandum Respecting Japanese Labor Costs

At the suggestion of ITP I am forwarding the attached memorandum as of possible use to your Division in replying to criticisms directed to the Department from people anxious to restrict the importation of Japanese goods.

A more detailed analysis of this problem is planned, a copy of which I will forward to you when completed.



File 894.5241-7-3147

Enclosure:

Copy of Memorandum to Mr. Bane, CP, from Mr. Sullivan, ILH, dated July 31, 1947, entitled, "Labor Standards and Labor Costs in Post-War Japan."

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CP - Mr. Bane

July 31, 1947

ILH - Philip B. Sullivan

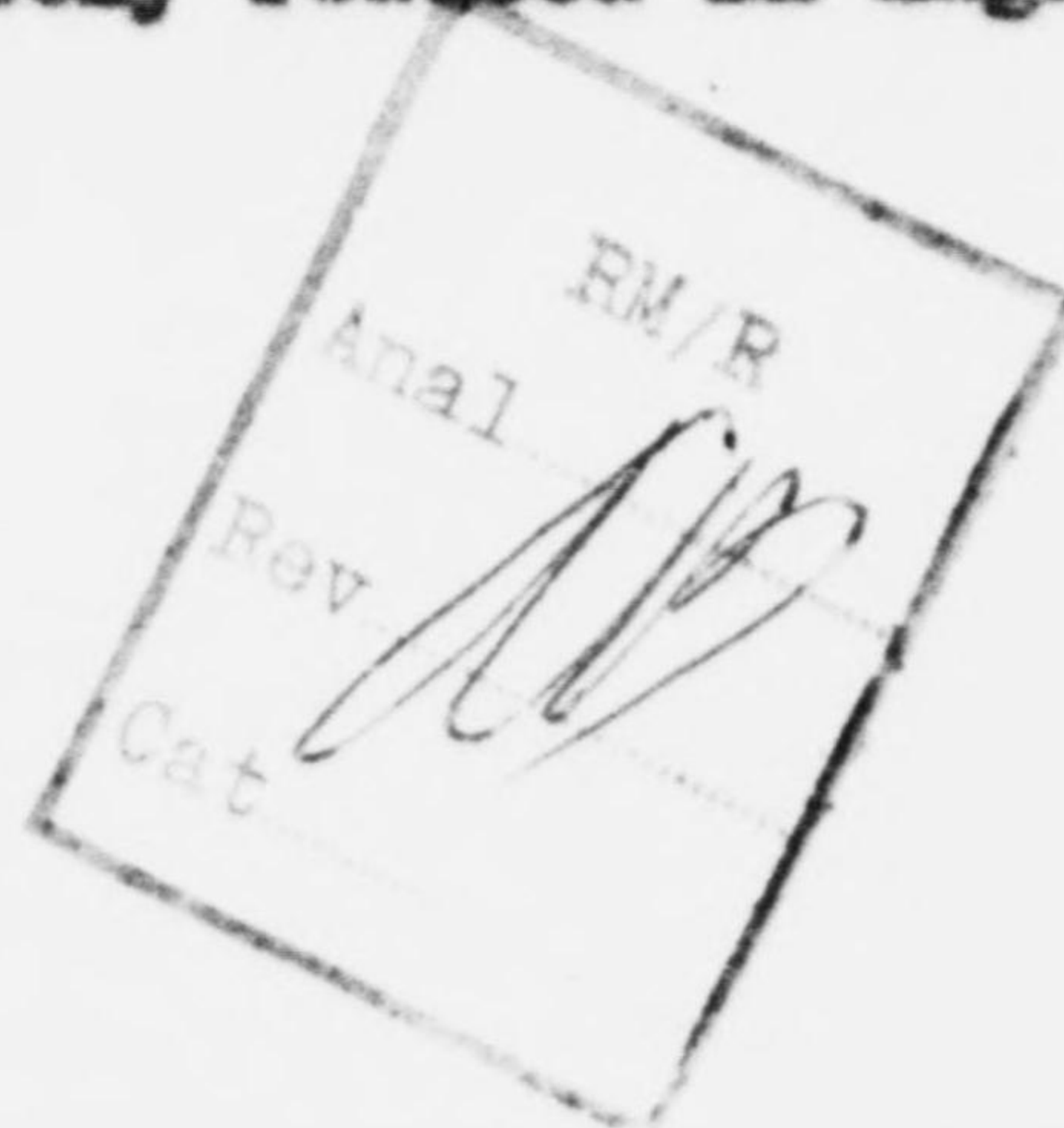
Labor Standards and Labor Costs in Post-War Japan

The economic situation in Japan today is so confused that it is impossible to speak of the probable long run dollar costs of Japanese export commodities in more than general terms. Wage data, while quite extensive, is conflicting and inadequate in view of the widespread use of many different types of allowances and sharp differentials between male and female rates. No figures on unit labor costs are available. Uncertainty as to permitted levels of production, shortages of materials and even of labor result in irregular output. Wages and prices are not only in a wide state of flux, but, more important, many individual prices are far out of line as far as their probable long run relationships are concerned. Lastly there is no genuine foreign exchange rate which in any way represents the real purchasing power of the yen abroad.

There are, however, grounds for believing that post-war Japan will not be able to sell abroad at prices as far below the production costs of other competing nations as pre-war Japan. One reason for this belief lies in the expectation that Japan, at least as long as there is any Allied control over her activities, will not be permitted to utilize exchange preference or subsidies and subventions of one kind or other, both open and concealed in nature, which were so common in pre-war days. Another, and very important reason for such a belief, lies in the expectation that organized Japanese labor will not permit itself to be again exploited as it was in pre-war Japanese society.

SWNCC 92, "Treatment of Japanese Workers' Organizations" called for the "encouragement of democratic workers' organizations" because of the potential political and economic significance of such organizations. On the economic side the argument supporting this policy predicted that well organized Japanese unions would press, by collective bargaining and political activities, for a substantial increase in the over-all real incomes of Japanese industrial workers. It was further argued that if this increase were sufficiently substantial, one of the major international competitive advantages enjoyed by Japanese industrial and commercial interests in pre-war days, namely low labor costs of production, would be definitely reduced in magnitude and importance.

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With active encouragement from SCAP, as directed in SWNCC 92, Japanese labor has made an astonishing record in organization during the less than two years since V-J Day. The report of the Welfare Ministry issued at the end of May 1947 listed 5,529,000 organized workers, mostly in manufacturing, mining, transportation, public works, and commerce. This contrasts with a pre-war peak membership of 369,000. Nearly half of the organized workers today are employed in manufacture, and a high percentage of this latter group have concluded nation-wide collective agreements with employer organizations. These agreements compare not too unfavorably with many of our U.S. labor agreements as far as the types of provisions are concerned. These agreements, more and more of which are being regularly arrived at, followed a year of almost uninterrupted disputes which stemmed chiefly from organized labor's insistence on wage increases that would keep the workers within striking distance at least of the sharply rising price level. One manifestation of labor's success in this respect is the growing use of sliding scale wage arrangements designed to tie wage rates to cost of living indices. No one who has followed the course of Japanese labor relations over the past eighteen months would doubt the determination of the new labor organizations to fight for an adequate living wage. Nor could one doubt, under existing conditions at least, that Japanese unions can and will force acceptance of wage levels suitable to what they consider to be the "emancipated status" of labor.

In addition to direct labor costs as represented by wages and allowances of one kind and another, there are a growing number of indirect labor costs that are the product of expanding labor legislation and social insurance programs. Examples of these, already in effect or soon to be put into force, are the labor Standards Law, the Workmen's Compensation Insurance Law, the Employment Security Bill, and the Unemployment Insurance Bill.

To the best of my knowledge no adequate quantitative analysis of the basis of pre-war Japan's ability to undersell the products of other nations abroad has ever been made. In the textile industry low labor costs were undoubtedly very significant, but other factors including a high level of technical efficiency, exchange preferences, Zaibatsu monopolistic practices, and miscellaneous subsidies were likewise of great importance. Some studies of this problem have stressed one at the expense of the others. Technical efficiency of Japan's post-war export industries can probably be re-established, the other above-listed advantages will either be entirely gone or considerably decreased in significance. Thus labor costs are expected to rise, while subsidies, exchange preferences, monopolistic selling

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advantages, etc., will undoubtedly be forbidden to Japan either by the peace treaty or as a result of membership in international organizations such as the ITO. My conclusion therefore would be that assumptions that post-war Japan will be able to undersell other exporting nations on anything approaching the pre-war basis are grounded on fear rather than any particular knowledge of the basic situation in that country today.

Philip B. Sullivan

ILH:PBSullivan:md:ml
7/31/47

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UNITED STATES POLITICAL ADVISER
FOR JAPAN

Tokyo, November 14, 1947
DIVISION OF
NORTHEAST ASIAN AFFAIRS

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No. 1409

DEC - 41947
DEPARTMENT OF STATE

SUBJECT: Memorandum of Conversation with Members of Economic Stabilization Board.

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1/ The Acting Political Adviser has the honor to enclose a memorandum of conversation between Hiroo Wada, State Minister and Director-General of the Economic Stabilization Board, Shigeto Tsuru, Deputy Director-General of the Board, and W. Henry Lawrence, Jr., Second Secretary of this mission (who was accompanied by Yoshio Kemi, State Department employee, as interpreter) on low wages of government workers, need for maintenance of present wage-price levels, need for reduction in number of government workers, effect of blanket purge of entrepreneurs on Japanese economy, control of perishable foods, economic white paper, and dismissal of Hirano.

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Enclosure:

Memorandum of Conversation,
November 14, 1947.

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Enclosure to Despatch No. 1409 dated November 21, 1947 from Political Adviser for Japan, Tokyo, on the subject, "Memorandum of Conversation with Members of Economic Stabilization Board".

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MEMORANDUM OF CONVERSATION

November 14, 1947

SUBJECT: Low Wages of Government Workers; Need for Maintenance of Present Wage-Price Levels; Need for Reduction in Number of Government Workers; Effect of Blanket Purge of Entrepreneurs on Japanese Economy; Control of Perishable foods; Economic White Paper; Dismissal of Hirano.

PARTICIPANTS: Mr. Hiroo Wada, State Minister and Director-General of the Economic Stabilization Board.

Mr. Shigeto Tsuru, Deputy Director-General of the Economic Stabilization Board.

Mr. W. Henry Lawrence, Jr., Second Secretary, Office of United States Political Adviser.

Mr. Yoshio Kamii, State Department Employee, Interpreter.

Mr. Wada said that something must be done about the wages of government workers, because they are too far below the level of other workers. A proposal being considered now is to use the amount of money available from savings which have accrued due to a freeze which prevents the filling of government positions once they are vacated. Budget estimates have been based on full tables of organization. Wada said that studies have not yet been completed, so it is still not known whether the amount will bring wages to a high enough level when spread among the more than 2,500,000 government workers.

Both Wada and Tsuru pointed out that the 1800 yen wage level which the Government seeks to hold was never intended to be completely inflexible. It has always been realized that differences exist between various types of workers and that adjustments might have to be made. However, Wada and Tsuru believe it is essential to maintain the 1800 yen wage level in order to curb inflation. The vital necessity of the maintenance of the present price and wage levels was also emphasized by the Prime Minister, Mr. Tetsu Katayama, during a brief meeting on November 11, 1947 which occurred during a visit to the Diet by Mr. Lawrence, and Messrs. Richard Finn and Rolland Bushner, both Third Secretaries of the Office of the United States Political Adviser.

Mr. Wada pointed out that the number of government workers should be reduced. Those departments which were under staffed he thought

should

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Tokyo's No. 1409
November 21, 1947.

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should obtain the workers they need from within the government. As an example, he cited the need for additional personnel in the Bureau of Taxation and indicated that he had urged that they be obtained by transferring individuals from other governmental departments. He felt that building up this particular department was of primary importance, because the balancing of the budget depended in large measure upon efficient tax collection.

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Tsuru mentioned that the blanket purge of men with managerial skill has seriously affected the Japanese Economy. Many of the men who have taken the place of those purged have come from the ranks of the working class. It is believed that these new managers have in general favored labor to the detriment of sound business practices. Bankers hesitate to lend money for this reason. Bankers tend to hesitate, because sufficient time has not elapsed for the bankers to have confidence in the new entrepreneurs. Mr. Tsuru said he understood it is planned to review cases of individuals among those purged in about two years. He felt it was important to do so as soon as possible in order that men who had taken no part in ultra-nationalistic or militaristic activities might be allowed to devote their talents to the rehabilitation of Japan.

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Mr. Wada said it was ironical that as head of the Price Bureau during the war he opposed controlling perishable food. However, he stated that perishable foods are on the borderline and that there are arguments on both sides. Mr. Tsuru pointed out that the reason for the continued control of vegetables (fruits are not controlled) at this time is the attempt to achieve some balance between agricultural crops. If controls were removed from vegetables, farmers would shift crops from staple foods such as rice and other cereals, because of the higher prices that would inevitably result upon decontrol. As for fish, the amounts available are still so small that a fair distribution can be obtained only by controlling it. Were controls to be lifted before a greater supply is available, prices would rise so that low-income classes could not afford even the small amounts now obtainable. Wada and Tsuru are aware that perishable foods are extremely difficult to control, but are convinced that in view of the short supply no other course is intelligent. Tsuru mentioned that criticism of the extent of control of the economic life of Japan ignored the fact that only when supplies were available in much larger quantities could Japan afford to relax controls.

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Wada and Tsuru were encouraged by the wide-spread interest aroused among the Japanese people by the Economic White Paper published last July. (See this Mission's despatch No. 1180, July 21, 1947, "Economic Policy Statements of the Japanese Government"). Tsuru said it had been produced in a matter of about ten days. The entire Economic Stabilization Board worked at white heat during that time. Wada and Tsuru said they had never been able to galvanize the Board into such action since then. Tsuru said the government's basic program of supply and demand of daily necessities which was announced on November 13, 1947 had taken three months to compile.

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Wada stated that he considered the dismissal of Agriculture-Forestry Minister, Rikizo Hirano would bring greater unity to the

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Tokyo's No. 1409
November 12, 1947.

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cabinet and to the Social-Democratic Party. He thought that Hirano placed himself above party and country, believing his power and popularity allowed him to do as he pleased. Wada thought Hirano conducted himself in a manner unworthy of a cabinet minister, as for example, in building an addition to his home without a permit.

W. Henry Lawrence, Jr.
Second Secretary of Mission

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DEPARTMENT OF STATE

*Memorandum of Conversation*CONFIDENTIAL

DATE: October 18, 1948

SUBJECT: Japanese National Public Service Law

PARTICIPANTS: Mr. Blaine Hoover, Chief of SCAP's Civil Service Division
 Mr. Graves, Counselor of the British Embassy
 Mr. Allison, Chief of NA
 Mr. Green, NA

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Mr. Hoover opened the discussion by outlining the many difficulties which he had faced over the last two years in attempting to establish an efficient and democratic civil service in Japan. He said that he had had to deal on the one hand with the cliquish old-guard Japanese bureaucrats and on the other with obstreperous government workers' unions, which contained 40% of all the organized workers in Japan (even though they represented only 8% of all Japanese gainfully employed). These government unions had engaged in such a spate of strikes and work stoppages, not to mention work retardation, featherbedding and other practices in defiance of the public interest, that the Cabinet was intimidated, the Diet bewildered and the respect of the Japanese for their government seriously undermined. Mr. Hoover believed that had U.S. or British government workers been given all these unrestricted rights the results might not have been so bad, but in the hands of the Japanese, unaccustomed to democratic labor practices, it proved to be an unrestrained adventure. It constituted in effect a subversion of the sovereignty of the State to the will of the relative few who controlled major Government unions.

Mr. Hoover went on to emphasize the importance of protecting the sovereignty of the State. This principle has long been recognized in the United States where the right to strike or engage in dispute tactics has been denied the civil service employee as well as in Great Britain and Australia where the

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State's sovereignty is maintained by parliamentary review of the findings of the Whitley Councils or of the Arbitration Courts. Before July 1948 there was no such protection of the post-war Japanese State. Furthermore the latter did not receive, as in other countries, the support of a national military establishment. Under the circumstances, the correction of a rapidly deterioration situation called for the immediate denial of the so-called "rights" of Japanese Government workers to strike and to bargain collectively in its usual, coercive sense.

On the other hand, Mr. Hoover continued, SCAP is firmly committed to a detailed program for protecting Government workers. He believed that there has been a general failure to appreciate that the National Public Service Law provides comprehensive machinery for protecting the rights of the Government workers, which he regarded as an adequate offset to their loss of the right to strike and to bargain collectively in the usual sense of the expression. Mr. Hoover outlined the organization of the National Personnel Authority with special emphasis on the functions of the Authority's Bureau of Compensation and of Equity. The Compensation Bureau, which is staffed by various types of specialists, keep the subject of wages and prices under continual review. If at any time the cost of living varies by over 5% of the current index, there is initiated automatically a move to grant compensatory changes in salary to all classifications of civil servants, such changes in pay schedules being subject to Diet review. As for the Bureau of Equity, civil service workers may singly or collectively present cases to that Bureau for the betterment of their working conditions or make appeals on disciplinary action. If the workers so desire, their hearings may be made public, and they may be represented before the Bureau by a counsel of their own choosing.

Mr. Hoover said that the main problem in reforming the old bureaucracy was not so much in writing new laws but in placing new men into responsible Government positions. For this reason the Public Service Law limited the further service of those now in the SHOKUTAKU group to 3 years, unless they could requalify under civil service examination. Furthermore the National Personnel Authority would be staffed principally by the 1000 Japanese now undergoing training at a civil service school established under SCAP direction. Their admission to this school had been by competitive examination which had attracted thousands of candidates.

Mr. Graves

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Mr. Graves inquired if there would be similar Bureau established under the public corporations (railways, salt, camphor and tobacco). Mr. Hoover replied that the workers in these corporations would presumably have recourse to mediation and arbitration boards.

To Mr. Graves' query whether separate legislation for Government corporation workers would be enacted at the same time as the National Public Service Law, Mr. Hoover stated that the latter law would be enacted first, but that considerable pressure is being exerted by SCAP's Government Section to ensure the passage immediately thereafter of the law setting up the public corporations. In the meantime the railway and monopoly workers would be subject to the interim Cabinet ordinance.

Mr. Graves inquired if, in Mr. Hoover's opinion, FEC 045 had been introduced too early and if, as a result, it had acted as a detriment to the occupation. Mr. Hoover replied that he believed the passage of FEC 045 was not introduced too soon and that it was essential that an FEC policy directive had been sent out early in the occupation on the general subject of the rights of labor. However, this directive had unfortunately been interpreted by the Labor Section of SCAP Headquarters and by others to give Japanese Government workers all the rights and privileges of those workers employed in private industries.

Mr. Allison suggested that it would be helpful to the members of the FEC to have the benefit of Mr. Hoover's views on this important subject. Mr. Graves thoroughly agreed and, Mr. Hoover was asked if he would be willing to appear before the Steering Committee at its meeting on the following day (October 19). Mr. Hoover concurred, subject to the approval of Mr. Draper. This approval was later obtained by Mr. Saltzman.

Following the meeting Mr. Green asked Mr. Hoover if he believed that the fall of the Ashida Cabinet would result in the deferment of Diet consideration of the National Public Service Law until after a general election had been held. Mr. Hoover expressed the view that since SCAP was most anxious to have this Law passed, he would probably insist that any Diet dissolution occur after the passage of the Law. Mr. Green also inquired what the effect would be of placing the communication workers under a public corporation similar to that

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established for the railways. Mr. Hoover seemed quite firmly opposed to such a possibility, arguing that the Ministry of Communications employs some 430,000 persons and that their transfer from the supervision of the National Personnel Authority to a national communications corporation would weaken the Authority considerably. He also saw great advantage in retaining as clear and simple an organization of Government workers as possible. The transfer of a large group of Government employees from the National Personnel Authority would complicate the organizational pattern, and would not appeal in the long-run to the Japanese sense of orderliness. He also argued that the mediation and arbitration system to be set up under the public corporations would not give the workers in those corporations any real advantages over the regular Civil Service.

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STANDARD FORM NO. 64

SECRET*Office Memorandum* • UNITED STATES GOVERNMENT

TO : O - Mr. Saltzman

DATE: October 20, 1948

FROM : NA - Mr. Butterworth *bbj*

SUBJECT: Revision of the Japanese National Public Service Law

I understand that you have read the memorandum dated October 20, 1948, from Messers. Martin and Barnett to Mr. Nitze, which recommended that SCAP be issued an interim directive requiring all Japanese Government employees, with the exception of guardians of public safety and order and administrative employees included in Civil Service categories, be given full exercise of trade union rights, including that of collective bargaining but excluding the right to strike.

I cannot agree with the subject memorandum for the following reasons:

(1) The memorandum does not appear to take into consideration the equities extended to the regular Civil Service workers under the draft National Public Service Law. According to Mr. Hoover's exposition of the situation in Japan, Government workers under the proposed new law will be fully protected and will be given full opportunity to air their grievances before an impartial board, under the National Personnel Authority, which will be independent of the other Ministries, and these workers may appeal to this board either individually or collectively, may have witnesses subpoenaed for them by the Government, may introduce any testimony verbal or written, may have counsel of their own choosing and may, merely by request, have hearings in public so that their grievances may come to the attention of all. It should be pointed out that all costs of these proceedings are borne by the Government, not by the workers. In addition a procedure has been set up whereby a sub-division of the National Personnel Authority is charged with making constant surveys of all factors entering into the determination of wage and salary rates for Government employees, with the power to recommend to the Diet at any time changes in compensation and with the

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mandatory provision that when, at any time, their studies show that the cost of living has departed by as much as 5 per cent from the basic figure on which wages were determined, specific recommendations for change must be made to the Diet.

(2) No satisfactory proof has been adduced that SCAP's action is contrary to American labor practices. In fact in all previous discussions of this matter within the Department it has been admitted by the authors of this memorandum that American labor practice is not uniform and is contradictory in various parts of the Government. It does not, therefore, seem to me that we can instruct SCAP to apply practices which are not universally accepted in this country. In fact, I would go further and say that the question of whether or not SCAP's action conforms with American labor practices is irrelevant. The situation in Japan is quite different from that in the United States, not only in the manner in which the Government engages in activities normally engaged in in this country by private enterprise, but also because of the inherently different Japanese customs and methods, which make it unlikely that for many years to come Japanese laborers will be ready for or will understand the true meaning of many of the labor rights and practices found in the United States.

(3) As for the applicability of FEC 045/5 (Principles for Japanese Trade Unions) to Government workers, the British Commonwealth countries have interpreted the directive one way and the French, Netherlands and Philippines Governments have interpreted it in an opposite manner. It would therefore appear that SCAP was fully within his rights in interpreting it as he wished. In view of this and in view of the public manner in which SCAP has stated his position in Japan, I believe it would be dangerous and irresponsible to override him in any way which might detract from his prestige or weaken the voice of authority with which the occupation speaks. I feel that the statement in paragraph e of the attached memorandum, page 3, that our leadership in Japan should not rest upon Japanese assumption of its infallibility is wrong. The statement that "democratic leadership, unlike totalitarian authority, can admit and correct error and gain strength in the process" is all well and good when applied to the United States and other western democracies, but it seems absurd that we should expect to apply that standard in Japan at this time, only three years after the surrender. It will be many

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years before such principles will mean anything to the Japanese as a whole. To apply such principles at this time in the potentially chaotic situation existing in Japan, to say nothing of the world situation in general which undoubtedly has an effect upon Japan, seems to me to run grave risks. I would want much greater proof of the necessity of doing this than has been presented so far before I would feel justified in making any such recommendation as is contained in the attached memorandum.

(4) The effect of the recommendation made in the memorandum to Mr. Nitze is to sweep away the distinction made in the National Public Service legislation between regular Civil Servants and those workers engaged in government profit making enterprises such as railways, tobacco, camphor and salt. The draft legislation contemplates that these government enterprises will be reorganized as public corporations and that their employees will be given mediation and arbitration rights, though denied the right to strike. To make such a basic change in the draft legislation would require a time-consuming general rewriting of the laws. In any event, SCAP would probably feel justified in acceding to the present requests of the Democratic Liberals and of the Socialists for an immediate general election before Diet consideration of the National Public Service Law. This would result in the indefinite continuation in force of the interim Cabinet ordinance 201 which is recognized by this Department as overly repressive of Government workers' rights. It would also result in Diet consideration of the National Public Service Law being delayed until some time next year under what would undoubtedly be a more conservative Diet and Cabinet. In view of this situation SCAP might be justified in reopening the entire question of the rights of Government workers under the National Public Service Law. The resulting drafts might, from our point of view, be less satisfactory than the present one.

(5) We have already had a clear indication from SCAP that he proposes to bring the whole matter to the attention of Congress if this Government insists on any major changes in the Law. Despite the offensiveness of this type of intimidation, it does emphasize the need for us to have a

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good case if we are to have a public showdown with SCAP. I think we have neither the facts nor the conviction for such a showdown. Furthermore, any public airing of US-SCAP differences on this matter will play into the hands of the old-guard Japanese bureaucrats and left-wing unions which have been continually seeking to pull apart the whole structure of badly-needed civil service reform in Japan.

Since War 90494 was sent setting forth the policy views of this Government on the National Public Service Law, there have been a number of developments which I believe justify a change in this Government's viewpoint: (1) The assumption that all the other FEC countries would maintain that FEC 045 applied to Government workers proved to be unfounded. The Netherlands, France and the Philippines have all openly stated that FEC 045 does not so apply. (2) Mr. Hoover has given us a great deal of information about the equity provisions of the NPSL which were not contained in the draft law submitted to us by SCAP. (3) Since our telegram was sent to SCAP suggesting revisions in the NPSL, the Ashida Cabinet has fallen and a Diet dissolution is threatening. For us to take a position far removed from that of SCAP in the NPSL will probably precipitate Diet dissolution and a long delay in Diet consideration of vital legislation.

In view of the facts presented by Mr. Hoover during his talks here in Washington, I am convinced that from a substantive point of view the rights and interests of the Japanese Government employees have been fully considered by the responsible authorities in SCAP and that adequate steps have been taken to assure them of their legitimate claims. I have also been convinced by Mr. Hoover's statements that the situation in Japan, with respect to chaos in Government created by Communist minorities in Government labor unions, had reached such an extent that SCAP's action was fully justified.

I think it is extremely dangerous for us to base policy here on our conception of what is happening in Japan, ten thousand miles away, and without solid evidence to the

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contrary to challenge the recommendations of our responsible officials on the spot who are in a position to know all aspects of the local situation.

This Office is aware that considerable difference of opinion exists among and within the Departments of this Government interested in the revision of the Japanese National Public Service Law. A compromise may therefore be necessary. One compromise that has been suggested is that the Japanese Government's telecommunications services be reorganized as a public corporation and its employees accorded the arbitration and mediation facilities to be given to other public corporation workers. If this compromise is offered and is commonly and promptly acceptable to all offices and Departments concerned, this Office would not oppose it. It is recognized that such a compromise would be logical in view of the distinction already made in the draft Law between regular civil servants and those employed in Government profit-making enterprises. It would also set an important precedent if, as is possible, the Japanese Government should later take over the operation of hydro-electric, mining or other businesses.

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DEPARTMENT OF STATE

ASSISTANT SECRETARY

11/29/48

- 1. Mr. Saltzman *CUT*
- 2. Mr. Ray *SRM*
- 3. 0 Records

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CES - what if not forced
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Graves - don't want in
penance. legis needs
legis of over.

SCMP was merged at
Graves's view being
put forward.

G - suggest maybe too much
to ask to send to SCMP.
Suggest as might send
at own view.

Who would report legis
being found with your program.

G - 3. odd. bulls suit
regarding people of
withhold right to
withhold labor.

CONFIDENTIAL
DEPARTMENT OF STATE

Memorandum of Conversation

DATE: November 26, 1948

SUBJECT: UK Views on Proposed Japanese National Public Service Bill.

PARTICIPANTS: H. A. Graves, The British Embassy
Charles E. Saltzman - O
P. P. Claxton - O
John A. Allison - FE

COPIES TO: O - Mr. Saltzman
FE - Mr. Allison

1-140

Mr. Graves called at his own request Friday, November 26, to state the views of his Government regarding the National Public Service Bill and other bills relating to Japanese public servants.

He stated that there appears to be a real difference of opinion between certain members of SCAP's staff and His Majesty's Government on certain underlying principles of rights of government employees. His Government had hoped that the representations already made to SCAP by Mr. Gascoigne and to the State Department by the British Embassy would result in correcting the legislation before it reached final form. However since this does not seem to be the case, his Government has asked him to present its views (memorandum attached) and to request the assistance of the United States Government in transmitting these views to SCAP for his consideration as the opinions of the UK.

In oral discussion Mr. Graves made it clear that his Government feels that an absolute ban in permanent legislation on the right of government enterprise workers to strike would be undesirable. In answer to a question he also made it clear that his Government would have no objection to SCAP's stating in advance that during the period of the occupation strikes in any particular group or groups of government employees would be contrary to the interest of the occupation and would not be permitted. He said that his Government had instructed him to make a statement in Far Eastern Commission because the text of the bill now before the Diet restrains workers from making collective bargaining contracts with the Government. He pointed out to him that his statement in the FEC did not actually refer to government employees to make collective bargaining agreements, he had presented his Government's views in a limited way only in order to be consistent with the US in the FEC. He made it perfectly clear that his Government refers to collective bargaining including the right to make a contract.

CONFIDENTIAL

Mr. Saltzman 1194

894.5041 / 11-2648

CONFIDENTIAL
DEPARTMENT OF STATE

Memorandum of Conversation

DATE: November 26, 1948

SUBJECT: UK Views on Proposed Japanese National Public Service Bill.

PARTICIPANTS: H. A. Graves, The British Embassy
Charles E. Saltzman - O
P. P. Claxton - O
John A. Allison - FE

COPIES TO: O - Mr. Saltzman
FE - Mr. Allison

1-1402

Mr. Graves called at his own request Friday, November 26, to state the views of his Government regarding the National Public Service Bill and other bills relating to Japanese public servants.

He stated that there appears to be a real difference of opinion between certain members of SCAP's staff and His Majesty's Government on certain underlying principles of rights of government employees. His Government had hoped that the representations already made to SCAP by Mr. Gascoigne and to the State Department by the British Embassy would result in correcting the legislation before it reached final form. However since this does not seem to be the case, his Government has asked him to present its views (memorandum attached) and to request the assistance of the United States Government in transmitting these views to SCAP for his consideration as the opinions of the UK.

In oral discussion Mr. Graves made it clear that his Government feels that an absolute ban in permanent legislation on the right of government enterprise workers to strike would be undesirable. In answer to a question he also made it clear that his Government would have no objection to SCAP's stating in advance that during the period of the occupation strikes in any particular group or groups of government employees would be contrary to the interest of the occupation and would not be permitted. He said that his Government had instructed him to make a statement in the Far Eastern Commission because the text of the bill now before the Diet restrains ordinary workers from making collective bargaining contracts with the Government. When it was pointed out to him that his statement in the FEC did not actually refer to the right of Government employees to make collective bargaining agreements, he stated that he had presented his Government's views in a limited way only in order to avoid embarrassment to the US in the FEC. He made it perfectly clear that his Government refers to collective bargaining including the right to make a contract.

CONFIDENTIAL

Mr. Saltzman 1194

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CONFIDENTIAL

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Mr. Saltzman referred to the importance of judgment of the commander in the field responsible for the administration of Japan. Mr. Graves replied by recognizing the right of SCAP to ban strikes which would adversely affect the interest of the occupation, but stated that his Government felt this ban should not be in permanent legislation for any government workers, especially for enterprise workers. It would be acceptable, however, for SCAP to state in advance that strikes against the interests of the occupation would not be permitted but it would not be acceptable for the Japanese government to forbid the right to strike in permanent legislation. Mr. Saltzman inquired whether HMG's attitude would be the same if the strike ban in permanent legislation was adopted voluntarily by the Japanese government rather than being directed by SCAP. Mr. Graves replied that his Government does not wish such a provision to be in any legislation adopted under the aegis of the occupation. Mr. Saltzman raised for consideration the question of transmitting the British views to SCAP through the U. S. Government. Mr. Graves said that the substance of these views had already been brought to MacArthur's attention by Mr. Gascoigne but that MacArthur appeared to be somewhat irritated by the views thus put forth. Mr. Graves said his Government wishes the views to be brought to MacArthur in a way which he cannot mistake that they are in fact the views of his Government. Mr. Graves suggested that it might be too much to ask of the United States that it send these views to SCAP. He suggested that if the U. S. were willing to do so it might also send its own views. He said the UK would regret legislation being passed with the two provisions questioned by the memorandum which he submitted. He concluded by saying that the three additional bills (dealing with public corporations, railroad employees and public employees' disputes legislation) also omit the safeguarding principle of the ultimate right of workers to withhold their labor, and that it may therefore be necessary for him to make an additional representation to the U.S. on this matter soon.

Mr. Saltzman thanked Mr. Graves for this information and stated that the U.S. would take under advisement Mr. Graves' request to send to SCAP the information he asked be sent.

Attachment *at 7/2/69*
Cpy Statement

re
O:PFClaxton:br

CONFIDENTIAL

The bills now before the Japanese Diet which contain various proposals to amend existing labour legislation appear to His Majesty's Government in the United Kingdom, on the basis of their existing information, to be defective in several important respects.

In regard to the National Public Service Bill, it is the view of His Majesty's Government that Article 98 should include a provision for independent arbitration in the case of failure to agree on questions of wages and conditions of work. It follows from this that His Majesty's Government consider that this Article should not contain a prohibition of collective agreements.

In regard to the Public Corporations Bill, it is the view of His Majesty's Government that legislation of this kind, which is apparently intended to be permanent, should not contain an unqualified provision banning strikes by employees in government enterprises. The Far Eastern Commission policy on "Principles for Japanese Trade Unions" empowers the Supreme Commander to prohibit strikes and other work stoppages which would directly prejudice the objectives or needs of the occupation. An absolute ban on strikes by employees of government enterprises in all circumstances appears, however, to go far beyond this provision of the Far Eastern Commission policy. It is suggested, as a possible alternative that

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a provision might be included in the law for a 30-day "cooling-off period" during which it would be illegal to strike.

In the view of His Majesty's Government, an unqualified prohibition of strikes by employees in government enterprises is not necessarily calculated to shake any hold the communists may have on the unions but might, on the contrary, strengthen it. If genuine grievances remained unremedied widespread illegal action might occur, with the result that the law would either not be enforced (with resultant discredit to the Japanese government) or that there would inevitably be an increase in subversive activities. A further consideration is that it is difficult to see how an unqualified prohibition of strikes could be confined only to employees in government enterprises, many of whom are engaged on work similar to that in non-government enterprises. There would almost certainly be pressure from private employers to extend the provision.

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : FE - Mr. Allison

DATE: August 10, 1949

FROM : NA - Mr. Bond *W*

SUBJECT: BCOF Payments for Japanese Servants

As anticipated in my August 2 memo to you on this subject, a note (attached) has now been received from the Australian Embassy announcing BCOF compliance with SCAP's directive requiring payments for domestic servants by all SCAP commands. Although the directive went into effect on August 1, 1948, and was observed as from that date by all U.S. Commands, the Australian note indicates that the BCOF will make back payments only to April 1, 1949. The problem now posed is: Should the U.S. press the Australian Government for back payments for the August-through-March period?

As for the three reasons advanced in the Australian note for the Australian decision not to pay for the period in question, reason (a) has no legal validity since SCAP has sole authority to lay down this type of regulation for all his commands; reason (b) is valid and is further discussed below; reason (c) seems to have no relevance, since the fact that discussions of the problem were taking place from August to February does not relieve the BCOF of an obligation to pay for domestic services received during that period.

It is true that the BCOF was given less than three weeks to implement SCAP's directive. As pointed out by Bullock last autumn, this advance notice may well have been too brief for the BCOF which reportedly had to consult with the Australian, U.K., Indian and New Zealand Governments before revising its officer pay-scales to meet the new order. Thus, officers pay-scales in the BCOF, unlike those in the U.S. Army, were based on the assumption that officers would receive free services while on occupation duty in Japan. Not stated in the Australian note but implicit in its terse phraseology are further possible reasons for Australian non-compliance:

(1) General Robertson (BCOF) was offended by the fact that the directive to him was signed by a major and that its language was summary. He was equally offended, when in reply to his statement to SCAP that the matter had to be referred to the Australian Government, he received a further SCAP communication stating "Your decision not to comply with the instructions is being referred to the U.S. Government..."

(2) While

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(2) While the BCOF was enjoined to comply in the interests of "effecting a more rapid rehabilitation of the Japanese economy", General Robertson received a Headquarters letter dated July 8 stating: "With respect to the funds collected from personnel under your jurisdiction, it is desired that collections be made in dollars or pounds sterling. It is considered appropriate that these funds be devoted by you to reduce long yen balances until such time as these balances are eliminated, after which funds will be remitted to the SCAP Trust Fund." (The Long-yen balances were liquidated several months later.)

Looking back over the correspondence between Headquarters and BCOF, one is impressed by the complete lack of grace with which Headquarters handled this matter. Incidentally, the decision to extend the ruling (on payment of personal servants) to the BCOF was never referred to the State Department. I am sure that, if it had been, State ^{would have} counselled giving the BCOF longer advance notice and ^{would have} suggesting that General MacArthur might wish to observe the usual courtesy of acquainting General Robertson in advance of the background and reasons for the directive.

With these facts in mind and in the interests of terminating this drawn-out, sordid affair, I suggest that a note be sent to the Australian Embassy along these lines:

Excellency:

I have the honor to refer to your note of August 1, 1949, stating that the Australian Government has now decided that the SCAP directive of July 12, 1948, concerning payment of indigenous personnel in Japan should be accepted by the British Commonwealth Occupation Force.

The United States Government welcomes the fact that uniform scales of payment for indigenous servants are now ~~being~~ ^{to be} observed by both the United States and Australian forces in Japan. It is a matter of regret, however, that the Australian Government, for reasons with which the U.S. Government cannot agree, has not found it possible to implement this directive as from the date when it became effective, August 1, 1948.

mg
FE:NA:MGreen:db