

# A Fair Share

## —A Labor Viewpoint—

By Fujikazu Suzuki

tions for workers is not only a question of raising wages, but must be a comprehensive approach of how to distribute total added value gained by the company. As mentioned earlier, more employees today want shorter hours and more holidays just as much, if not more, than they want higher pay. Labor unions are also beginning to lean in that direction.

Since both shorter hours and higher pay are the fruit of improved productivity, labor and management must discuss which they will choose. It should also be borne in mind that although wage increases discussed at the spring wage negotiations concern the percentage or the amount by which monthly scheduled wages will rise, most other labor costs, which include bonuses, retirement allowances and welfare expenditures, will also reflect this increase (Table 2).

In Japan, management and labor have acted with the overall domestic economic picture in mind, especially since the first oil crisis of 1973. This has contributed greatly to the growth and stability of the economy. As Japanese business becomes more globalized, other countries are showing interest in our labor-management relations; mutual trust nurtured by placing priority on employment, voluntary agreements between the two sides to exchange opinions and information, and flexibility in setting wages and introducing new technologies. If, through exchanges with various countries, we can update these practices to meet today's needs, our style of labor-management relations could serve as a model for other parts of the world.

Management and labor must continue to work toward their common goals of corporate development, stable economic growth, steady employment and higher living standards. Labor relations should be a matter of learning and teaching, and if the two sides harbor differences, they should discuss them thoroughly. Only then can they contribute to the stability of the economy and society. ■

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The first oil crisis abruptly aggravated Japan's trading environment in the second half of the 1970s, and as a result the nation simultaneously suffered from current account deficits, inflation and recession. Consequently, Japanese workers began to see their wages rise only by a small margin after years of high growth.

Given the serious conditions that prevailed at the time, the slowdown in wage increases was unavoidable. But the slow wage-raise pattern then introduced by Japanese employers as a "crisis management initiative" was carried over to the 1980s, even after Japan had coped with the second oil crisis and the country's trading conditions had seen a turnaround.

While Japan's per-capita gross national product grew at an annual rate of 3% during the decade from 1980 to 1990, workers' income per capita during the period rose only 1.8% per annum on average. Not surprisingly, labor's relative share in the nation's wealth tended to decline. The fact that economic growth was not fully reflected in wage increases discouraged strong growth in personal consumption and made Japanese people extremely reluctant to spend as much as the country's economic growth alone might have suggested they would. It is this kind of factor in the Japanese economy that has often led to an export drive from Japan at a time of business slowdown.

Taking a serious view of this problem, Japanese labor unions have argued for a reasonable distribution of the results of growth to working people through a major wage increase, shorter working hours, and the enhancement of social infrastructure. Labor unions believe that these measures would help shift Japan's economic structure to focus more on people's quality of life led by domestic demand, essential for healthy development of the national economy and for international partnership.

Japan may be a major economic power, but it remains in the second rank in terms

of its people's quality of life. This discrepancy has become so wide that it can no longer be left as it is. Prime Minister Kiichi Miyazawa has pledged to give top priority to efforts to improve Japanese people's quality of life to a level commensurate with the nation's economic power. Miyazawa is not alone in focusing on improvement in the quality of life. Leading figures in various fields have suggested that Japan's socioeconomic system be thoroughly reviewed. Japanese labor unions have long pursued wages justified by Japan's economic power—an important prerequisite if Japan is to provide its people with an affluent life that reflects the country's economic achievement.

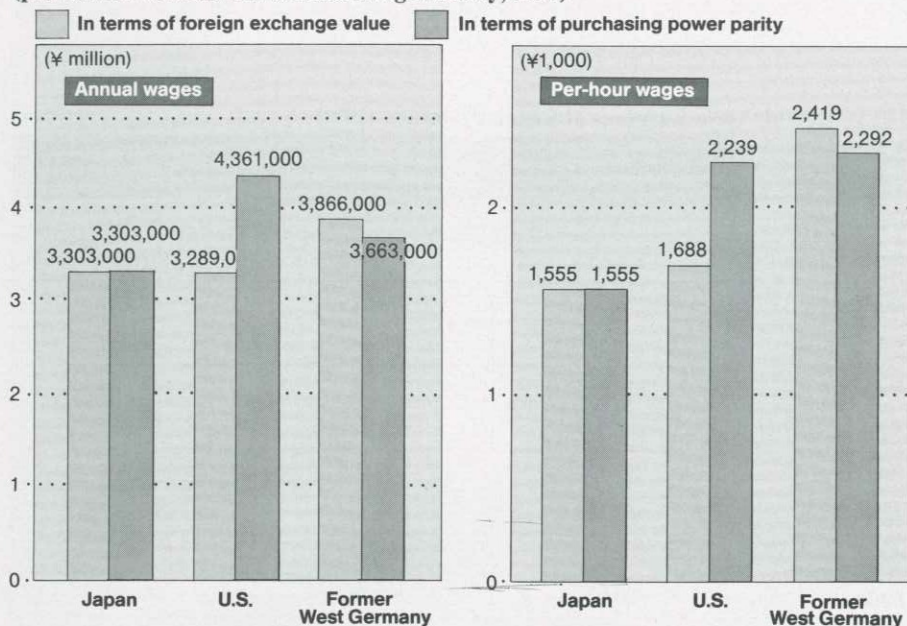
### Overseas compared

Japanese employers often contend that the wage level in Japan is now among the highest in the world and say that further increases would only weaken the Japanese economy's international competitiveness. Yet this argument is not necessarily convincing when working hours and purchasing power are considered.

The left part of the accompanying figure shows that the annual wage level of production workers in Japanese manufacturing industry in 1990, calculated in yen exchange terms, was still below that of their German counterparts but was almost on a par with the level of their American counterparts. Calculated in terms of purchasing power parity, however, the Japanese wage level was only three-quarters of the American level. If per-hour wages are compared taking account of the difference in working hours, as shown in the right part of the figure, the Japanese level is below the American level even in yen exchange terms, and is less than two-thirds of the American and West German levels in terms of purchasing power parity.

In a nutshell, Japanese workers now earn annual wages almost equal with their American counterparts', but get less

### International Comparison of Real Wages (production workers in manufacturing industry; 1990)



Source: Statistics on labor, Ministry of Labor

goods and services for their wages than American or German workers despite working much longer hours.

Of course it is not easy, technically, to make international comparisons of wages. This Labor Ministry estimate is just one example and cannot serve as conclusive data. Yet the figures certainly dispel any illusion that Japanese workers are the world's highest paid. Rather, they clearly reflect the absence of affluence that working Japanese actually feel in their daily lives. Also, the Labor Ministry figures significantly show that long working hours and high prices must be taken into account when the question of wages is considered. The enhancement of wage levels can be achieved only by reforming Japan's entire socioeconomic system.

Together with the enhancement of wage levels, correction of wage disparity and reform of the wage system occupy a central place in labor unions' policies.

Various indices point to the fact that during Japan's high growth period, from the 1960s to the early 1970s, an even distribution of income prevailed in Japan. The wage disparity between companies of different sizes, between regions, be-

tween industries, and between workers of different academic backgrounds and gender tended to narrow throughout this period. The egalitarian tendency lost momentum from the second half of the 1970s, however, when the annual rate of increase in wages began to ease.

In recent years, the disparity has in fact been widening. According to the 1991 White Paper on Labor, the disparity in regular monthly wages has been widening since 1980. Even after adjustment for differences in the qualitative elements of labor power, the wage disparity among companies arising from the difference in their size became more pronounced in the first half of the 1980s. Reflecting the extreme concentration of population in Tokyo, wage disparity among the regions has been tending to widen.

Labor unions are not demanding the outright elimination of wage disparity. Unions do wish, however, to get rid of any disparity that contravenes the principle of "equal pay for equal work," while accepting some disparity arising from differences in skills among workers within reasonable limits.

Some people argue that it is reasonable

to leave the problem of wage disparity to market forces, but this is based on the premise that the labor market leaves nothing to be desired. In reality, the movement of labor is subject to various restrictions, and in the actual labor market, where only imperfect information is provided, such an argument loses relevance.

In a country where the labor market is divided according to industry and workers' wages are basically decided by each corporation, wages tend to be governed by the solvency of each company, and the wage disparity could become wider than ever. Under such circumstances, it is not easy to find a social yardstick for measuring the quantity and quality of a specific labor force. Japanese labor unions thus have always to pursue the dual target of establishing a common wage rule and narrowing the wage disparity.

The Japanese labor market, though said to be flexible, is in fact quite rigid when it comes to the movement of workers between companies. A major factor preventing such movement is the high penalty for quitting. If a worker leaves his job, he will find it hard to get another job that pays better. He will also lose most of his entitlements, including retirement allowance, corporate pension and other fringe benefits.

The Japanese employment system has helped workers make claims against employers through labor unions and thus stabilize labor-management relations, though on a limited scale. On the other hand, it has excessively subjugated workers to particular companies. Reform of the company-oriented wage system and contraction of wage disparity would make it easier for people to switch jobs, which in turn would encourage workers to become more independent of particular companies. These problems lie at the very heart of the individual-based and human-oriented employment system Japan seems likely to pursue in the future. ■

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