

# Employers' Strategy Chief

**Interview with Takeshi Nagano, chairman of Mitsubishi Materials Co., by Toshio Iwasaki, editor of the Journal of Japanese Trade & Industry**

Every spring, Japanese labor unions and managements hold negotiations on wage raises. The strategy on the management side of these negotiations is formulated by Nikkeiren, the Japan Federation of Employers' Associations.

In May, Takeshi Nagano, chairman of Mitsubishi Materials Co., takes over as head of this powerful organization. Mitsubishi Materials was created last December through the merger of Mitsubishi Metal Corp., where Nagano held the presidency, and Mitsubishi Mining & Cement Co. In his new capacity as president of Nikkeiren, Nagano will in effect become chief of staff for all of Japan's top corporate employers. As labor-management negotiations entered their final stage this spring, Nagano spoke with the *Journal of Japanese Trade and Industry* about labor-management relations in Japan and the background to the creation of his own company.

**Question:** *As you approach the presidency of the Japan Federation of Employers' Associations, what do you think of the state of labor-management relations in Japan? Labor unions have demanded*

*fairly steep raises this year as the economic boom continues. On the other hand, not all economists and business leaders are bullish about future business prospects. As Nikkeiren's top executive, how do you view this year's wage negotiations?*

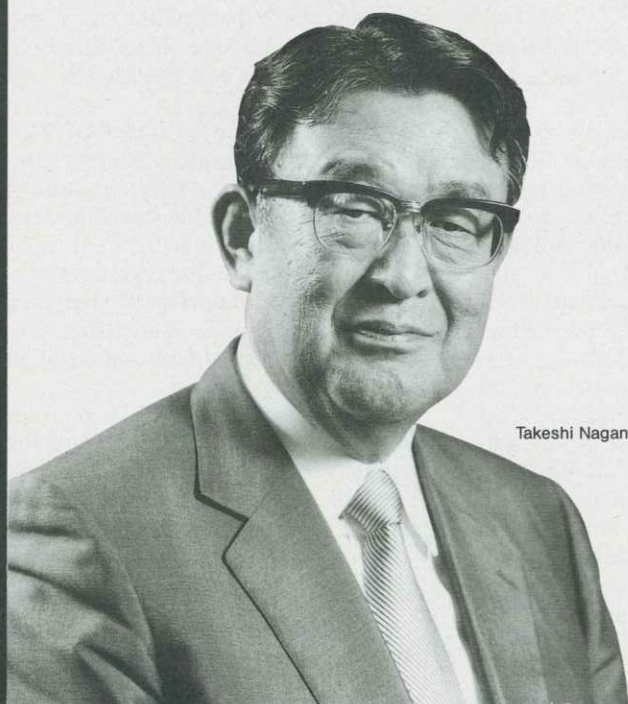
**Answer:** Raising the living standards of working people is not only the target of the labor unions, it is Nikkeiren's target as well. There are several ways of achieving this goal, however. A sharp wage hike under the present circumstances could trigger inflation, which would translate eventually into lower real income. Accordingly, we consider it an urgent task of government to lower commodity prices. As prices come down, people's relative living standards rise.

The next most important task is to curtail working hours. Personally, I disagree that Japanese work too long. Yet it remains true that door-to-door working hours in Japan are longer than in most other industrialized countries. I think Japanese employers should see to it that working hours in Japan are reduced to the European and American level.

For years, wages have dominated labor-management negotiations in Japan. But Japanese workers are no longer so destitute that they need an annual raise just to make a living. Even within the unions themselves, the traditional tactic of a *shunto* spring labor offensive for higher wages is under attack. Of course, employers must always think seriously about improving the standard of living of their workers. But I think the time has come for both management and labor to shed the old bargaining tactics predicated on confrontation. Most Japanese employers are workers themselves. Only a few are capitalists in the true sense of the word. Employers and employees must work as one to make working people more affluent.

**Q:** *Won't that require labor to change its way of thinking? Do you think labor will really change that much?*

**A:** Japan's labor unions have changed tremendously since the inauguration of the Japanese Trade Union Confederation. Today's union leaders have a broad managerial perspective. Management and labor have no differences over the need to lower commodity prices and provide low-rent housing. They should be able to cooperate.



Takeshi Nagano





A May Day demonstration by workers calling for additional days off.



A conference of members of the Japan Federation of Employers' Associations (Nikkeiren) formulates strategy toward the labor unions.

Photo: Nikkeiren

**We consider it an urgent task of government to lower commodity prices.**

The only difference is over labor's share. While employers think that labor's share is appropriate as it now stands, labor feels that workers should be given a larger slice of the pie.

Statistically speaking, labor's share in Japan is smaller than in other industrialized countries. But the shareholders' share is smaller too. It is difficult to increase both at the same time. The point is how to strike a balance. This year's wage negotiations have focused on this question. As I stated before, we would like to reach a settlement with labor by increasing labor's share, not by raising wages, but through shorter working hours.

**Q:** *Clearly, the differences between management and labor are narrowing. But is there a consensus among employers on shortening working hours?*

**A:** Manpower shortages have become a serious problem in Japan. Some employers argue that further shortening "door-to-door" working hours at a time like this will only result in more overtime. It's a troubling problem. But companies have been investing heavily over the past year or so in labor-saving measures. Some companies are promoting factory automation and installing more robots. Others are improving the working environment for women so they can hire more female workers. Some companies have been entrusting women with heavy machinery usually left to men. But while such labor-saving steps have been widely adopted by big corporations, they have yet to permeate low-profit small

enterprises, or industries that produce small lots of a variety of goods.

**Q:** *We can hardly talk about the labor shortage without referring to foreign workers. The shortages are concentrated in industries involving dangerous, dirty and hard jobs, known as "3-K" jobs (kitanai, kiken and kitsui, meaning dirty, dangerous and hard). Since Japanese tend to avoid these jobs, foreign workers continue to flow into Japan illegally as fill-ins. What should be done?*

**A:** In discussing this issue, we must think first about the nature of work itself. I liken work to the nest-making of birds. In essence, work, just like building a nest, is an essential act of life. Any creature that forgets how to work will soon be extinct. We can make a better nest if we work harder. It is deplorable that Japanese today try to avoid working and let other people do it for them.

Japan has a population of 120 million. There isn't any manpower shortage. What we have is a growing population of people who do not want to work. Of course, it is necessary to improve the working environment in 3-K industries. But we also need to recapture the pride and delight we used to have in producing goods. This does not mean that Japan has to make everything by itself. It is no longer profitable to manufacture some products in Japan due to our high production costs, and we might as well leave these to other countries.

We have high regard for products with a cul-

**We want to increase labor's share through shortening working hours rather than raising wages.**



**There's no manpower shortage, only more people who don't want to work.**

**If we slacken our efforts now we will quickly lose our supremacy.**

tural element, or to put it another way, products with a human sense. Take shoes, for example. Italian shoes are no different from those made in other countries as far as material costs go, but they give us a particular satisfaction which other shoes do not. In the same way, there are still many things which Japanese can make using their own distinctive sensibility. High-tech industries involve work which requires workers to use their own judgment. This is work which can only be done in companies where workers are employed for the long term without fear of dismissal, and can develop a sense of camaraderie with their colleagues. Japanese companies provide such a working environment.

**Q:** *Let us turn to the formation of Mitsubishi Materials. What was the reason behind the merger at this particular time?*

**A:** Paradoxically speaking, now was the only chance. We would not have been able to pull it off if we let this opportunity go by. It's been 40 years since the separation of the two companies. Few in either Mitsubishi Metal Corp. or Mitsubishi Mining & Cement Co., perhaps only some top executives including myself, still remember when they still worked together. The merger would not have been possible once they were gone. Most other major Mitsubishi-affiliated companies had been reintegrated as necessary long before. Only the mining sector had been left behind.

Another factor relates to business globalization. Exchange rate fluctuations seriously affect the metals industry, because domestic metal prices are closely linked with its international prices decided in London. Business performance is, in a way, at the mercy of the exchange situation. The cement industry, however, is predominantly a domestic industry, and is little affected by international developments. It is a stable industry, although to that degree its management is not so exciting. The future of the cement industry is not necessarily all that bright, however. It should be able to operate at full capacity for the next 10 years on planned governmental public works projects worth a total of ¥430 trillion. But beyond that, the industry is in for trouble.

As a nation's economy matures, its cement consumption drops, as has already been witnessed in other industrialized countries. Thus it was to Mitsubishi Mining & Cement's advantage to merge with Mitsubishi Metal, which has good future potential. Then there was the different character of the two companies. Since there is little variation in the quality of cement itself,

marketing is very important in the cement industry. On the other hand, the metal industry must constantly be developing new technology. The two companies found they could complement each other by merging.

**Q:** *Wouldn't this merger of two major Mitsubishi-affiliated companies remind some people abroad of the prewar Mitsubishi zaibatsu?*

**A:** A foreign friend of mine once jokingly likened Mitsubishi to an octopus which devours everything. Whatever Mitsubishi does tends to be exaggerated. I wouldn't rule out the possibility that this merger might strengthen such an impression. Yet Mitsubishi's name is internationally trusted—indeed, that is why we receive orders from abroad. We must bequeath this trust to future generations.

**Q:** *How will the new company expand overseas?*

**A:** Wages have risen so sharply in Japan that mining and underground resources industries can no longer operate here. They have to expand overseas instead. Mitsubishi Materials is ready to go abroad whenever we are presented with good opportunities. We are the only company in the Mitsubishi group handling underground resources, which means that if other Mitsubishi-affiliated companies are contacted by foreign firms about mining projects, they will pass them on to us.

We already have three coal projects in Australia, and are considering copper projects in Southeast Asia and the United States. Since we engage in an integrated business, from mining to manufacturing the final product, we have to secure a stable supply of raw materials.

**Q:** *You started your career as an engineer. How do you view Japan's current industrial technology?*

**A:** It has been only 20 years, or more strictly speaking only 10 years, since Japan achieved what could be termed a "high" industrial level. This means that if we slacken our efforts now we will quickly lose our supremacy. We must continue to focus on development.

We cannot afford to rest on our laurels if we want to maintain the excellent international reputation of Japanese products. Japanese companies are destined to constantly invest in research and development and embark on new projects. This is one reason why Japan is subject to criticism overseas. But for a country poor in natural resources and favored only by its human resources and climate, there are no alternatives. Japan can contribute to the world best by developing new technology and making high-quality products.