

## EMPLOYMENT AND WAGES

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### I. UNDERDEVELOPED INDUSTRIAL AND EMPLOYMENT SYSTEMS

#### A. *Employment and Wages in the Decade Immediately after World War II*

IMMEDIATELY AFTER THE WAR, Japanese workers suffered difficult conditions due to the ruin of the country and severe inflation caused by the war, with 30 per cent real wages and 50 per cent real domestic expenditures, compared to the average for the prewar years (1934-36). However, in the decade following the war, the living standard recovered to the prewar level. (See Table I.) Although the housing shortage in cities was still acute, such new durable consumer goods as TV sets, electric refrigerators, electric washers, etc., began to spread rapidly into densely inhabited houses.

TABLE I  
CHANGES IN WAGES AND HOUSEHOLD EXPENDITURES

	Wage Index	Household Expenditure Index	Consumer Price Index	Real Wage Index	Real Household Expenditure Index
Averages for:					
1934-36	1.0	1.0	1.0	100.0	100.0
1947	32.9	60.4	109.1	30.2	55.4
1948	91.9	115.6	189.0	48.6	61.2
1949	157.1	154.0	236.9	66.3	65.0
1950	187.9	153.4	219.9	85.4	69.8
1951	235.2	176.2	255.5	92.1	68.9
1952	272.2	213.4	266.2	102.3	80.2
1953	307.0	268.9	286.2	107.3	94.0
1954	325.8	301.7	301.8	108.0	100.0
1955	340.4	316.7	297.4	114.5	106.5
1956	376.7	328.7	300.2	125.5	109.4

Source: Ministry of Labor, *Shōwa 31-nen rōdō keizai no bunseki* [Analysis of labor economics in 1956].

The employment structure, which underwent great changes during the war, was recovering. The effect of the war was harder on employment than on working conditions: i.e., the structure of industry classified employment in 1955 still had not recovered to the prewar structure. An example is the underemployment in the agricultural sector. The number of workers in the agricultural sector in Japan had been stable for a long time at 13 million, and the surplus labor force in the

sector had always flowed into other sectors. However, although the agricultural population decreased temporarily during the war due to wartime mobilization, after the war farm villages saw an influx of demobilizees, repatriates, and war sufferers, which made the agricultural population the largest in Japanese history. This agricultural population began to rapidly decrease after 1950 in accordance with the recovery of industry. However, around 1955 there was still great under-employment in the agricultural sector. The commerce and service sector suffered greater damage and a greater decrease in employment than any other sector during the war, but it quickly recovered after the war to greater employment in 1955 than in any prewar year. However, judging from the fact that secondary industry, the center of a country's productive capacity, had not recovered to the prewar level, the enlarged tertiary sector was rather a sign of unhealthy industrial structure. (See Table II.) The employment structure classified by employment status recovered gradually from the retrocession immediately after the war, and finally in 1955 the number of employees as a percentage of the entire working population exceeded that for 1940 for the first time, although it still remained at the 40 per cent mark. The smallest-scale business proprietors (with no employees) and family workers constituted more than half of the workers. (See Table III.) When viewed from the size of establishments, 47 per cent of the workers entering the labor force during 1947-54 in sectors outside of agriculture and forestry belonged to establishments with less than 9 workers; 27 per cent to establishments with 10-29 workers; and 75 per cent to establishments with less than 30 workers. (See Table IV.)

From the above-mentioned employment structure, the announced small number of actual unemployed persons (in 1955, the number of actual unemployed persons amounted to 690,000, or 1.6 per cent of the working population) does

TABLE II  
CHANGES IN WORKERS CLASSIFIED BY INDUSTRIES  
(Unit: 1,000 persons)

	Total	Primary Industry		Secondary Industry		Tertiary Industry		
		Total	Agriculture	Total	Manufacturing	Total	Retail & Wholesale	Services
1930	29,341 (100.0)	14,490 (49.3)	13,742 (46.8)	5,993 (20.4)	4,702 (16.0)	8,858 (30.2)	4,113 (14.0)	2,459 (8.4)
1940	32,231 (100.0)	14,192 (44.1)	13,368 (41.5)	8,419 (26.0)	6,845 (21.2)	9,620 (29.9)	4,083 (12.7)	2,887 (9.0)
1944	28,958 (100.0)	12,073 (41.7)	11,274 (38.9)	9,757 (33.5)	7,977 (27.5)	7,015 (24.2)	1,893 (6.5)	2,022 (7.0)
1947	33,329 (100.0)	17,812 (53.4)	16,622 (49.9)	7,427 (22.3)	5,440 (16.3)	8,090 (24.2)	2,115 (6.3)	2,656 (8.6)
1950	35,626 (100.0)	17,208 (47.0)	16,102 (44.0)	7,812 (21.3)	5,690 (15.5)	10,568 (29.8)	3,963 (10.8)	3,056 (8.3)
1955	39,237 (100.0)	16,157 (41.1)	14,911 (38.0)	9,315 (23.7)	6,969 (17.7)	13,756 (35.1)	5,415 (13.8)	4,380 (11.2)

Source: *National Census*.

TABLE III  
CHANGES IN WORKERS CLASSIFIED BY EMPLOYMENT STATUS  
(Unit: 1,000 persons)

	Total	Individual Proprietors	Family Workers	Employees
1940	32,160 (100.0)	8,461 (26.3)	10,240 (31.8)	13,459 (41.9)
1947	33,142 (100.0)	8,180 (24.7)	12,931 (39.0)	12,031 (36.3)
1950	34,636 (100.0)	9,293 (26.1)	11,247 (34.3)	14,096 (39.6)
1955	39,153 (100.0)	9,349 (23.9)	11,975 (30.6)	17,829 (45.5)

Source: *National Census*.

Note: "Total" excludes workers whose employment status cannot be classified.

TABLE IV  
CHANGES IN WORKERS IN NON-AGRICULTURAL INDUSTRIES BY SIZE OF ENTERPRISES  
(Unit: 1,000 persons)

	Total	1-9 persons	10-29 persons	30-99 persons	100-499 persons	500-999 persons	More than 1,000 persons
Total 1947	14,385	5,411	2,323	2,060	2,142	779	1,669
1954	18,788	7,462	3,496	2,738	2,220	736	2,137
Net Change 1947-54	4,403	2,051	1,173	678	78	-43	468

Source: Prime Minister's Office, Statistics Bureau, *Jigyōsho tōkei chōsa* [Statistical survey of business establishments].

not mean that full employment was realized, but that the "total employment" figure included a large number of underemployed persons, as is the case observed at present in many developing countries.

### B. Underemployment and Potential Unemployment

Around 1955, the employment problem was regarded as a problem of underemployment rather than of unemployment *per se*, and many studies appeared concerning the definition and estimation of underemployment and/or potential unemployment. One of the representative works is a special survey conducted in 1953 by the Unemployment Counter-measure Council. According to this survey, an underemployed person was defined mainly as one whose income was lower than the average, and the number of underemployed persons was estimated at 6,960,000.<sup>1</sup> On the other hand, the "Rōdōryoku chōsa" [Survey of the labor

<sup>1</sup> "Senzai-shitsugyō ni kansuru chōsa hōkokusho" [Report of a survey of latent unemployment] (March 1953), by the Council for Unemployment Counter Measure. According to this report, the number of smallest-scale business proprietors and family workers with an annual income of less than 25,000 yen was 5,140,000; the total of under 19-year old employees with a monthly income of less than 3,000 yen and over 20-year old employees with a monthly income of less than 4,000 yen was 1.65 million; and the number of

force], conducted by the Statistics Bureau of the Prime Minister's Office, reported that in March 1955 the total of part-time workers wishing additional jobs, those wishing to change jobs, and those wishing to work but not seeking jobs amounted to 3,050,000. This underemployment, then, was an urgent problem in employment policy.

More debatable than underemployment as a whole was the argument concerning potential unemployment in the agricultural sector, which at that time constituted the central problem, since the percentage of chronic underemployment, the marginal productivity of which is zero, in the agricultural population was discussed in relation to the problem of unemployment in the case of second or third sons of farmers. There was also discussion concerning the extent of surplus labor force which would arise if the existing farming scale was reorganized into an appropriate scale, and estimations were made.<sup>2</sup>

However, not all of these underemployed or potentially unemployed people necessarily needed employment opportunities, because the studies and research conducted at that time may be said only to have clarified from a viewpoint of employment Japanese underdeveloped structures such as the industrial structure and management by family members. For example, the surplus labor force in the agricultural sector has always flowed into urban areas and the huge labor force engaged in agriculture has been necessary for agricultural management because of minute-scale farming. Due to the employment system peculiar to Japan, many workers who were employed in minute- and small-scale enterprises with low income did not act as competitors for those employed in large-scale enterprises with high incomes. That is, large-scale enterprises have employed the necessary workers, as a general rule, from new graduates and trained them as the major labor force within enterprises. For this reason, as will be discussed later, the system of wage rates according to the length of service has been adopted. In order to move from small-scale to large-scale enterprises, workers in small-scale enterprises had to work in large-scale enterprises as temporary workers (*rinji-kō*) under far worse conditions than regular workers until they were employed as regular workers. However, until 1960, when new graduates were short in Japan due to rapid economic growth, many workers who worked for several years as temporary employees in large-scale enterprises returned again to small-scale enterprises after failing to be employed as regular workers. Therefore, the problems in the underdeveloped employment structure, or dual employment structure, could not be resolved until the development of modern industries capable of high productivity and high income.<sup>3</sup>

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part-time workers who were working more than 60 hours a month and who desired additional hours or wished to change their job was 150,000.

<sup>2</sup> "Nōringyō ni okeru kajō jinkō no suikei" [Estimate of the surplus population in agriculture and forestry] (September 1955), by the Agricultural and Forestry Economy Bureau, Ministry of Agriculture and Forestry. According to this report, the surplus population in absolute terms was 2,218,000 and that in economic terms 6,281,000, as of 1952.

<sup>3</sup> The New Long-term Economic Plan estimated that (1) of the 11,430,000 persons which would reach the age of fifteen during 1957 and 1962, those who would wish to seek employment (A) would be 7,720,000 if 70 per cent of the boys and 65 per cent of the

### C. *The Problem of New Graduates*

The number of children born in Japan has exceeded 2 million every year since the 1920s. But due to a high mortality rate, especially a high infant mortality rate and youth death rate from tuberculosis, the annual increase in the working population of persons more than fifteen years of age was stable at around 600,000. However, the postwar development of hygiene and rapid medical progress have lowered the death rate, which has consequently doubled the annual increase in the working population. In particular, the annual increase was estimated at 1.8 million in 1963 and 1964, when the children who were born in the years of the postwar "baby boom" reached the age of fifteen. (See Table V.) In 1963 and 1964, about 2.5 million per year were newly graduated from middle schools. Even though more than half of these entered high school, it meant that the pressure of the new labor force supply was only postponed for several years. It was therefore supposed that in the 1960s Japan would experience an excess of young labor to a degree never seen before in Japan. (See Table VI.)

TABLE V  
NET CHANGE IN POPULATION BY AGE-GROUP  
(Unit: 10,000 persons)

Year	Age			Annual Increase in Persons over 15
	0-14	15-54	Over 55	
1920-30	315	516	18	53
1930-40	231	419	86	52
1950-55	56	472	80	110
1955-60	-178	492	147	128
1960-65	-284	563	160	145
1965-70	-47	396	198	119
1970-75	165	250	203	91
1975-80	156	182	266	90
1980-85	30	106	347	91

Source: Until 1965, *National Census* and after that, estimates by Jinkō-mondai kenkyū shō (Institute of Population Problems).

The first aim of the Long-term Economic Plan in 1957 was to give opportunity for normal employment to this rapidly increasing labor force, especially to new graduates. In this plan, it was regarded necessary for the Japanese economy to grow at an annual rate of 6.5 per cent in order to fully employ those who would reach working age between fiscal 1957 and 1962 and seek employment. In regard to the problem of underemployment, the Plan embodied the view that

girls seek employment; (2) those necessary for filling the vacancies resulting from death and retirement (that is, 1 per cent in the case of males and 5.5 per cent in the case of females of the employed at the end of the previous fiscal year) (B) would amount to 2,910,000. Consequently, the net increase in employment during 1957-63 (or A-B) would be 4,810,000. The plan also estimated the decrease in family workers in 1957-62 at 1,700,000.

TABLE VI  
NEW GRADUATES AND THE PERCENTAGE OF EMPLOYED PERSONS BY INDUSTRY

	Total Graduates (1,000 persons)	Entering Higher Schools (1,000 persons)	Finding Employ- ment (1,000 persons)	Percentage of Employment by Industry			
				Primary	Secondary	Tertiary	Transportation; Communications; Electricity, Gas, and Water Supply Included in Tertiary
<b>Middle School Graduates</b>							
1956	1,872	897	797	26.5	44.9	28.6	1.3
1957	1,998	960	865	21.9	51.9	26.2	1.4
1958	1,896	960	775	20.1	49.4	30.5	1.6
1959	1,975	1,035	786	17.0	52.5	30.5	1.6
1960	1,770	972	684	13.8	61.6	24.6	1.7
1961	1,402	831	501	9.9	67.4	22.7	2.3
1962	1,948	1,191	652	9.7	66.8	23.5	2.7
1963	2,491	1,593	764	9.8	63.7	26.5	3.0
1964	2,427	1,608	698	8.4	65.3	26.3	3.1
1965	2,360	1,591	625	7.4	66.4	26.2	3.4
1966	2,134	1,476	522	7.5	63.2	29.3	3.4
1967	1,947	1,387	446	6.9	65.3	27.8	3.0
1968	1,844	1,352	386	6.9	65.1	28.0	3.8
<b>High School Graduates</b>							
1956	756	115	390	15.9	31.8	52.3	6.2
1957	731	112	427	12.4	36.6	51.0	6.7
1958	777	123	447	11.1	33.0	55.9	7.7
1959	854	140	496	10.1	34.3	55.6	6.8
1960	934	155	573	8.0	39.4	52.6	6.4
1961	956	165	612	5.9	42.4	51.7	7.1
1962	1,016	189	649	4.6	42.8	52.6	7.6
1963	987	199	626	4.7	37.9	57.4	8.1
1964	872	196	557	3.7	40.0	56.3	7.7
1965	1,160	284	700	3.6	40.0	56.4	8.3
1966	1,557	370	903	4.1	37.5	58.4	6.9
1967	1,603	367	941	4.4	40.3	55.3	6.2
1968	1,601	356	943	4.3	39.5	56.2	6.2
<b>University Graduates</b>							
1956	142	10	96	1.0	29.1	69.0	6.2
1957	148	9	106	1.1	33.1	65.8	6.4
1958	150	9	108	1.1	32.5	66.4	5.7
1959	150	8	111	1.1	32.5	66.4	5.6
1960	153	8	118	0.9	35.7	63.4	4.9
1961	153	7	127	0.8	37.2	62.0	4.4
1962	170	8	136	0.7	40.3	59.0	4.7
1963	186	10	148	0.6	38.7	60.7	4.1
1964	200	10	161	0.5	38.6	60.9	3.8
1965	225	13	175	0.6	38.5	61.0	4.1
1966	242	15	181	0.6	34.6	64.8	4.2
1967	272	16	202	0.9	35.4	63.7	4.2
1968	295	14	222	0.7	36.5	62.8	3.9

Source: Ministry of Education, *Gakkō kihon chōsa* [Basic survey of schools].

if all of the new working force desiring employment succeeded in obtaining employment, the remaining new labor force would be less than that necessary for maintaining the number of existing smallest-scale business proprietors and family workers; thus, the number of workers engaged in primary industry and of family workers would be reduced so that the employment structure would eventually be modernized.

The New Long-term Economic Plan was abandoned after only three years in favor of the Doubling of the National Income Plan drawn up in 1960. As is well known, this plan, which was based mainly on a "rapid growth policy," aimed at realizing such high annual rates as 7-8 per cent in the ten years from 1965 to 1975. The major idea for drawing up this plan was that this period was considered to be one in which the Japanese labor force would see its greatest increase. In this plan, the increasing new labor force was regarded for the first time as a growth factor in the economy. The plan discussed the increase in the working population during the planned period as well as the supposed decrease in the labor supply in the latter half of the period. It should be noted that the plan

TABLE VII  
BALANCE SHEET OF WORKERS IN THE DOUBLING NATIONAL INCOME PLAN  
(1960-1970) (Unit: 10,000 persons)

(1) Workers in sectors other than the primary sector			
<i>Supply</i>		<i>Demand</i>	
Graduates	1,703	Death and retirement	890
Workers in primary sector	243	Net increase	1,079
Workers in sectors other than the primary sector	23		
Total	1,969		1,969
(2) Workers in the primary sector			
<i>Supply</i>		<i>Demand</i>	
Graduates	158	Death and retirement	380
		Moved to sectors other than the primary sector	243
		Net decrease	-465
Total	158		158
(3) Individual proprietors and family workers in sectors other than the primary sector			
<i>Supply</i>		<i>Demand</i>	
Graduates	104	Death and retirement	153
		Moved to sectors other than the primary sector	23
		Net decrease	-72
Total	104		104
(4) Total			
<i>Supply</i>		<i>Demand</i>	
Graduates	1,965	Death and retirement	1,423
		Net increase	542
Total	1,965		1,965

Source: Report of the Sub-committee on Wages and Employment in the Doubling of the National Income Plan.

was the first which aimed to transfer workers in primary industries to modern industrial sectors. (See Table VII.)

## II. CHANGES IN EMPLOYMENT IN THE PERIOD OF RAPID ECONOMIC GROWTH

### A. Modernization of Industrial and Employment Structures

Table VIII shows how the rapid economic growth changes the employment structures classified by industries and employment status. In 1955-68, workers

TABLE VIII  
EMPLOYMENT STRUCTURE BY INDUSTRY AND EMPLOYMENT STATUS

Year	Total	By Employment Status			By Industry			Transportation; Communications; Electricity, Gas, and Water Supply Included in Tertiary
		Self- employed	Unpaid Family Workers	Em- ployees	Primary	Second- ary	Tertiary	
Number (10,000 persons)								
1955	4,090	1,028	1,284	1,778	1,536	997	1,557	193
1955	4,171	1,032	1,226	1,913	1,500	1,041	1,630	202
1957	4,281	1,038	1,190	2,053	1,467	1,120	1,696	211
1958	4,298	1,010	1,149	2,139	1,408	1,166	1,724	218
1959	4,335	996	1,089	2,250	1,348	1,187	1,800	230
1960	4,436	1,006	1,061	2,370	1,340	1,242	1,854	239
1961	4,498	985	1,034	2,478	1,303	1,323	1,871	248
1962	4,556	956	1,008	2,593	1,267	1,397	1,892	260
1963	4,595	953	970	2,672	1,194	1,431	1,968	268
1964	4,655	945	946	2,763	1,149	1,467	2,038	286
1965	4,730	939	915	2,876	1,113	1,507	2,109	294
1966	4,827	942	889	2,994	1,072	1,554	2,201	311
1967	4,920	968	880	3,071	1,036	1,637	2,247	316
1968	5,002	984	866	3,148	988	1,702	2,307	329
Percentage								
1955	100.0	25.1	31.4	43.5	37.6	24.4	38.1	4.7
1956	100.0	24.7	29.4	45.9	36.0	25.0	39.1	4.8
1957	100.0	24.2	27.8	48.0	34.3	26.2	39.6	4.9
1958	100.0	23.5	26.7	49.8	32.8	27.1	40.1	5.1
1959	100.0	23.0	25.1	51.9	31.1	27.4	41.5	5.3
1960	100.0	22.7	23.9	53.4	30.2	28.0	41.8	5.4
1961	100.0	21.9	23.0	55.1	29.0	29.4	41.6	5.5
1962	100.0	21.0	22.1	56.9	27.8	30.7	41.5	5.7
1963	100.0	20.7	21.1	58.2	26.0	31.1	42.8	5.8
1964	100.0	20.3	20.3	59.4	24.7	31.5	43.8	6.1
1965	100.0	19.9	19.3	60.8	23.5	31.9	44.6	6.2
1966	100.0	19.5	18.4	62.0	22.2	32.2	45.6	6.4
1967	100.0	19.7	17.9	62.4	21.1	33.3	45.7	6.4
1968	100.0	19.7	17.3	62.9	19.8	34.0	46.1	6.6

Source: Prime Minister's Office, Statistics Bureau, *Rōdō-ryoku chōsa* [Survey of the labor force].



employed in primary industry decreased from 15,360,000 to 9,880,000, and the percentage of primary industry workers to the total of workers in all industries was reduced from 37.6 per cent to 19.8 per cent. Secondary industry workers increased by 7 million and the percentage of workers in secondary industry to all industrial workers increased from 24.4 per cent to 34 per cent. These statistics include transportation, communications, and public utilities in tertiary industry. If these industries are included in secondary industry, the percentage of workers in secondary industry to all industrial workers exceeds 40 per cent, which is almost the same as the percentage of workers in tertiary industry. From this, it may be said that the Japanese employment structure had become similar to that in Western industrial countries.

Meanwhile, employees increased annually by 1 million during the thirteen years to account for 63 per cent of the gross workers in 1963. Smallest-scale business proprietors and family workers, which have been regarded as a pre-modern employment type, decreased to a great extent.

#### *B. Changes in Employment Centered on the New Labor Force*

In the above-mentioned arguments concerning underemployment, it was held that a modern employment structure would be realized in the process of Japanese economic growth if the employment opportunity created newly by economic growth would be available for those in such underdeveloped, low productive sectors as agriculture, etc. More concretely, a process was pictured in which the modernization of the industrial and working structures would be carried out by a transfer of workers in agriculture and minute- and small-scale enterprises with low income to modern industries or large enterprises with high income. And the large supply of labor in new graduates was regarded as a factor impeding this process. Therefore, in order to employ new labor and realize the modernization of the employment structure, it was necessary to raise the economic growth rate and increase the opportunity for employment. The Doubling of the National Income Plan appeared to be aimed at these targets. The actual economic growth rates were far greater and the modernization of the employment structure were more successful than expected, but the process of change in the structure was not necessarily the same as that envisioned in the plan.

For example, the greatest factor which reduced the number of workers in agriculture—a sector which has undergone the largest change—was not the movement of labor from the agricultural sector to other sectors but the shortage in new labor to replace the decreased number of workers in the agricultural sector due to old age, death, etc. In other words, it was supposed that new graduates in farm villages found employment in non-agricultural sectors. (See Table IX.)

This phenomenon is due to conditions peculiar to Japanese agriculture. At the same time, it should be pointed out that the labor demand in the non-agricultural sectors except the construction and building sector has been limited mainly to young workers and female workers whose wages are low, and the demand has not been such that farmers can move away from agriculture in family groups

TABLE IX  
ESTIMATE OF LABOR MOBILITY AMONG SECTORS

(Unit: 1,000 persons)

Period	From:	To:	Primary Sector	Secondary Sector	Tertiary Sector	Persons without Occupation	Death
1955-60	Primary industry			149	80	371	152
	Secondary industry		55		133	539	49
	Tertiary industry		38	239		336	52
	Persons without occupation		65	339	537		354
	New graduates		202	631	417		
1960-65	Primary industry			193	97	368	138
	Secondary industry		82		164	584	57
	Tertiary industry		62	234		481	53
	Persons without occupation		115	323	512		377
	New graduates		83	776	457		
1965-68	Primary industry			139	70	273	123
	Secondary industry		43		266	692	62
	Tertiary industry		31	265		731	57
	Persons without occupation		47	660	667		409
	New graduates		68	765	625		
1968-75	Primary industry			180	80	310	100
	Secondary industry		50		350	620	70
	Tertiary industry		30	310		730	60
	Persons without occupation		40	680	560		380
	New graduates		50	570	570		

Source: Keizai shingi-kai rōdō-ryoku kenkyū iin-kai, "Rōdō-ryoku jukyū no tembō to seisaku no hōkō" [Outlook for supply and demand of labor and policy trends], p. 99.

TABLE  
CHANGES IN NUMBER OF WORKERS (PRIVATE SECTOR)

		Total	1-4	5-9
All industries	1956	17,703		3,934
	1968	30,528	2,194	2,847
Non-agricultural and forestry	1956	16,941		3,552
	1968	30,197	2,109	2,797
Manufacturing	1956	5,783		922
	1968	10,750	375	768
Retail and wholesale (including money, insurance, immovables)	1956	3,003		1,337
	1968	6,480	817	993
Service	1956	2,034		75
	1968	3,281	37	79

Source: Prime Minister's Office, *Shūgyō kōzō kiso chōsa* [Basic survey of the employment structure].

which include middle and old age male household heads.

In the latter half of the 1950s, the movement of labor from the tertiary to the secondary sector outstripped the reverse movement. In the 1960s, however, the movement from the tertiary sector to the secondary sector decreased and, recently, the movement from the secondary sector to the tertiary sector has been prevailing.

The so-called "upward" movement of workers from minute- and small-scale enterprises to big business has been observed, but the aggregate number of workers employed in minute- and small-scale enterprises has rather increased. Therefore, it can be said that the modernization of the enterprise structure which the rapid economic growth after 1955 has brought was not much appreciable in the employment structure classified by the scale of enterprise. (See Table X.)

### C. Organization of Women into the Labor Force

As shown in Table IX, together with new graduates, the source of a large part of the labor necessary for the recent economic growth has been persons without any occupation. In the ten years from 1955 to 1965, the number of those who retired from the tertiary sector was smaller than the number without occupation who entered the tertiary sector, and the number of the latter exceeded the number of new graduates who were formerly employed in the tertiary sector. The number of persons formerly without occupation employed in the secondary sector has been approaching the number of new graduates since 1965. These persons without occupation were categorized not as unemployed but as "not in the labor force" in population statistics. Therefore, they did not belong to the category of underemployed.

It is well known that a large number of those who retired from the secondary and tertiary sectors has been female workers who retired due to marriage or

X

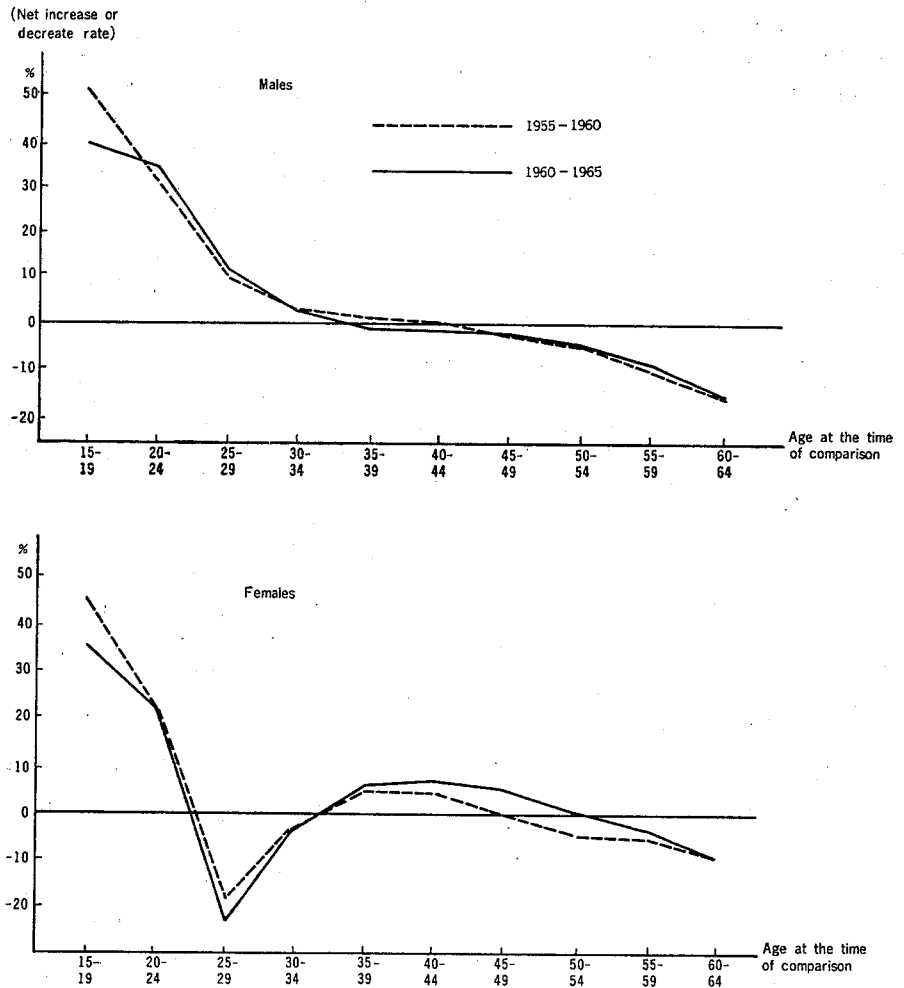
BY SIZE OF ENTERPRISES (NUMBER OF WORKERS)

(Unit: 1,000 persons)

10-29	30-99	100-299	300-499	500-999	More than 1,000
2,546	2,011	1,126	398		3,425
4,282	4,465	3,031	1,293	1,326	7,110
2,427	1,978	1,120	397		3,417
4,242	4,438	3,020	1,291	1,321	7,104
1,119	1,037	652	237		1,749
1,551	1,884	1,451	673	699	3,317
601	300	133	48		489
1,131	954	603	275	282	1,389
99	144	110	42		529
201	348	282	127	129	1,617

Note: "Total" includes workers in governmental organizations and public enterprises.

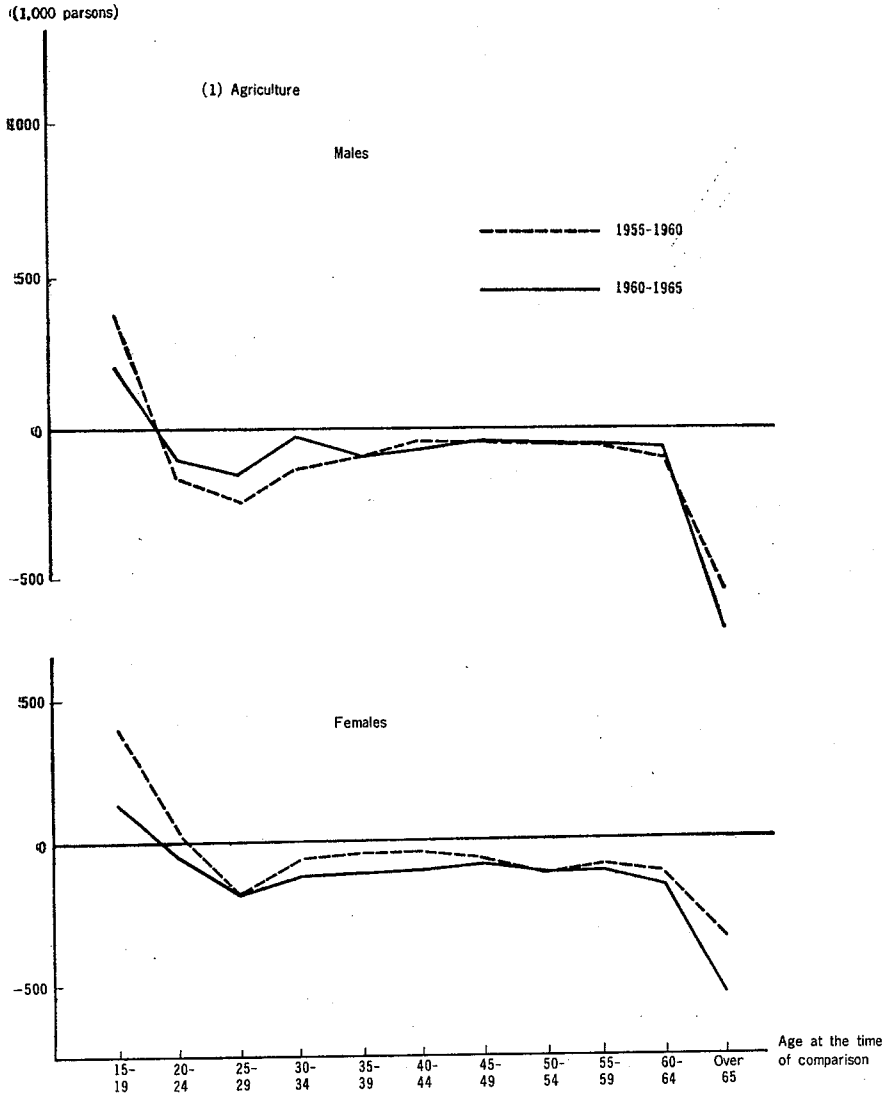
Fig. 1. Net Increase (or Decrease) Rates of Employment by Age-group (All Industries)



Source: Nihon Keizai chōsa kyōgi-kai, "Shōwa 40-nen dai no koyō mondai" [Employment problems in 1965-1975], November, 1967.

childbirth. The majority of persons without occupation is supposed to be composed of female workers. Figures 1 and 2 show the rates and number of increase and decrease of the employment by age-group between 1955-60, and 1960-65, as calculated by cohort method. In the case of all industries, the amount of increase and decrease shows a balanced flow between the population not in the labor force and the labor force population. In the case of particular industries, the balance in the flow of workers for each industry is added to the balance of the flow between the persons not in the labor force and the labor force population. Industry-wide, the increase in the younger age groups is clearly shown by the increase in the employment of new graduates. In the young female group, the

Fig. 2. Increase or Decrease of Employment by Age-group



increase is partly due to the employment of persons without occupation. The decrease in the 25-29 age group is caused by retirement due to marriage and childbirth. Noteworthy here is the increase in female workers in older, 30-50, age groups, which indicates the recent increase in the employment of housewives. In the case of particular industries, the flow of workers into tertiary industry is observed in the younger age groups but the increase in the middle and old age group female workers is remarkable. The increase in the employment of middle and old age housewives is also observed in Tables XI and XII. The rate of employees in the 40-54 age groups has increased by 2.5 times since 1955. The

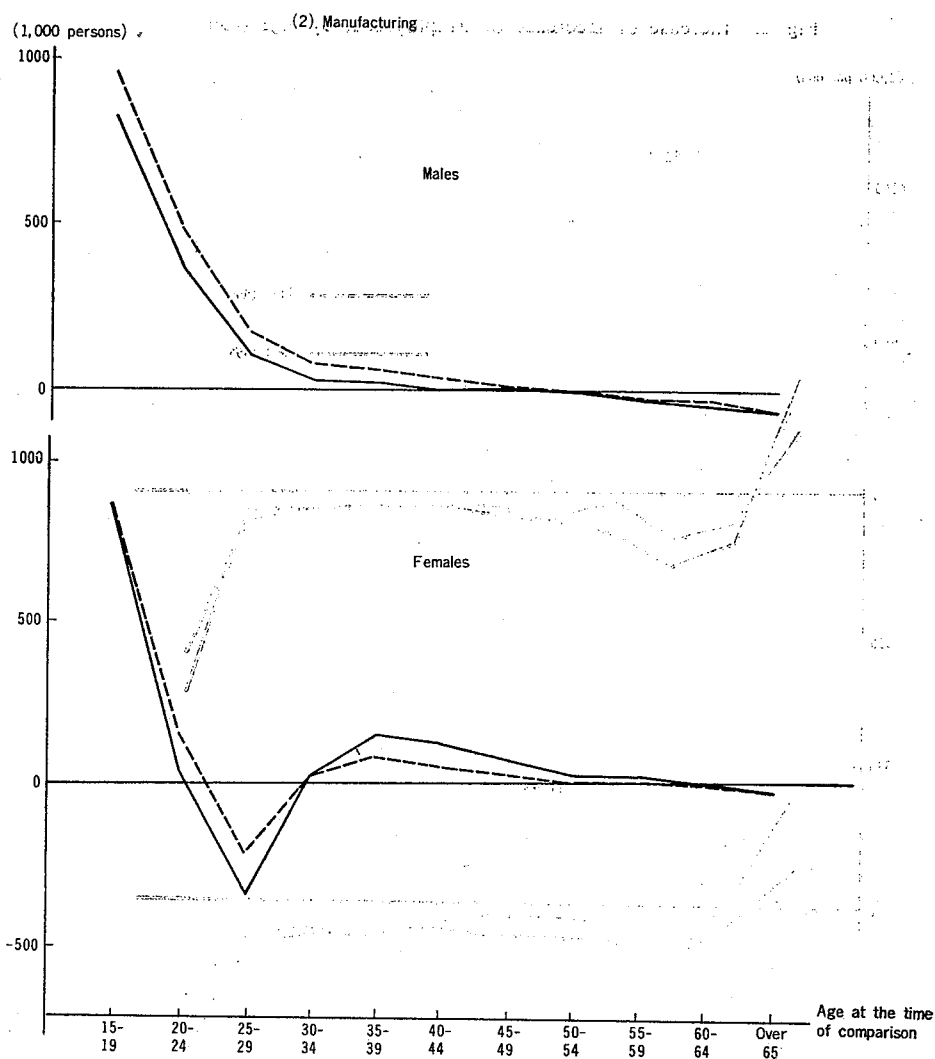


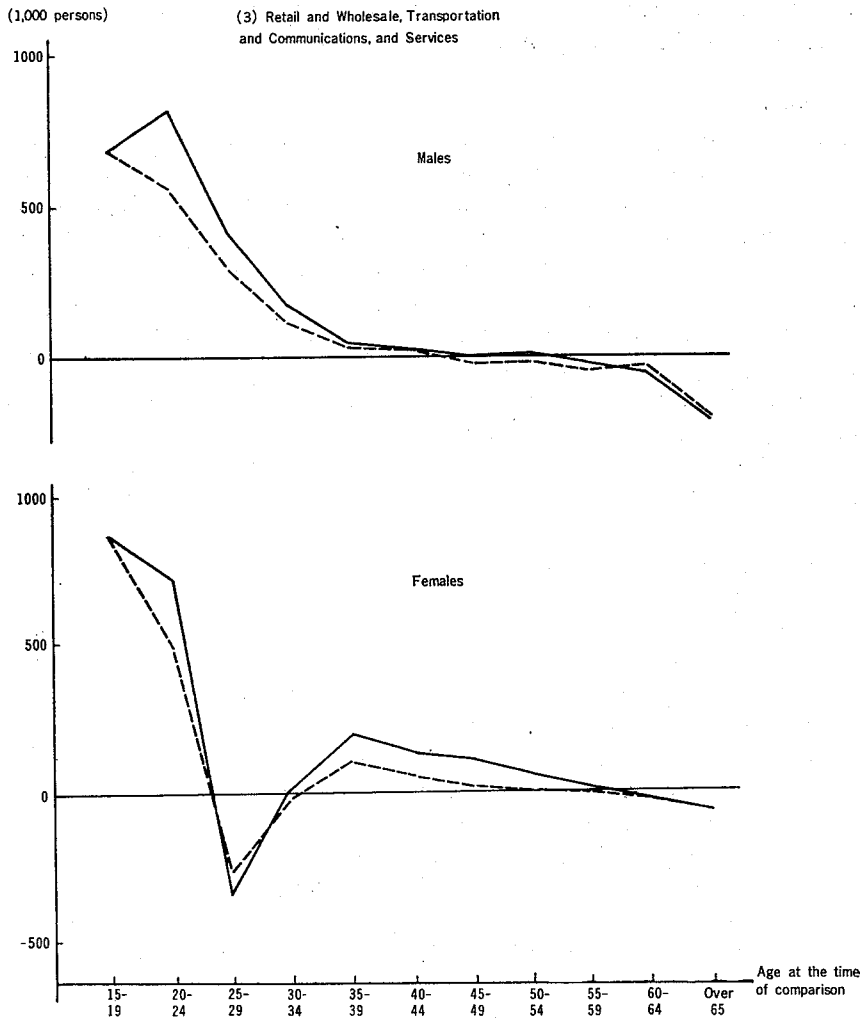
TABLE XI  
CHANGES IN RATE OF EMPLOYMENT OF FEMALE WORKERS BY AGE-GROUP (%)

	Total	15-19	20-24	25-29	30-34	35-39	40-54	55-64	Over 65
1955	16.5	30.5	36.2	17.8	12.4	12.4	10.0	4.2	1.3
1960	21.0	39.2	46.7	21.9	16.6	16.3	14.0	6.0	1.6
1965	24.4	33.4	55.6	24.3	19.0	22.9	20.9	9.8	2.3
1969	26.2	31.1	58.4	26.3	20.7	24.7	25.4	12.8	2.5

Sources: For 1955-65, Prime Minister's Office, *National Census*.

For 1969, Prime Minister's Office, *Survey of the Labor Force*.

Note: Rate of Employment =  $\frac{\text{Number of Employees}}{\text{Population}}$



Source: Same as Fig. 1.

TABLE XII  
CHANGES IN NUMBER OF FEMALE WORKERS BY MARITAL STATUS  
(NON-AGRICULTURAL AND FORESTRY)

(Units: 10,000 persons and %)

	Total	Unmarried	Married	Widowed	Divorced
1955	489(100.0)	319(65.2)	100(20.4)	50(10.2)	20(4.1)
1960	693(100.0)	438(63.2)	169(24.4)	59( 8.5)	28(4.0)
1965	909(100.0)	496(54.6)	308(33.9)	72( 7.9)	33(3.6)
1969	1,038(100.0)	514(49.5)	417(40.2)		107(10.3)

Sources: For 1955-65, Prime Minister's Office, *National Census*.

For 1969, Prime Minister's Office, *Survey of the Labor Force*.

Note: Figures in parentheses are percentages.

number of married female employees exceeded 3 million and accounted for half of the increase in female employees.

#### D. Summary

The great motive power for the rapid economic growth since 1955 has been the labor force composed of new graduates, which recorded the greatest increase in Japanese history. But new graduates have contributed to rapid economic growth not only in quantitative labor supply terms. The reform of the educational system enforced by the General Headquarters of the Occupation Forces has been effective in producing a labor force with the second highest educational level, next to the United States among free nations. The introduction of the 6-3-3 educational system has extended the prewar 6-year compulsory education by three years. Those who entered high school accounted for 50 per cent of all middle-school graduates in the 1950s, but recently they have increased to 80 per cent. Those who entered college have amounted to more than 20 per cent recently. It is probably not necessary to say that the remarkable development of Japanese industries has been due to technological innovation, but it should be pointed out that the workers who have shown good adaptability to new technology and new working conditions have been the new younger age workers produced by the new educational system, rather than the older experienced workers. Young workers who have completed a higher education have provided what has been needed by new industries and new management.

The increased opportunity for employment has modernized the employment structure in the form of the migration of young successors in the agricultural and other pre-modern industries and enterprises to modern sectors rather than in the form of reducing underemployment. When the majority of those who are defined as underemployed persons is the product of underdeveloped industrial structure, it is clear that they are quite different from drop-out workers (or disguised underemployed persons) in advanced countries. Among those who desire additional working hours and who wish to change their occupation (both are

TABLE XIII  
PERSONS WANTING TO CHANGE JOBS, HAVE ADDITIONAL WORKING HOURS,  
OR EMPLOYMENT

(Unit: 10,000 persons)

	Want to Change Jobs		Want Additional Working Hours		Want Employment		Total	
	Total	Those Seeking Employment	Total	Those Seeking Employment	Total	Those Seeking Employment	Total	Those Seeking Employment
Mar. 1958	251	121	181	78	410	200	842	399
Mar. 1960	182	88	133	55	321	130	636	273
Mar. 1962	181	85	163	73	371	137	715	295
Mar. 1964	232	104	145	66	310	113	687	283
Mar. 1968	193	104	86	35	573	271	852	410

Source: Prime Minister's Office, Statistics Bureau, "Rōdō-ryoku chōsa tokubetsu chōsa" [Special survey of the labor force].



defined as known underemployed persons), the actual number of underemployed persons may be comparatively small. The number of those who desire additional working hours and who wish to change their occupation has hardly changed in the last ten years of rapid economic growth. (See Table XIII.) According to the 1969 "Special Labor Force Survey," of 18,990,000 females without occupation, 4,340,000 desire employment (3,330,000 of which are married). Among them, 28 per cent desire part-time employment and 22 per cent want to work that can be done at home. These facts show that the increased opportunity and payment for employment have produced a new labor supply.

### III. CHANGES IN WAGES AND RELATED FACTORS

#### A. The "Silent Boom"

During 1955-60, the Japanese economy recorded an annual growth rate of 12.8 per cent in nominal terms and 9.1 per cent in real terms in spite of the fact that 1958 was a year of growth adjustment. However, during this period the annual increase rate of income per employee was 6.8 per cent, the annual increase in the price of consumer goods, 1.5 per cent, and the annual increase in wholesale prices, 0.5 per cent. These rates were the lowest in the postwar period and the business cycle at that time was called the "silent boom" or "quantity boom." (See Table XIV.)

TABLE XIV  
ANNUAL GROWTH RATE OF GNP, EMPLOYMENT, WAGES, AND COMMODITY PRICES (%)

Fiscal Years	Economic Growth Rate		Employment	Wages	Wholesale Prices	Retail Prices
	Nominal	Real				
1955-60	12.8	9.1	5.8	6.8	0.5	1.8
1960-65	15.0	9.7	3.9	12.8	0.5	6.3
1965-68	17.4	12.8	2.8	12.6	1.6	4.6

Sources: Economic growth rate, Economic Planning Agency, *Kokumin shotoku tōkei* [National income statistics]; Employment, Prime Minister's Office, Statistics Bureau, "Rōdō-ryoku chōsa" [Survey of the labor force]; Wages, "Earned Income per Worker"; Wholesale prices, Bank of Japan, "Wholesale Prices Index"; and Consumer prices, Prime Minister's Office, Statistics Bureau, "Consumer Prices Index."

The annual increase in employment was 5.8 per cent during this period. Although the increase in employment was the greatest in Japanese history, the rise in wages was the lowest in the postwar years for the following reasons:

- (1) The rise in the price of consumer goods remained the lowest.
- (2) Many of those who were employed during this period were supposed to have been employed as temporary workers. (See Table XV.) The sources for temporary workers were drop-out workers, and the average wage for temporary workers was only 50-60 per cent of that for regular workers (*honkō*).

TABLE XV  
 PERCENTAGE OF REGULAR AND TEMPORARY WORKERS IN WORKER INCREASES  
 IN MANUFACTURING (December 1955 to December 1956)

Size of Enterprise	Total	Regular Workers	Temporary Workers
Total	100.0	56.6	43.4
More than 500 persons	100.0	47.8	52.2
100-499 persons	100.0	58.3	41.7
30-99 persons	100.0	67.1	32.9

Source: Ministry of Labor, "Rōdō-ryoku idō chōsa" [Survey of labor movement], 1955.

(3) The ultra-leftist forces, which had had a strong influence on Japanese labor movement, especially on the movement of workers in central and local government organizations and public enterprises, became weak during this period. On the other hand, the management side had begun to show strong resistance to wage increases. Under these circumstances, eight major labor unions belonging to Sōhyō (General Council of Trade Unions of Japan) and Chūritsu-rōren (Federation of Independent Unions) employed for the first time in the spring of 1955 the method of unified demand and unified struggle against management (that is, "scheduled struggle"), shifting the framework of the struggle from within enterprises to entire industries. But the balance of power between labor and management changed in favor of management and labor did not succeed in raising wages very sharply.

#### B. *Rise in Starting Pay and Narrowing of Wage Differentials by Enterprise Size*

The wage index for given working hours in the manufacturing industry was rising annually by less than 4 per cent between 1955-59. The index for 1955 showed an increase of 5.2 per cent, and that for 1956 showed a sharp increase of 10.3 per cent. After 1956 it has continued to rise. These sharp rises in wages have been the result of rapid increases in the starting pay for new graduates and were initiated by small- and medium-scale enterprises, in most of which labor unions have not yet been organized.

Drop-out workers (who had at one time been employed) which existed in 1955 were supposed to disappear in the following five years because of the increasing demand for labor. Management had formerly employed many workers as temporary workers in order to cope with the future economic depression. But they began to feel convinced that the Doubling of the National Income Plan would enable the Japan's economic growth to continue for a long time. Therefore, they began to show a positive attitude toward the employment of new graduates as regular employees in order to maintain a labor force within their enterprises in the future. Family electrical appliance and automobile industries, which have constituted the two pillars of industrial development, are rather new labor-intensive industries and have demanded many young-age workers.

The increased demand for new graduates in large enterprises has had the strongest effects on small-scale industries, in which wages have been low. Small-scale enterprises with less than 100 employees, which so far employed 60–70 per cent of new graduates, were apportioned only 30–40 per cent of the new graduates. (See Table XVI.) The new graduates not employed by large enter-

TABLE XVI  
EMPLOYMENT EXCHANGE FOR NEW GRADUATES AND COMPOSITION OF  
NEW EMPLOYEES BY SIZE OF ENTERPRISE (NUMBER OF WORKERS)

	Employment Opportunity (1,000 persons)		B/A	Composition of New Employees by Size of Enterprise (%)			
	Number of New Application (A)	Number of New Opening (B)		Less than 15	15-99	100-499	More than 500
Middle School Graduates							
1957	576	681	1.2	30.9	32.8	20.3	16.0
1958	578	668	1.2	36.7	34.8	17.7	10.8
1959	556	688	1.2	30.3	35.1	18.7	13.2
1960	488	949	1.9	19.5	30.3	26.6	23.6
1961	389	1,060	2.7	12.7	27.3	29.8	30.1
High School Graduates							
1957	459	490	1.1	22.3	37.7	22.7	17.3
1958	514	548	1.1	22.0	36.6	22.6	18.8
1959	575	639	1.1	19.7	38.3	23.5	18.5
1960	614	897	1.5	13.7	34.4	28.9	22.9
1961	632	1,290	2.0	9.6	29.7	33.1	27.6

Source: Ministry of Labor, "Shokugyō antei gyōmu tōkei" [Statistics of employment security].

prises have so far been enough to fulfill the demand of small-scale enterprises, but now it is becoming necessary for small-scale enterprises to compete with large-scale ones in order to obtain the necessary workers.

Due to the rapidly increasing demand for new graduates, the rate of demand for new middle school graduates has increased as much as 2.7 times. This has raised starting pay sharply. Since working conditions in small-scale industries have been worse than in large enterprises, small-scale industries have had to raise not only the starting pay but also the wages for workers under thirty years of age so that they are higher than those for the same age workers in large-scale enterprises in order to keep young workers. This was one of the factors which caused wages in small- and medium-scale enterprises to increase faster than wages in large-scale enterprises. Thus low wages in small-scale enterprises—once the symbol of low wages in Japan—disappeared, and the wage differentials between large-scale and small- and medium-scale enterprises have narrowed more rapidly than expected. (See Table XVII.) During 1955–65, it was the small- and medium-scale enterprises which played the leading role in raising wages and which, at the same time, provided the modernization of the Japanese wage structure.

TABLE XVII  
NARROWING OF WAGE DIFFERENCES BY SIZE OF ESTABLISHMENTS  
(MANUFACTURING INDUSTRY)

	More than 500 persons	100-499 persons	30-99 persons	5-29 persons
1958	100.0	69.7	54.7	43.6
1965	100.0 (100.0)	80.9 (83.7)	71.0 (78.3)	63.2 (72.6)

Source: Ministry of Labor, "Maitsuki kinrō tōkei" [Monthly labor statistics].

Notes: 1. The ratio of annual wages paid in cash to those paid in establishments with more than 500 persons has been set at 100.0.

2. Figures in parentheses are ratios of regular wages, excluding bonuses.

C. *Accelerating Rise in Wages and the Establishment of the "Spring Offensive"*

After the adjustment in 1965, business became prosperous and the prosperity continued until 1970, a longer term than that in 1959-61. Under these conditions, wages have been increasing at an accelerating rate. (See Table XVIII.)

TABLE XVIII  
CHANGES IN WAGES, PRODUCTIVITY, AND WAGE COSTS

	(Annual Rates, %)					
	1955-60	1960-65	1966	1967	1968	1969
Wages	6.1	10.1	11.6	13.2	14.9	16.4
Labor productivity	9.2	7.5	13.0	16.5	14.3	15.0
Wage costs	Δ2.9	2.4	Δ1.2	Δ2.8	0.5	1.2

Sources: Wages, Ministry of Labor, "Maitsuki rōdō tōkei"; Labor Productivity, Nihon Seisan-sei Hombu, "Seisan-sei tōkei" [Statistics of labor productivity].

Note: Wage cost =  $\frac{\text{Wage Index}}{\text{Productivity Index}} \times 100$ .

In addition to the increase in profits by enterprises due to good business conditions, the following factors have played important roles in raising wages.

(1) The shortage of new graduates and young labor has been accelerated by a decreasing number of young people.

(2) It has become difficult even for large-scale enterprises to employ the necessary number of new graduates at the former wages. Therefore they have changed their policies so as to include a high wage policy, though they had formerly been strongly opposing the rise in wages.

(3) The management in large-scale enterprises began to feel that making concessions to labor unions in raising wages in order to keep mutual reliance and peaceful relations between management and labor unions would be desirable to gain the cooperation of labor unions for the purpose of carrying out technological innovation and the rationalization of enterprises.

(4) The comparatively high wages thus determined in representative large-scale enterprises have come to be influential as the standard for the raising of wages in other enterprises.

In 1955, when eight labor unions started a unified action in the "spring offensive for raising wages," the number of establishments which determined wages in April-June accounted for less than 30 per cent, and the majority of establishments determined their wages in October-December. By 1967, however, 60 per cent of all establishments had come to determine the rise in wages in April-June. In accordance with the increasing importance of the labor shortage, rise in commodity prices, and rising living standard, etc., as factors determining wages, both management and labor have come to pay much attention to the general trend in wage rises rather than on their own judgement based on the condition of their firm. The raised wages won by workers in iron and steel, and privately-owned railway companies through the "spring offensive" have played an important role as the "standard for raising wages in the spring offensive." Among them, in particular, raised wages in privately-owned railway companies have been the most representative standard for raising wages mainly because the railways are for public service, and accordingly, the government Central Labor Relations Commission participates in the final stage of wage negotiations.

The so-called "spring offensive" led by the Joint Spring Offensive Committee organized by the representatives of Sōhyō and Chūrītsurōren did not necessarily succeed in raising wages in its early attempts because its militant stance rather invited strong resistance by the management. However, in the period of rapidly increasing wages after 1966, the amount of wage increase won by specific labor unions or workers in specific enterprises has exerted an influence on wage increases for other labor unions or enterprises and further has extended to the small- and medium-scale enterprises as the standard amount for raising wages that year. On the other hand, in deciding wage increases for workers in central and local government organizations and public enterprises, the National Personnel Authority and the Public Corporation and National Enterprise Labor Relations Commission have customarily given the wage rise in private enterprises the most weight. Therefore, it cannot be denied that the so-called "spring offensive" method or "spring offensive standard" has been the most important mechanism in the determination of wages in present-day Japan.

In the "spring offensive," the uniform demand for a very high wage increase is first presented and labor unions take as the general standard the amount of increase won by workers in representative firms capable of greatly raising wages or in such companies as the privately-owned railway companies, which have been very weak in the face of strikes. This has often been regarded as an important factor in recent wage boosting. But this factor should not be overestimated. The accelerating rise in wages after 1966 is different from the wage increases in earlier years in that the increase after 1966 has been led by large-scale enterprises. The wage-determination system by separate negotiation of individual enterprise with its enterprise union which is of a peculiarly Japanese character has been changing under the present socio-economic conditions. Neither the enterprise nor the union can neglect the leading pattern of wage increase, but important is that, without any general standard, wage determination might have faced such confusion as was experienced immediately before World War II, i.e.,

an abnormally sharp rise in wages. Accordingly, the above-mentioned "spring offensive" method has been considered the inevitable mechanism for present wage determination. It must be added that in accordance with the establishment of the "spring offensive" method as the wage determination mechanism in the above-mentioned sense, the use of the "spring offensive" as the major tactic in class struggles, or anti-government struggles, has been steadily declining. At present, the "spring offensive" has actually been a purely economic struggle focusing on "bargaining for wage increases," which may be considered a significant change.

#### IV. WAGES, PRODUCTIVITY, AND COMMODITY PRICES

##### A. *Changes in Wages and Productivity*

Examination of the changes in wages, productivity, and wage costs in the manufacturing industry after 1955 reveals that the wage increase rate was lowest during 1955-60 in the postwar period but that the rate of rise in productivity was high during this period. Therefore, the wage cost decreased by about 15 per cent during this period. (See Table XVIII.)

On the other hand, during the period 1960-65 wage costs increased on the whole because the years 1962 and 1965 were years of business adjustment. The rate of wage cost increase was about 13 per cent throughout the period, almost recovering to the 1955 level. In 1955-60, almost all manufacturing industries witnessed a lowering of wage costs. In 1960-65, wage costs decreased in such capital-intensive large-scale industries as iron and steel, chemicals, petroleum refining, etc. But in such small- and medium-scale industries as ceramics, rubber products, textiles, wood products, leather products, foods, etc., the rise in wage costs was remarkable. As mentioned above, this was due to the sharp rise in wages in small- and medium-scale enterprises during this period. In the machine

TABLE XIX  
CHANGES IN WAGES, LABOR PRODUCTIVITY, WAGE COSTS, AND COMMODITY PRICES  
(INDICES FOR 1968 WITH 1960 AS 100)

	Wages	Labor Productivity	Wage Costs	Commodity Prices
Iron & steel	217.4	269.4	80.7	87.0
Chemicals	216.8	270.9	80.1	88.0
Petroleum refining	234.8	332.5	70.6	92.6
Transportation machines	204.8	340.7	60.1	—
Precision tools	239.4	206.8	115.8	—
Rubber products	294.8	161.9	182.1	—
Textiles	248.2	184.3	134.7	108.5
Leather	225.4	176.7	127.6	—
Wooden products	280.4	113.7	246.6	150.6
Foods	239.1	113.6	210.5	108.7

Sources: Wages and Labor Productivity, same as Table XVIII. Commodity Prices, Bank of Japan, "Wholesale Price Index."

industry, the trends in wage costs are different between such large enterprises as those producing transportation machines and such small- and medium-scale enterprises as those making precision instruments. (See Table XIX.) These differences in tendency between capital-intensive industries (large-scale enterprises) and labor-intensive industries (small- and medium-scale enterprises) have been observed continuously since 1965. However, throughout the whole period of good business conditions after 1965, the change in wage costs was small. In spite of the high rate of the rise in productivity after 1960, the employment increase rate decreased sharply, which shows how enthusiastically technological innovation has been carried out in highly productive industries in order to save labor.

### B. *Rise in Wages and Commodity Prices*

As is shown in Table XIX, there is a great gap in the labor-intensive industry between the rate of increase in productivity and the wage increase rate. The gap between the rate of increase in the amount of production per worker (value productivity) and in the amount of added value per worker (added value productivity) and the rate of wage rise is far narrower than the gap between the rate of increase in productivity and the wage increase rate. And there is change of gap for value productivity and added value productivity between labor-intensive industries and capital-intensive industries. (See Table XX.) Generally speaking,

TABLE XX  
CHANGES IN VALUE PRODUCTIVITY IN MANUFACTURING INDUSTRIES  
(INDICES FOR 1968, WITH 1960 AS 100)

	Value of Shipment per Employee	Net Added Value per Employee	Cash Wage Payment per Employee
Iron and steel	210.9	214.5	227.7
Chemicals	244.7	279.0	232.4
Petroleum refining	293.9	258.5	214.5
Transportation machines	238.2	228.5	222.1
Precision tools	251.2	252.6	246.1
Rubber products	200.5	237.0	283.9
Textiles	197.4	222.3	263.4
Leather	185.0	210.7	245.5
Wooden products	270.0	286.3	281.9
Foods	210.1	208.5	263.4

Source: Ministry of International Trade and Industry, "Kōgyō tōkei-hyō" [Industrial statistical table].

this is due to the influence of price changes. That is, in capital-intensive industries, a decrease in labor costs reduces the price of products, while the prices of products are raised in labor-intensive industries in which wage costs have been raised. As

a result, the rates of value productivity tend to equalize between capital-intensive and labor-intensive industries. To be sure, the change in commodity prices corresponds to the change in wage costs. (See Table XIX.) However, there are

TABLE XXI  
RATE OF RISE (OR FALL) IN CONSUMER PRICES INDICES AND  
THEIR CONTRIBUTION RATES (NATIONWIDE)

Items	Rate of Rise or Fall					Contribution Rates				
	1965	1966	1967	1968	1969	1965	1966	1967	1968	1969
General	7.6	5.1	4.0	5.3	5.2	100.0	100.0	100.0	100.0	100.0
Agricultural, marine, and livestock products	14.2	5.3	6.3	7.8	6.3	40.2	22.2	33.7	31.8	26.9
Industrial products	3.7	3.4	2.5	4.0	4.6	26.0	32.3	30.2	34.8	40.9
Foods	4.7	2.5	3.0	4.4	5.4	13.2	9.1	13.8	14.7	17.9
Produced by large-scale enterprises	-0.5	1.1	1.8	2.2	3.8	-0.6	1.4	2.8	2.5	4.1
Produced by small- and medium-scale enterprises	6.4	3.3	3.7	5.4	6.2	13.8	7.7	11.0	12.2	13.8
Textiles	3.5	3.5	2.7	4.4	4.2	5.1	6.8	6.6	8.0	7.4
Durable consumer goods	-0.4	0.8	0.8	-0.2	-1.6	-0.2	0.5	0.6	—	—
Other industrial products	3.2	4.9	2.2	4.0	5.3	7.9	15.9	9.2	12.1	15.6
Produced by large-scale enterprises	4.2	5.1	0.2	4.5	5.1	5.5	10.0	0.5	6.1	9.2
Produced by medium- and small-scale enterprises	2.5	4.6	5.2	5.1	5.3	2.2	5.9	8.7	6.0	6.4
Services	8.2	7.6	4.6	5.7	5.4	33.8	45.5	36.1	33.4	32.2

Source: Prime Minister's Office, Statistics Bureau, "Kouri bukka tōkei chōsa" [Statistical survey of retail price].

Notes: 1. Products of large-scale enterprises mean, in general, those produced in the enterprises with more than 300 workers.

2. Contribution rate =  $\frac{(p_t - p_{t-1})w}{(P_t - P_{t-1})W}$

Where  $p_t$ ,  $p_{t-1}$  stand for consumer price indices of an item for  $t$  year and  $t-1$  year, respectively;  $w$  for the weight of an item in the base year;  $P_t$ ,  $P_{t-1}$  for general consumer price indices for  $t$  year and  $t-1$  year, respectively; and  $W$  for total weight of individual items.

many factors causing the fluctuation of commodity prices and the extent to which the rise in wages influences the rise in commodity prices will differ according to the kind of industry or commodity. It cannot be denied that in labor-intensive industries, the rise in wages has constantly played an important role in the rise in commodity prices. But in spite of the sharp rise in wages for almost ten years, the rise in the prices of industrial products has been small on the whole. This favorable result has been brought about by the development of capital-intensive industries with rising productivity. In addition, there are changes of products produced by labor-intensive industries and the conversion of production into such



goods as those with a large amount of processing or with a high income rate has contributed to spending for high wages. On the other hand, the increased expenditure of consumers for these new products will hardly result in a rise in consumer price index, because few new products are taken in the calculation of the index only after some interval of time.

### C. *Fluctuation of Prices of Consumer Goods and Related Factors*

Together with personal services, products produced by small- and medium-sized enterprises have exerted a strong influence on the calculation of consumer price index. Since these services and products industries are labor-intensive, and their weight is overwhelming as the basic commodities and services of the index, they could have been reflected strongest in consumer price indices if wage increases in these sectors influenced the price of products. Since a rapid rise in consumer prices was observed in 1960-65, a period of sharp wage increases, arguments concerning the vicious cycle of wage and price increases and concerning cost inflation prevailed. However, in spite of the accelerating rise in wages after 1966, the rise in consumer goods prices stabilized at an annual rate of 5 per cent. Therefore, it cannot be said that fluctuation in the prices of consumer goods has necessarily kept pace with wage fluctuation.

Table XXI reveals that in 1965, when the rise in consumer prices was sharp, it was due mainly to rises in the prices of agricultural and marine products (or perishables) due to bad weather (as in 1965). In ordinary years, the rise in the prices of perishables and processed foods has contributed to the rise in consumer goods prices by more than 40 per cent. The reason for the sharp rise in such foods is the underdeveloped, pre-modern distribution mechanism for commodities, in addition to the agricultural problems common to other countries. The excess margin in the case of other products in the distribution process are also at issue as a problem of the distribution mechanism. This problem is related to the existence of too many minute-scale enterprises in the commercial sector and not directly to the wage problem. But this is the phenomenon in which a rise in the general income standard in such an enterprise structure effects the increase of commodity prices.

In the service sector, the wage increases have been regarded as a major factor in raising fares. The contribution of rises in fares to rises in general commodity prices is about 30 per cent. The rise in the prices of manufactured goods and the contribution rate of this rise to the general price rise are far greater in small- and medium-scale industries than in large-scale industries.

On the bases of the above consideration, it may be said that perishables, industrial products manufactured in small- and medium-scale industries, and services are contributing one-third each to the general price rise. Even if the rise in the prices of the latter two is caused by wage increases, the rise in general commodity prices caused by them is less than 4 per cent. Compared to the sharp rise in wages after 1965, the effect of wages on commodity prices is astonishingly small. This is due to the rapid increase in productivity. However, attention should be paid to the already mentioned relation of consumer price index to the

changes in the kinds of consumer products due to the "Consumption Revolution."

## V. JAPANESE LABOR-MANAGEMENT RELATIONS AND THE WAGE SYSTEM

### A. *Characteristics of Enterprise-based Labor Unions*

It is well known that all Japanese labor organizations except the Seamen's Union have been organized on the basis of enterprise units. Another characteristic of Japanese labor unions is the inclusion of non-manual workers as well as manual laborers as members. For a considerable period after World War II, such supervisors as section chiefs or division chiefs were in many cases included in labor unions. The basic idea of including non-manual workers in labor unions is a simple one which lays stress on the tension between labor and management, regarding everyone except capitalists as belonging to the labor side. This idea has led to the great reform of removing the great discrimination which existed in prewar years in terms of status or remuneration. The workers employed immediately after completing compulsory education (middle school graduates) have had roughly the same status as university graduates; the same bonus and retirement allowance system has been applied; and in many firms the daily wage system for laborers, which was prevalent in prewar years, has been replaced by the monthly salary system. Laborers have been guaranteed employment just like non-manual workers under the "lifelong employment system," and their wages have been increased regularly every year on the basis of length of service.

Naturally, such enterprise-based labor unions including non-manual workers as members are inclined to show strong loyalty to their company. Moreover, lifelong employment, seniority wages, and large retirement allowances and bonuses are the things which make the employees loyal to their company. Immediately after the war, there was the criticism that the characteristically Japanese labor-management relation based on such things was feudalistic.

However, these labor-management relations and various systems have greatly contributed to the economic growth of postwar Japan and it is wrong to define them as feudalistic. In particular, the disappearance of the discrimination between non-manual and manual workers must be considered a great step toward democratization. The rising level of education is removing the differences caused by educational background between production workers and clerical and technological staff members. On the other hand, technological innovation is antiquating the skills obtained from experience. The laborers' awareness of the important roles of knowledge, judgment, and responsibility in their work is making meaningless the old discrimination between non-manual and manual workers. In this sense, the Japanese labor system can be said to have been making pioneering efforts.

### B. *Contribution to Economic Development*

In order to increase productivity (or technological innovation), it is necessary

for both labor and management to cooperate with each other. There are few countries in which the cooperation between labor and management has been so perfect as in Japan. It has been an important task for labor to employ new technology and carry out the renovation of equipment in order to cope with competing enterprises. The Japanese employment and wage systems have minimized the trouble caused by transfers due to technological innovation, which has been experienced by Western occupational labor unions or occupational wage systems.

New graduates are employed by an enterprise as regular members through the same examination and are paid the same wage. The workshop in which one will work is decided according to his aptitude as a worker and the enterprise's policies. The surplus workers in specific workshops resulting from technological innovation cannot be fired, but are transferred to other workshops within the enterprise. Of course, it cannot be denied that the transfer is easy, because enterprise in Japan has been in the process of constant growth. But the role of the employment and wage systems in minimizing trouble in transfers must be highly evaluated.

### C. *Effects of the Japanese Wage System*

During the war and immediately after the war, galloping inflation made the life of workers difficult and the wage system was converted into one based on living wages. The family allowance system was advanced during the war years so that the basic wage was decided on the basis of age, which was regarded as the standard for the number of family members. This system has been called the "system of wage rates related to length of service or seniority wage" since, beginning with the starting pay for new graduates, the wages are raised annually on the basis of length of service. This system is essentially a living wage system. The kind of job and the ability of the worker have been taken into consideration to a certain extent and the difference has appeared in the form of a difference in the amount of annual wage increase. However, next to age and the length of service has been the educational background, to which importance was attached. Therefore, the system may be properly termed a "wage system based on educational background and length of service."

There have been arguments since prewar years that the wage system based on living wages would be more favorable than the wage by job or the incentive wage system in Western countries. In wartime years, the Japanese government supported the wage system based on living wages, which in postwar years has been supported by labor unions. Even after the postwar period of economic upheaval, the system has been stabilized in large-scale enterprises as the natural consequence of the lifelong employment system.

As mentioned above, since the basis for this characteristically Japanese employment and wage system has been the development of enterprises which employ workers, labor-management cooperation has been encouraged and, because of the method of wage determination, the trouble arising from changes in work or changes in employment due to technological innovation have been minimized.

However, management in large-scale enterprises has not necessarily given full support to this system, because they have had to continue employing those workers with low ability and wages have continued to increase in accordance with length of service. Here lies the reason for the large-scale enterprises maintaining the system of compulsory retirement at the age of fifty-five and striving to obtain young labor in times of its shortage.

After 1950, when the Japanese economy reached a stage of stabilization, many managements in large-scale enterprises attempted to reform this Japanese wage system: a tendency to employ the American system of wage by job became strong temporarily. But this attempt soon lost momentum. The majority of workers, the number of which increased sharply in the development period after 1955, have been new graduates. As a result, the number of young workers, as a percentage of all workers, has greatly increased. Therefore, the low wages of younger workers, according to the system of wage rates related to length of service, and their high working ability have helped enterprises to realize large profits. We must take into consideration the influence of this characteristically Japanese wage system on the trends in the wage level and its relation to productivity in the period of rapid economic growth.

However, great changes have been taking place. The rise in starting pay has narrowed to a great extent the wage differences due to age and length of service, because management cannot raise the wages for older workers at the same rate as that for starting pay. (See Table XXII.) In addition to this, the discontent

TABLE XXII  
CHANGES IN WAGE RATES RELATED TO LENGTH OF SERVICE

Age Groups	Length of Service (Years)	1961	1968
Under 17	0	100 (7,900 Yen)	100 (20,000 Yen)
18-19	3-4	169	143
20-24	5-9	230	188
25-29	10-14	327	249
30-34	15-19	414	306
35-39	20-29	518	339
40-49	More than 30	660	410
50-59	More than 30	642	431

Source: Ministry of Labor, "Chingin kōzō chōsa" [Survey of wage structure], April 1961 and June 1968.

- Notes: 1. Comparisons of average wages for male productive workers (graduates from middle schools) working in enterprises with more than 1,000 workers in manufacturing industries.  
2. Figures in parentheses indicate the amount of regular wages paid in cash.

of young workers has been increasing in regard to too great a difference in wages by age for the same work. Moreover, in the age-group composition of the labor force, the decrease in the young population will increase the middle or old age group stratum. From this, raising the retirement age will be inevitable. Under

these conditions, the revision of the system of wage rates related to length of service and the introduction of a wage by job system have become necessary, and a new "Japanese wage system" based on a combination of the two systems has been prevailing. In this case, however, attention should be paid to the fact that this system has been supported by both labor and management.

## VI. SUMMARY AND FUTURE OUTLOOK

In the rapid economic growth after 1955, the sharp increase in new graduates, employment security for whom the Japanese leaders had worried about, has been an important factor in economic growth. The new educational system, which has placed a great burden on postwar public finance, has played an important role in producing a labor force with ability necessary for the age of technological innovation. Labor unions, which burst out after the war and once engaged in a strong attack on capital, have not been an impeding factor but a contributing factor in economic growth due to their characteristically Japanese organization and the establishment of particular employment and wage systems. Its leftist stance on the surface has been characteristic of the Japanese labor movement. The left-wing ideology and actual of labor unions within enterprises may appear to be contradictory, but in reality are well harmonized and balanced. Left-wing ideology have prevented enterprise-based labor unions from degenerating into company-dominated ones, and enterprise union organization has tended to eliminate extremely ideological behavior.

Balance has been maintained so far between wages and productivity. The rise in commodity prices cannot be said to be too high when compared to the extremely high economic growth rates and the sharp rise in wages. The argument that cost inflation as in the Western countries has not yet been occurred in Japan is supported by the majority.

After 1960, and especially after 1965, wages have been increasing acceleratedly. Rising wages have made enterprises direct their efforts to investment for technological innovation in order to increase profits (that is, labor-saving investment and the development of new products), which has resulted in large investments in equipment and led to rapid economic growth. On the other hand, the flood of new products has increased household expenditures, which in turn has led to the demand for ever higher wages. The factor which created this circle is technological innovation, especially the development of new products and the favorable balance of payments. Now that the balance of payments situation is becoming more favorable, the problem is whether or not technological innovation and the development of new products will maintain the present pace. In particular, the policy of giving priority to production has created the increasingly important problems of public hazards, pollution, and the underdeveloped state of social overhead capital.

On the other hand, the labor shortage will be grave due to a decrease in the supply of new labor. Labor unions intend to increase their pressure in order to win a reduction in working hours, long-term vacations, and a solution to the

housing problem, in addition to the former demands for high wages.

If the pattern of Japanese economic growth is different from the present one, which is based on the policy of giving priority to production, or if economic growth loses momentum for any other reason, will wages show flexibility accordingly? How will labor unions respond to such developments? Some pessimistic people foresee the occurrence of cost inflation and stress the necessity of an income policy. Other people look to the characteristic labor-management relation in Japan for solutions to the problems. For this purpose, it seems necessary for labor-management relations to be more friendly and cooperative. For example, more active participation by labor unions in management or the introduction of a profit sharing system will be important problems in the future.