

Wage talk season key juncture

Outcome could have big impact on already harsh employment climate, deflation-hit overall economy

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This spring's annual wage talks are coming at a time of severe employment conditions, presenting labor negotiators with a tough choice between prioritizing job security or a wage increase.

The season kicks off when representatives from both the Japan Business Federation (Nippon Keidanren) and the Japanese Trade Union Confederation (Rengo) attend a labor-management forum on Jan. 25. They are to hold preliminary bilateral talks the following day.

The outcome of these negotiations will have a huge impact not only on the inter-

ests of both labor and management, but also on the Japanese economy as a whole, potentially wielding considerable influence on consumption trends.

Setting worker wages amid deflation can have serious implications for the macroeconomy going forward. For instance, unless your nominal wages — the amount of money you are actually paid — decline when consumer prices are falling, your real wages — the amount of money adjusted for price changes — actually increase.

If wages rise in real terms during a time of economic weakness, it can aggravate the already tough labor situation significantly. Regular workers who are guaranteed long-term employment at corporations will not be adversely affected by the deterioration. But young people and unemployed job seekers, as well as nonregular



Toyota Motor Corp.'s labor union holds a rally in March 2009 ahead of a critical stage in the annual wage negotiations with management.

workers who are not guaranteed long-term positions, could suffer serious consequences.

Seen it before

History shows that workers often resist having their wages reduced even when consumer prices are falling. Ironically, this resistance can seriously aggravate their employment situation, coming back to haunt them by depressing their

real wages later on.

Some studies have shown that this kind of worker behavior exacerbated employment conditions during the Great Depression in the 1930s.

How will this spring's wage talks between labor and management proceed at a time when consumer prices are steadily falling? The answer to this question could significantly affect the health of the Japanese economy.

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