

Extended abstract →



Why labour shortages fail to improve the bargaining position of Japan's workers

Poster presentation at the Wittgenstein Centre Conference 2021
"Causes and consequences of depopulation"

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Labour shortages: Are Japan's workers finally 'winning'?

Japan's demographic ageing situation is unique (fig 1)

- working age population has been declining since 2001
- 90 per cent of employers can't find staff (other countries nowhere near that level)
- labour force stable mainly thanks to more women and elderly seeking employment
- employers and government need to mobilise more potential workers from peripheral groups

→ yet wage growth has stagnated for over 30 years

Demographic impact moderated by emp. institutions

- so-called non-regular employment has expanded massively (close to 40% of total)
- weak bargaining position of 'outsider workers': not unionised, not integrated into corporate decision-making
- feel also more marginalised politically (fig 2)

→ Japan's workers' bargaining position is weak for structural reasons (dualisation)

Figure 1: Japan's unique labour market and economy (2000 to 2021)

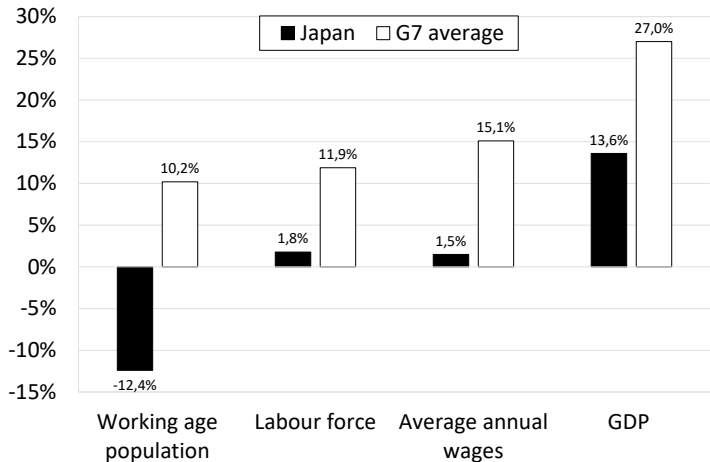
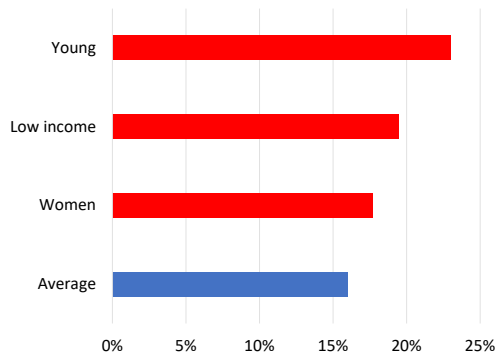


Figure 2: "People like me have no say in politics"



Source: Based on ISSP (2018).

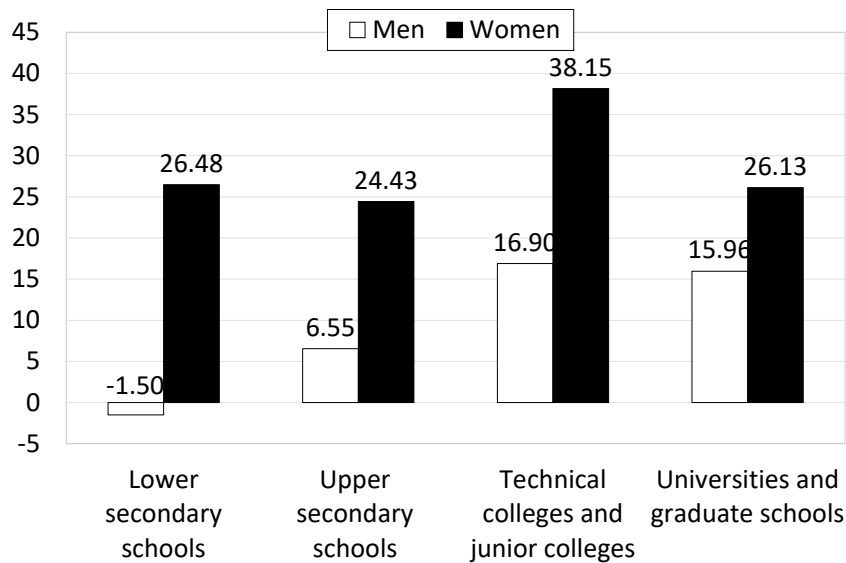
Note: Low income defined as annual personal wage below 2 million Yen. Young: all persons who are between 16 and 30 years of age.

Peripheral workers are indeed experiencing tangible improvements

Changes include...

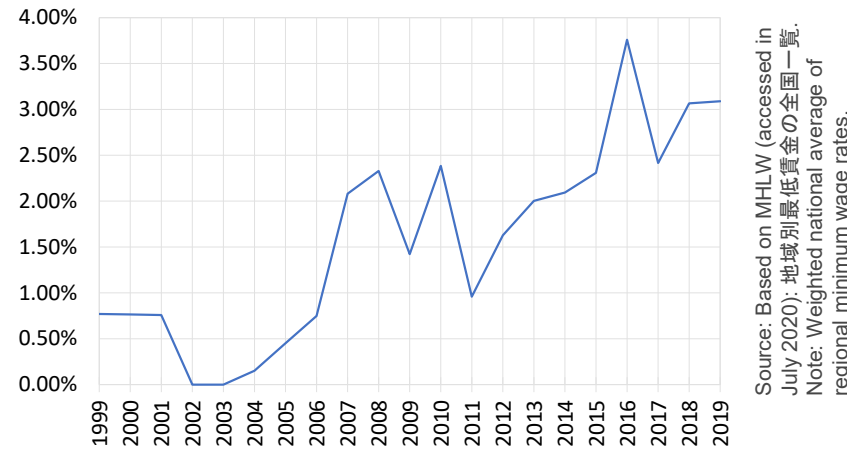
- many more jobs (+10% female workers and +100% workers over 60 since 1990)
- higher pay (fig 3 and 4)
- improved public social protection (fig 9) but this concerns mostly basic protection

Figure 3: Wage growth 1990 to 2018 by sex and education



Source: MHLW Basic wage structure survey.

Figure 4: Annual growth in statutory national minimum wage



Source: Based on MHLW (accessed in July 2020): 地域別最低賃金の全国一覽.
Note: Weighted national average of regional minimum wage rates.

Government initiatives mostly responsible

- minimum wage hikes and stricter legislation on equal treatment and equal pay for equal work
- changes to social security to improve coverage

→ but shortages just lower the costs of such interventions, e.g. employers do not object, more contributors to social insurance needed anyway
→ workers still not able to address structural disadvantages by themselves

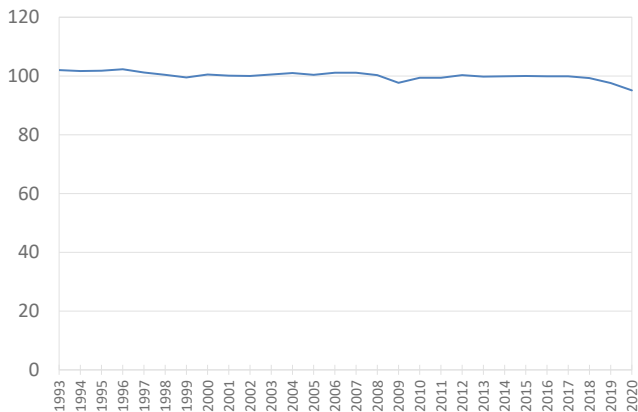
Labour shortages affect ‘insider’ and ‘outsider’ workers differently

Most ‘insider’ workers will feel no impact

- wages still stagnant and working times excessive (fig 7)
- absolute number of employees stable for 30 years
- compared to ‘outsider’ workers substantial pay gap (30-40%), better social protection and ability to build assets

- there is only a limited external labour market for mid-career job-seekers
- unions without effective tools to challenge employers: e.g. 2019 post-war low in number of strikes
- can maintain privileged position but not more

Figure 7: Change in annual working hours of standard workers



Source: 毎月勤労統計調査.
2015=100

Figure 8: Participation rates of ‘insider workers’ in key public and corporate welfare schemes

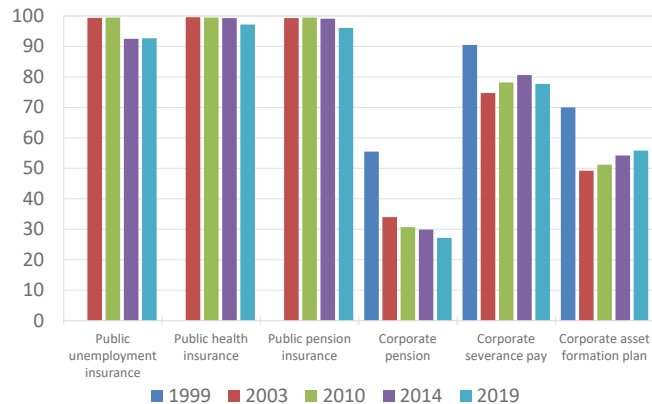
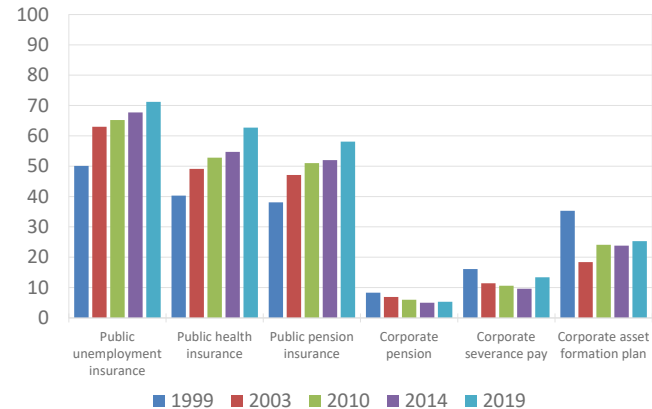


Figure 9: Participation rates of ‘outsider workers’



Conclusions: How do labour shortages affect labour power?

Reasons why impact is limited in the case of ,outsider workers‘

- structural disadvantages (few avenues for exerting influence)
- work has not become more attractive due to higher pay as surveys on motives indicate (need to for add. income)
- progress limited to areas that have become less costly thanks to demographic change to government and employers

Reasons why impact is limited in the case of ,insider workers‘

- labour shortages neither challenge nor opportunity
- keep privileges: only group with chance to earn living wage and to building assets
- young recruits may benefit: can ,shop around‘ for best conditions but small group and vulnerable to cyclical changes; once recruited bargaining position weakens

→ labour shortages affect different groups of workers in different ways (no momentum for specific changes)

→ labour shortages lower political and economic costs of limited government intervention but do not per se improve bargaining position of most worker groups

→ for ,insider worker‘ the deal remains employment security and wealth only in exchange for stagnant wages and excessive working conditions

→ for ,outsider workers‘ there is some progress with regard to pay and welfare but they are not genuinely catching up and wages remain low

