ECONOMICS, LABOR, & BUSINESS

A Yellow Light For Japan

"Has Japan's Auto Industry Stalled?" by Alan M. Webber, in *The New York Times Magazine* (Nov. 20, 1983), 229 West 43rd St., New York, N.Y. 10036.

Even as American admiration for (and fear of) Japan's auto industry grows, surprising news is beginning to trickle in from the Far East. According to Webber, an auto industry specialist at the Harvard Business School, the "social contract" that has kept Japan moving ahead is beginning to show signs of strain.

The Japanese success stems from the 1950s, when a series of near-ruinous strikes swept the industry and forced a purge in the ranks of workers and management alike. Under the tacit agreement that ensued, management promised regular pay increases and lifetime jobs. Workers responded with 30 years of labor peace. Productivity surged: In 1980, the average Japanese auto worker produced 28 cars; the U.S. worker, 12.

Prosperity made the system work. Can it survive hard times? Partly as a result of recent European and American import restrictions, sales of Toyotas, Datsuns, and the nine other Japanese makes declined by 7.6 percent in 1982. Even worse, industry analysts see a long-term decline of annual growth in worldwide auto sales to just two percent a year. In Japan, idled plants have already hurt productivity. Nissan, for example, suffered an 18 percent drop in 1982 auto output per worker. Japan's auto workers no longer see their employers' guarantees as immutable, Webber writes. Like their counterparts in Detroit, they are beginning to worry about automation and unemployment. Renewed labor strife is possible.

Auto industry suppliers also seem to be losing confidence. In Japan's unique system, parts suppliers offer "just-in-time" deliveries (eight per day is not uncommon), minimizing the manufacturer's costs of inventory and quality control. Traditionally, one supplier does all its business with one company. Now that auto sales are declining, the suppliers quickly suffer the effects of cutbacks. Many of them are breaking the exclusive "family" relationship to search for new customers and no longer think of themselves as "just a cog in Toyota's machine," in the words of one Tokyo business analyst.

Government, the fourth partner in the Japanese auto manufacturing game, may become less cooperative. Pressure from the West to restrict exports and to open up Japan's domestic markets to imports, along with the need to increase domestic taxes, seem sure to force Tokyo officials to squeeze their automakers, Webber predicts.

However, he suggests, General Motors, Ford, and Chrysler should not relax now. The Japanese have shown themselves to be far more adept at coping with potential threats to prosperity than have their competitors.