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Toyota Sees Growing Anger From Suppliers in Japan

By [MARTIN FACKLER](#)

KARIYA, Japan — As [Toyota's](#) president Akio Toyoda faces American lawmakers on Wednesday, his company will be facing something else here in Japan's auto manufacturing heartland: an unprecedented level of opprobrium.

Come what may, Toyota used to be able to count on a reflexive loyalty in this small city, where the rows of smoke stacks and metal-roofed factories rise like something out of Dickens. But after years of feeling the sting of Toyota's cost-cutting, some of the workers and suppliers that used to be the company's biggest cheerleaders are instead experiencing a sense of grim pleasure over the company's woes.

The change is rooted in the changing behavior of Japanese corporations. Communities like Kariya that once enjoyed a near familial relationship with Toyota, have been feeling forsaken for years as this country's social contract has changed.

While employment is still for life for Toyota's full-time workers, some complain that the company is now miserly with wage increases. Over time it has steadily reduced the ranks of its short-term contractors and pressured its suppliers to decrease prices.

For decades, thousands of tiny auto parts companies like Sankyo Seiko were Toyota's loyal legions, and toiled in relative obscurity to supply the behemoth. But the auto giant's demands in recent years for ever lower prices have driven many of these companies out of business.

After successive price cuts, Toyota now pays them about 30 percent less for the same part than it did a decade ago, despite the higher cost of raw materials like steel, many companies say.

"Toyota just squeezes us, like it's trying to wring water from a dry towel," said Masayuki Nishioka, 49, whose factory in Kariya makes the rubber seals for Toyota's car windows.

Last month something snapped for Sankyo's owner, Teruo Moewaki. He appeared on local television to do the unthinkable: criticize Toyota, announcing that he would no longer accept orders from the automaker or its affiliates.

"I said on TV what they all want to say, but are afraid to," said Mr. Moewaki, 60, standing in the dark one-room workshop where he and his three employees operate gritty machines. "Toyota said we were all one big family. But now they are betraying us."

The outburst turned Mr. Moewaki into an instant local celebrity. But he is not the only one speaking out.

To hear many here tell it, in good times Toyota failed to increase wages for employees and forced painful price cuts on parts suppliers even as it earned record profits. Since the global downturn, these critics say, Toyota has released thousands of contract workers and squeezed parts makers even further.

While this may seem like normal, even prudent, management, many in Japan see it as an act of betrayal. In fact, Toyota has become a symbol here of how corporate Japan has begun to violate the nation's unspoken postwar social contract, in which big paternalistic companies share the wealth with employees and business partners in good times and help them weather the bad.

"Toyota is attacked so much because it has become the face of corporate Japan," said Hisao Inoue, the author of two books on Toyota. "All Japan's social problems, economic problems, political problems all seem to pile up on Toyota."

Mr. Inoue said the criticism can be unfair, and is part of a broader reaction here against globalization and the embrace of American-style competition under former Prime Minister [Junichiro Koizumi](#). Still, some dozen books have been published in the last five years, with titles like "The Dark Side of Toyota" and "The Toyota You Don't Know."

Even through the early 1990s economic collapse, as big companies squeezed costs or shifted production overseas to compete with lower-price rivals from South Korea and China, this manufacturing belt around the central city of Nagoya, an area known as the Detroit of Japan, seemed immune. Toyota continued to grow even as Japan stumbled in other industries, like consumer electronics.

Now there is a palpable sense of alarm in the air. Cities like Kariya appear to be turning into a new rust belt of abandoned industrial neighborhoods, with economists estimating the number of small manufacturers in this part of Japan has dropped by half in the last two decades to about 180,000. Unemployment has also taken off in Aichi prefecture, where Nagoya is located, doubling to 4.5 percent last year from the year before.

One of the newly jobless is Osamu Miura, who worked for two years monitoring quality control at a sprawling plant making Prius hybrids in nearby Toyota City, where the automaker is based. Two months ago, the company said it would not renew his contract, making him one of thousands in that category after the global financial crisis began.

But unlike most of the others, Mr. Miura has refused to go quietly. Every day, he has donned his immaculate company uniform and Toyota cap to report for work at the factory gate, where he is invariably turned away. On a recent rainy afternoon, a half-dozen current and former Toyota employees, members of a small labor union, joined him in front of the gate to hand out fliers to passing workers.

"Toyota is going in the wrong direction, and so is Japan," said Mr. Miura, 40, who taped a blue placard to his chest that said, "Let me work!"

"Standing up against Toyota is still a taboo," said Hiroshi Oba, 56, a Toyota employee at the Prius plant who said he was putting his chances for promotion at risk by standing with Mr. Miura, "but these job cuts are a social problem that we cannot ignore."

Paul Nolasco, a spokesman for Toyota, said the company was aware of such criticisms, but called them one-sided. He said that while the number of contract workers had fallen to 2,300 early this year, from 10,000 before the [Lehman Brothers](#) crisis in September 2008, some 900 contract workers have been given full-time jobs since 2008.

It is also hard to gauge the full extent of anger at Toyota. Japan's establishment media have been restrained in their criticism even during the recalls for fear of angering the company, the nation's largest advertiser. Toyota critics here say the community still frowns on criticism of the region's largest employer, making many afraid to speak out.

But that is changing, too. Saichi Kurematsu, chairman of the Airoren, a federation of labor unions in Aichi prefecture, said that complaints once limited to the far left are entering the mainstream. He said attendance at his federation's rallies against Toyota has jumped sevenfold since 2003, the local media now write about his activities and even small company owners, once antiunion, welcome his criticisms of Toyota.

"There has been a dramatic change in how people view Toyota," Mr. Kurematsu said.

Mr. Moewaki, the factory owner who spoke out on TV, said small companies are moving out of the auto industry to survive.

"Toyota just fills its own pockets now," Mr. Moewaki said. "It is already clear that we cannot rely on Toyota anymore."

Makiko Inoue contributed reporting from Toyota City.

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