

Key topic**The 2019 *Shunto* in the Context of the JTUC-Rengo Wage Hike Summary Report***Noboru Ogino***Wage increases on a par with the previous year**

Japan's *Shunto*, the spring labor-management negotiations held every year, has resulted in "base-up" (across-the-board pay raises) and wage improvement¹ of around 2% for five consecutive years since a consensus was built among government, management and labor in December 2014 to overcome deflation and achieve an economic virtuous cycle. The 2019 *Shunto* unfolded in the uncertainty of economic prospects due to the current economic situation and increased US-China trade friction. According to the tabulated data in May compiled by the Japanese Trade Union Confederation (JTUC-Rengo), the overall level is almost the same as the previous year. It is evident that a shortage of workers is helping to keep wages in general above a certain minimum level.

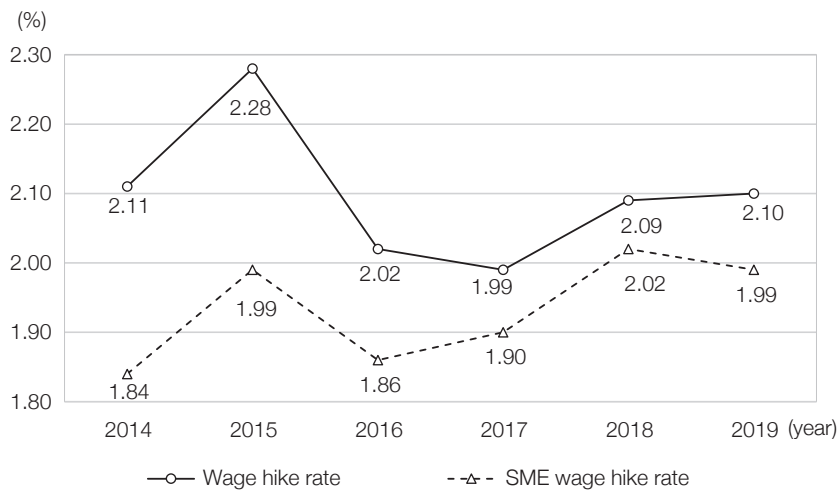
There are two types of monthly wage increases. One is an automatic raise of monthly basic wage in accordance with each worker's age and years worked (*teiki shokyu*). The other is across-the-board pay raises, which raise the basic wages themselves.

This year, March 13 was designated as the management response date ("concentrated response day") by the major labor unions belonging to the highly influential industrial union JCM (Japan Council of Metalworkers' Unions, 1,987,446 union members), composed of five metal-related industrial unions including JAW (Confederation of Japan Automobile Workers' Unions) and JEIU (Japanese Electrical Electronic and Information Union). As of the response day, some major companies had not yet reached the wage hike levels of the previous year.

The weighted average amount as of May, however, including the equivalent of annual wage increases, of wage hikes among 3,715 unions (2,457,144 members) that demanded wage hikes by average wage-based revisions² (compared to average wages per worker before negotiations) was 6,217 yen (US\$56.79), 2.10% in rate, making it almost equal to that of the same period of last year (Figure 1) with a 156 yen increase.

At 2,000 unions (1,853,808 members) among the unions that demanded wage hikes by the average wage-based revisions (where the amount of wage increases such as across-the-board pay raises and wage improvement was clearly calculable), their weighted average wage hike including the equivalent of annual wage increases was 1,570 yen (US\$14.16), a decrease of 44 yen and 0.50% up (0.03 percentage points down) compared to the same period of last year. However, among these, for small and medium-sized enterprise (SME) unions composed of companies with fewer than 300 employees (1,204 unions, 150,145 members), the wage hike rate was 0.62%, the same as the previous year, but above the overall average of 0.50%. Furthermore, regarding the wage hike rate for even smaller-sized unions composed of companies with fewer than 100 employees, there was an unprecedented trend toward a consistent year-on-year increase as of March this year, while it is usually declining over time during the *Shunto* period.

Based on these circumstances, JTUC-Rengo confirmed at its Central Committee meeting on June 6 in the 2019 *Shunto* mid-term summary report that "the wage hike demand acquisition rate is equivalent to that of the previous year as



Source: JTUC-Rengo, “The 2019 *Shunto* Mid-Term Summary Report,” 2019.

Notes: 1. Data for each year are the wage hike rates including equivalent of annual wage increases (weighted average by aggregate number of union members) according to the average wage-based revisions.

2. The data for 2014 is the value in June, and those for the other years are the value in May.

Figure 1. Trends in management response to *Shunto* demands (response status in May of each year)

a result of ongoing conscious efforts to maintain and entrench wage increase trends, and we are seeing a robust continuation of these trends.” The Committee summarized that “the push to transform structures was firmly established and advanced” as the confederation has been focusing on this area to boost and stabilize the level of wages. From the above-mentioned wage hike results for SME unions, the Committee emphasized that the confederation and its member unions have taken a step forward to change the long-standing *Shunto* negotiation style of “following and complying with standards set by large enterprise unions,” namely, the goals for wage hikes by industry for that year, with other unions then following suit.

Shift in focus from “amount of increase” to “level of actual wages”

In 2019 labor–management negotiations, JTUC-Rengo stated its intent “toward restructuring of the *Shunto* system,” so as to boost the wages of SME union members and non-regular workers to a level commensurate with the value of their work. Therefore, the focus is being shifted from the demand for an “amount of increase” to the “level of actual wages.” Underlying this shift is the fact

that since the annual wage increases resumed, there has been a persistent gap in the responses of large enterprises and SMEs, and correcting this disparity has become a major issue.

JAM (Japanese Association of Metal, Machinery, and Manufacturing Workers, 344,805 members) is a federation of industrial unions, with many unions of SMEs covering a wide range of manufacturing sectors. Starting from two years ago, it has been clarifying and pursuing a policy of placing emphasis on individual wages and demanding an absolute wage level of employees at a certain stage of age and competence, i.e., based on an absolute amount of wages at that point (the “individual wage pay demand method”), rather than indicating wage increase standards by industry. According to JAM’s mid-term summary report of the 2019 *Shunto*, unions that demanded wage hikes at the individual points of age 30 and age 35 received responses that exceeded the average for industrial unions of JAM, but the number of unions making such wage demands leveled off.

Based on these findings, JTUC-Rengo’s mid-term summary report stated that there was a shift in perception toward pursuit of “wage levels” even at labor unions comprising SMEs with fewer than 300

employees. They clearly defined the wage levels they are aiming for, formulated demands while taking into account the point in time by which those demands should be attained, and engaged in negotiations accordingly. On the other hand, the problem was that while recognition of the situation has deepened, “in many cases it was evident that a system for tracking and analyzing actual wage conditions was not in place,” or “some labor unions did not make efforts in this direction due to the business environment this year.” It also said that in addition to “tracking actual wage conditions per employee” and “establishing wage structures” based on these conditions, it was essential to establish a support framework for SME unions in order to increase the effectiveness of their efforts to pursue wages at a higher level.

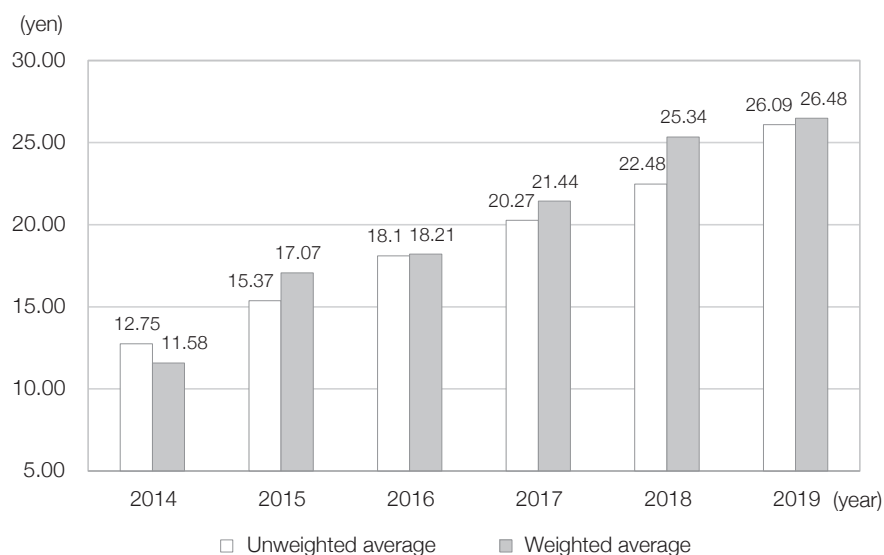
Unprecedented rise in part-time workers’ hourly wages

In addition to the labor shortage, the government’s promotion of equal pay for equal work has been a driving factor in improving the treatment of part-time and contract employees. According to an announcement as of April by UA Zensen (Japan’s largest federation of industrial unions, with 1,767,000

members, of which more than half of the union members are part-time workers), the unweighted average amount of agreed-upon increases in hourly wages (wages as a whole, including annual wage increases, across-the-board pay raises, and wage improvements, etc.) for 184 unions that concluded negotiations during *Shunto* was 28.8 yen (2.93%), its highest ever since UA Zensen was formed in 2012. Also, the wage hike rate for part-time workers has been higher than that of regular employees for four consecutive years.

According to JTUC-Rengo’s tabulation as of May 8, the unweighted average of responses to demands for non-regular employees’ hourly wage level increases was 26.09 yen (up 3.61 yen year-on-year), and the weighted hourly average was 26.48 yen (up 1.14 yen year-on-year), both exceeding the same period the previous year (Figure 2). For contract employees, the unweighted average rise in monthly wages was 4,223 yen (up 58 yen year-on-year), and the weighted average 4,317 yen (up 88 yen year-on-year), both exceeding the same period of the previous year.

In response to these trends, JTUC-Rengo’s mid-term summary report stated that “there has been



Source: JTUC-Rengo, “The 2019 *Shunto* Mid-Term Summary Report,” 2019.

Note: Same as Note 2 of Figure 1.

Figure 2. Trends in *Shunto* wage hikes for non-regular workers (compared to the same period of the previous year)

significant progress” in correcting disparities among workers in different forms of employment, with hourly and monthly wages for non-regular workers increasing at both amounts and rates exceeding those of the previous year, and also that progress has been made in efforts to reduce the wage gap between men and women. The report gave the positive assessment that “efforts to rectify all manner of disparities, such as those based on company size, employment type, and gender, have made great strides.”

Initiatives that anticipate coming Work Style Reforms

In addition to rectification of wage level gaps, JTUC-Rengo emphasizes “review of work styles that takes all workers’ positions into account,” and is promoting initiatives that go beyond the content of the Work Style Reform Act and go into effect ahead of the law’s enforcement. In relation to legislation including the revised Labor Standards Act that came into force in April this year, during the 2019 *Shunto* there were a total of 7,521 demands for alleviation of long working hours, of which 2,254 elicited responses. Specifically, these called for “promotion of taking annual paid leave” (1,596 demands, 689 responses), “adoption of a work-interval system” (587 demands, 154 responses), and “management of working hours and appropriate monitoring of all workers, including those from outside the workplace that are deemed workers or supervisors” (891 demands, 336 responses), all of which saw both more demands and more responses than last year.

Also, in preparation for the new Part-time and Fixed-term Workers Act to go into effect in April 2020, reform of various allowances and leave and absence systems was a major theme of this year’s negotiations. According to JTUC-Rengo, there were a total of 5,936 demands related to “job security and improved treatment for non-regular workers,” and a total of 1,881 responses. These included “development of rules for converting to regular employment and reviews to ensure the effective functioning of the system to promote job security” (831 demands, 316 responses), “fringe benefits and safety management activities (inspection, analysis

and review, correction of problems, etc.) to improve treatment” (701 demands, 273 responses), and “creation of the same childcare and long-term care leave systems as those for regular employees” (398 demands, 56 responses), all of which exceeded the number of demands and responses last year.

UA Zensen has been a driving force in improving the treatment of non-regular employees. In this year’s labor negotiations, its policy included verification of disparities with regular employees and the content of these disparities, with regard to all working conditions. As a result, there were responses that went beyond the “guidelines for equal pay for equal work,” such as improvements in commuting allowances and various leave and absence systems, as well as introduction of family allowances and defined contribution pension plans.

According to its summary report as of April 1, five unions saw improvements in terms of family allowances, such as “newly created child allowances for contract and entrusted employees at the same level as regular employees (15,000 yen [US\$133.80] per child)” (Life Corporation) and “family allowances for part-time employees equivalent to those of regular employees” (Aeon Topvalu Co., Ltd.). In addition, 11 unions saw improvements with regard to commuting allowances such as “upper limits eliminated for all employee categories” (Aeon Retail Co., Ltd.). In terms of leave and absence systems, there were cases such as “granting of wedding and funeral leave equivalent to that of regular employees,” “adoption of the same personal injury and illness leave system as that of regular employees,” “creation of various leave systems for non-fixed-term part-time workers equivalent to those of regular employees,” and “introduction of an annual leave accumulation system for part-time and contract workers.”

With regard to these results, UA Zensen Headquarters believes that “in light of the legislation of laws governing equal pay for equal work, equal and balanced treatment of part-time union members is progressing, including improved granting of family allowances and so forth.”

Numerous challenges remain for labor-management negotiations and consultations

After the dawn of the 21st century, a deflationary economy coincided with a worsening employment situation, making it difficult for labor to actively pursue wage increases, and society's interest in *Shunto* was fading. However, since wage hikes were implemented after the agreement among government, management and labor in December 2014, *Shunto* has gained more attention again. The media has focused on what it labeled the "government-managed *Shunto*" because labor negotiations were pursued at the request of the government. Practically, however, as labor and management claim, both parties have voluntarily steered negotiations in their current direction, recognizing the social role of these negotiations and the macroeconomic impact of their outcomes.

Shunto, having experienced some major turning points in the past, is now at a moment of change that differs qualitatively from past examples. The underlying reason for this is that it has become necessary for corporate labor and management to find solutions through negotiations and consultations not limited to the immediate managerial and personnel issues they face, but also to address challenges resulting from social and economic structural changes. For example, while population shrinkage due to the declining birthrate and aging population cannot be avoided, halting a drop in the employment rate is a major policy issue for future maintenance and development of the economy. Promotion of employment for women and the elderly is a key. Amid concerns over an aggravated labor force shortage, it is essential to discuss continued employment for women and elderly workers,

especially wage structures based on a retirement age of 65, and on how continued employment after age 65 ought to be. In addition, the establishment of wage levels and systems commensurate with added value is an emerging challenge in the effort to secure new human resources that will uphold the "Fourth Industrial Revolution."

Given these challenges, it is clear that wage hikes for regular employees are no longer the main issue of *Shunto*. Improvement of productivity is indispensable to cope with the severe labor shortage, low birth rate and aging population, and technological innovations. There are measures to be taken in workplaces such as the process of introducing digital technologies as well as the utilization of non-Japanese workers, who are being hired in larger numbers as the Immigration Control Act was amended last year. It is vital that labor and management discuss the mounting pile of pressing issues.

Notes

1. Wage improvement is a term coined by labor unions during the 2006 *Shunto* as a replacement for "base-up" (across-the-board pay raises). Until then, in *Shunto*, "base-up" had been implemented as a means to prevent decline in real wages caused by rising prices. In recent years, with the fall in prices and the introduction of performance-based policies, management has become strongly resistant to "base-up," and a situation where labor unions cannot strongly demand such raises has continued. Starting around 2005, when the economy began to recover, the labor unions demanded that more resources be devoted to pay raises, while management introduced wage hikes limited to specific groups such as young and mid-career workers and those with highly positive personnel evaluations. These are collectively referred to as wage improvement.
2. Average wage-based revisions refer to a wage revision method in which wages for all workers are determined based on decisions made about the average (standard) wage increase request of each worker.

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