

What Is *Shunto*?

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I. A wage determination system unique to Japan

Shunto (spring wage offensive) is a united campaign by labor unions, led by industrial unions. It is launched every year between March and April, the main aim of negotiations being higher wages. Since it began in 1955, *Shunto* has served as a platform for setting wage increase across enterprises and industries. In Japanese labor-management relations, wherein enterprise unions are the basic unit of negotiation, *Shunto* established a schedule for strike action and unified demands in each industry. It provided a framework that transcended internal individual corporate negotiations and created a wage determination system unique to Japan whereby wage increases could be secured across industries.

It was in the 1960s when rapid economic growth was truly getting underway that the results of these negotiations not only began to affect individual industries, but also came to have a ripple effect on wage settlements for the year throughout the country as wage-increase levels (benchmark for wage increase called “*Shunto* rate”), including those of small and medium-sized enterprises and civil servants.

The administration of Prime Minister Hayato Ikeda, which came to power in 1961, announced the National Income Doubling Plan, and in response labor advocates in 1963 adopted a slogan “realization of wages on a par with Europe.”

II. The ripple effect of “*Shunto* rate”

In the 1960s, labor and management in the

iron and steel sector, one of Japan's leading manufacturing industries, came to act as “pattern setters” (pacesetters) for wage-increase levels among enterprises and industries throughout the country. After the Japan Council of Metalworkers' Unions (IMF-JC) was formed in 1964 by industries such as shipbuilding, heavy machinery, electrical appliances, and automobiles, which along with steel and iron had become forces driving economic growth, the four metal-related private-sector industries led negotiations and became “pattern setters” for wage-increase levels. In the same year, there was a high-level meeting between Prime Minister Ikeda and Kaoru Ota, chairperson of General Council of Trade Unions of Japan (Sohyo), and it was agreed that steps would be taken to correct wage differentials between public and private workers and respect public and private wage parity principles. This created a mechanism for wage increases in the private-sector heavy and chemical industry to spread to those for workers at public enterprises.



In the course of these events, *Shunto* came to be recognized by society and increasingly took on the character of a public-private undertaking. And the number of union members participating in *Shunto* grew from 6.35 million in 1965 to 8.01 million in 1970, accounting for two-thirds of organized workers.

In terms of tactics, a game plan was established in which increases in private-sector wages were first pursued, which would then spread to public

enterprises, in particular against the backdrop of the simultaneous nationwide traffic strikes unified and led by trade unions of private and national railway workers. From the late 1960s through 1973, just before the oil crisis, the Japanese economy was at the pinnacle of its rapid growth period, with a 10% in real growth rate. A tight labor supply market meant wages were likely to rise, and indeed they rose by 10% or more annually for twelve consecutive years from 1964 onward.

In particular, during the eight years starting in 1967, the ripple effect of “*Shunto* rate” was well produced and there was a consistently negligible difference in wage increase amounts depending on enterprise size, with annual wage increases acting to contribute to reduction of such scale-based disparities. It was a period when there was a marked shortage of younger workers, and management would not be able to secure human resources if they ignored the wage levels set through *Shunto* negotiations.

In 1970 the National Personnel Authority Recommendation, which balanced the salary levels of national civil servants with the salaries of private-sector employees, was fully implemented for the first time, and a pattern was entrenched in which “*Shunto* rate” applied not only to private enterprises (including small and medium-sized ones) but also to public employees. In this way, by contributing to reduce wage disparities across Japanese society, *Shunto* can be said to have played a part in forming a so-called “universal middle-class society,” in which the majority of people view their lifestyles as middle-class.

III. *Shunto* at a turning point as rapid economic growth halts

Shunto reached its first turning point when the period of rapid growth came to an end with the first oil crisis in 1973. Commodity prices jumped by 20%, bringing confusion to the market, and real GDP recorded negative figures for the first time in the post-war period. It was in 1975 that *Shunto* first incorporated the “theory of economic conformance,” which was essentially a self-imposed limit on wage

increase demands by labor unions with the aim of achieving price stability. Ever since, *Shunto* has been constrained by this concept to a great degree. As a result, *Shunto*’s initial objective of “large-scale wage increases” to realize wages equivalent to those of Europe was abandoned, and the era of double-digit annual wage increases ended.

After rapid economic growth ground to a halt, the theory of economic conformance espoused by IMF-JC, which took the lead in negotiations, made significant macro-economic contributions with the curbing of inflation and the achievement of moderate growth in the 4–5% range. After the second oil crisis, Japan quickly broke out of the stagflation (recession combined with inflation) that remained entrenched in Western countries. In the West, governments implemented an “income policy” of intervening in wage determination in order to cope with inflation, but in Japan, labor and management co-ordination overcame this difficult situation and underpinned Japan’s positive economic performance. In fact, Japanese labor-management relations began to attract attention around the world. The international reputation of Japanese-style management based on positive labor-management relations grew, and Ezra Frivel Vogel’s *Japan as Number One: Lessons for America* (1979) argued that the United States should also learn from Japan.

Shunto functioned as a kind of “social income distribution mechanism” built into the Japanese economy, and from 1977 to 1989 the wage-increase rate remained stable in the range of 3% to 8%. However, its demand strategy based on this theory of economic conformance could not stand up under the deflationary economy that emerged in the late 1990s after the burst of the economic bubble in the early 1990s, and *Shunto* faced a second major turning point.

IV. *Shunto* after the collapse of the economic bubble

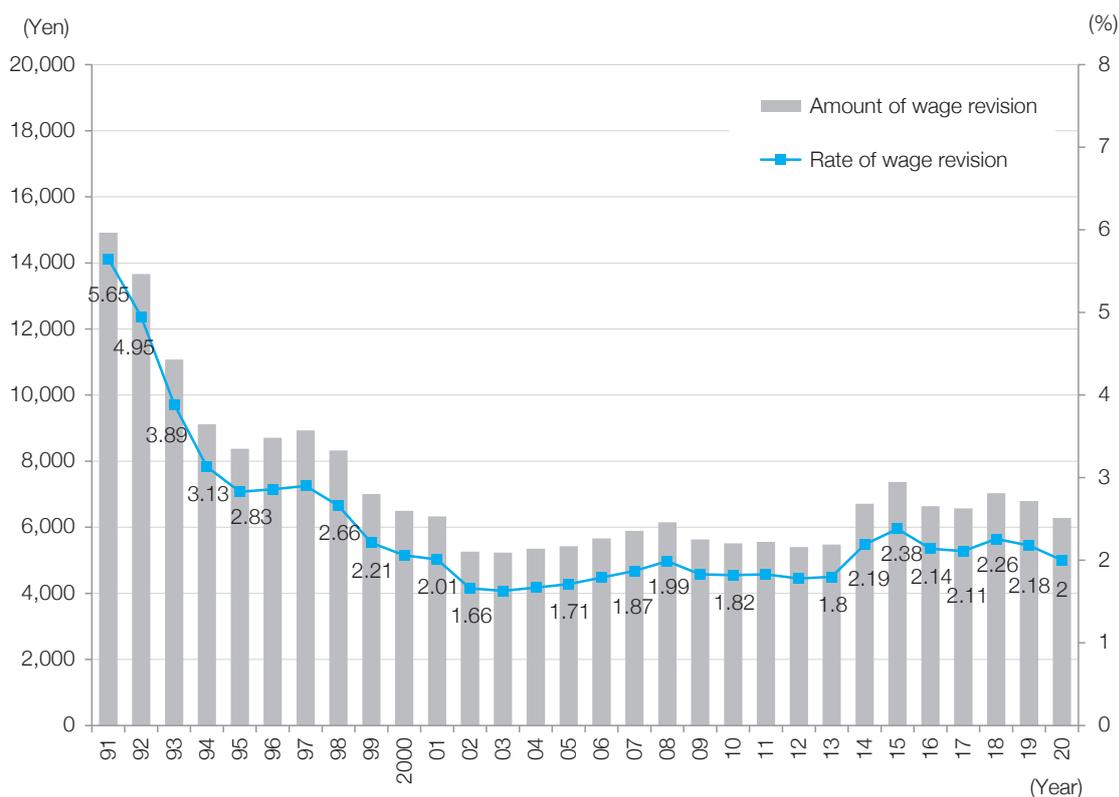
After the stock market average hit a record high of 38,915 yen at the end of 1989, Japan’s economic bubble rapidly declined, and stock prices dropped by half in just 10 months, plunging the economy in the

depths of a long-term recession. The Japanese Trade Union Confederation (JTUC-Rengo) established in 1989 described *Shunto* as an “initiative to improve overall standards of living,” with three main pillars (wage increases, shorter working hours, and policy and institutional demands), with shorter hours especially emphasized in the early 1990s.

In the late 1990s management began insisting on the structural reform of *Shunto*, and by thoroughly implementing (i) in-house wage determination, (ii) management of overall personnel costs, and (iii) ability and performance-based wages, aiming to undermine “across-the-board *Shunto*” in which ripple effects of wage-increase level spread across the economy. The advance of deflation added to management’s impetus, and the traditional labor-

side demand approach of “annual wage increases + commodity price increases in the past fiscal year + improvements in living standards,” premised on inflation, became ineffective. The diminishing of wage-increase rates continued unabated (Figure 1).

As the 21st century began, employment instability worsened, with significant negative impact from the bursting of the tech bubble and the unemployment rate topping 5% for the first time. *Shunto* found it difficult even to maintain increases equivalent to so-called annual wage increases (around 2%). From 2002 the IMF-JC ceased to make unified requests for basic wage increases, referred to in Japan as “base-up.” The Japan Business Federation (Keidanren), Japan’s largest economic organization, declared that “*Shunto* is dead,” in that industrywide settlements



Source: Ministry of Health, Labor and Welfare (MHLW), “Status of wage increase demands and settlements at major private-sector enterprises.”
 Note: As a rule, “major enterprises” up to 2003 are those listed on the First Section of the Tokyo Stock Exchange or the Osaka Securities Exchange which also have capital of two billion yen or more, 1,000 or more employees, and a labor union (simple average up to 1979, weighted average from 1980 onward). Since 2004, as a rule, enterprises tabulated as “major” are those with capital of one billion yen or more, 1,000 or more employees, and a labor union (weighted average).

Figure 1. Changes in the amount and rate of revised average wages per capita at major private-sector enterprises (weighted average)

for hikes in base pay through the ripple effects of wage-increase level had come to an end.

In response, however, labor began exploring a new role for *Shunto* as a means of correcting disparities. One new initiative for remedying disparities among enterprises is the determination of wages based on “occupational rates.” Starting with the 2007 *Shunto*, the Japanese Electrical, Electronic and Information Union shifted to an “occupation-based wage demand system” to seek wages commensurate with the value of work according to occupation. Based on the fact that there are pronounced wage gaps depending on company size (major vs. small/medium-sized) as well as form of employment (regular vs. non-regular), the JTUC-Rengo launched a “joint offensive for small and medium-sized enterprises” and a “joint offensive for part-time workers.”

V. Ending deflation becomes the key policy issue for government, labor, and management

With the percentage of non-regular employees rising, wage levels in Japan as a whole peaked in 1997, and have been trending downward ever since. To make matters worse, under the impact of the 2008 financial crisis, the following year saw the largest fall in wages since World War II. In light of this, beginning with the 2011 *Shunto*, labor embarked on a strategy of negotiation aimed at returning to wage levels at their peak. However, just before the negotiation reached at the critical point, the Great East Japan Earthquake struck, and its impact extended to the 2012 *Shunto*.

Then, at the end of 2012, the Democratic Party of Japan backed by Rengo-affiliated labor unions suffered a crushing defeat, marking the start of a second term of office began for Shinzo Abe, whose

administration viewed ending deflation as the most pressing policy issue, and the launch of the economic program called “Abenomics.” To foster consensus toward the realization of continuous wage increases, which would be key to the administration’s goals of “ending deflation” and “realization of a positive economic cycle,” the Government-Labor-Management Meeting for Realizing a Positive Cycle of the Economy was established in 2013 with labor and management representatives and policy experts as members. It compiled a written agreement that included the statement “it is necessary to link economic upturn to the expansion of enterprise profits and thereby to increase wages.”

Labor-management negotiations conducted in the context of agreements among government, labor and management and governmental policies to promote wage increases resulted in a 2.01% rise in 2001, and while increase rates stagnated between 1% and 2% over the ensuing years, the 2014 Ministry of Health, Labor and Welfare (MHLW) survey found that wage increases among major private-sector enterprises had topped the 2% level for the first time in 13 years. Since then, springtime labor-management negotiations have resulted in wages hikes by more than 2% for seven consecutive years since 2014 as shown in Figure 1.

In response to these wage increases, regional minimum wages have increased by more than 3% for four years in a row since FY2016. In 2020, *Shunto* negotiations took place amid uncertainty over the spread of COVID-19. While the average wage increase at major enterprises stayed barely above 2%, the outlook for labor and management negotiations in the near future is unpredictable and appears troubled due to sharp deterioration in enterprises’ performance.

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