

## Key topic

# The 2021 *Shunto*: Results and Identified Issues from a Broad Range of Discussions Amid the COVID-19 Pandemic

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## The second *Shunto* amid the COVID-19 pandemic

During the spring labor-management negotiations (*Shunto*) for 2021, the second to be held amid the COVID-19 pandemic, both labor and management were forced to make some extremely difficult decisions. However, a look at the outcomes shows that, although there were noticeable variations in wage hikes across companies and business categories, declines in wage hike levels compared to the previous year were limited. Also evident in this year's negotiations were progress in building a consensus on work style reforms across all industries and more substantial discussion on teleworking and other forms of digitalization. It can also be noted that there was an apparent change in the trend toward the correction of wage disparities among company sizes and forms of employment.

After the worst post-war decline in Japan's GDP during the April-June 2020 period, there were marked differences in how corporate performance recovered, as a tripolar situation consisting of recovery, stagnation, and deterioration emerged. The Japanese Trade Union Confederation (JTUC-Rengo) demanded wage hikes on par with the previous year's levels, that is, basic wage hikes of about 2% after securing automatic raises of monthly basic wage (*teiki shokyu*) which are made automatically based on age and years worked, to "achieve a balance between COVID-19 countermeasures and self-sustaining economic growth." Additionally, JTUC-Rengo focused on pursuing wage levels that help provide the maximum amount of support in

each industry amid society-wide efforts to maintain and create employment, as well as pursuing wage levels committed to absolute wage amounts that help correct disparities among company sizes and employment forms. However, demands from unions were somewhat uneven, reflecting the tripolar nature of the business situation. For example, some gave priority to maintaining automatic raises of monthly basic wage and sustaining employment, some put off asking for across-the-board increases (or wage improvements for certain groups) for the first time in eight to ten years, and others continued demands on par with the previous year. According to JTUC-Rengo, the demanded wage hike (including automatic raises of monthly basic wage) based on the average wage hike method (4,732 unions), in which an average wage hike (rate) per employee is demanded and decided through negotiations, was 7,817 yen (2.76%), which was 1,026 yen or 0.33 percentage points lower than the previous year. It therefore appears that labor's demands were comparatively restrained.



However, tabulations of responses by JTUC-Rengo and other organizations reveal that, although response and agreement levels for wage hikes and annual lump-sum payments fell slightly compared to the previous year, it could be said that the extent of the decreases was limited. This can be seen as reflecting a situation in which labor and management were in agreement with respect to maintaining the momentum of wage hikes, which had been building

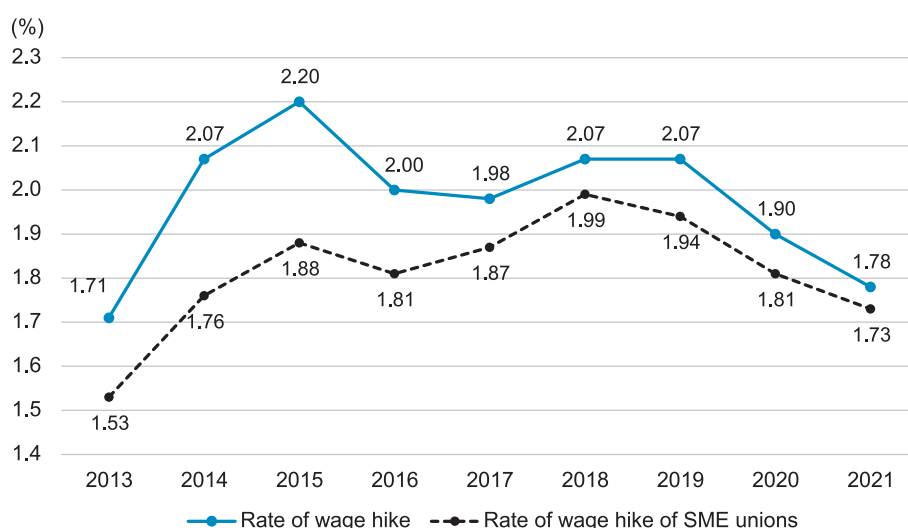
since 2014, as well as their judgment that they must reward employees for their efforts amid the COVID-19 pandemic. On March 17, the “concentrated response date” for this year’s negotiations, Hiroaki Nakanishi, chairman of the Japan Business Federation (Keidanren), commented, “The responses show that companies have given as much consideration as possible to rewarding the efforts and contributions of employees amid the COVID-19 pandemic while keeping in mind the content of union demands.”

### “There is a continuing trend of wage hikes” (JTUC-Rengo)

JTUC-Rengo tabulated final response results for this year’s *Shunto* on July 1. According to the tabulation, the weighted average of wage hike responses, including those equivalent to automatic raises of monthly basic wage, from the 4,772 unions that made demands and negotiated under the average wage method was 5,180 yen or 1.78%. This amount was 326 yen lower in terms of amount and 0.12 percentage points lower in terms of rate in comparison with the same period of the previous year. Of this, the weighted average of 1,498 unions

where the amount of wage hike such as across-the-board pay raises was clearly calculable was 1,602 yen, or 0.55%, which was slightly higher than the previous year by 132 yen, or 0.05 percentage points. Because most of the unions secured the equivalent of automatic raises of monthly basic wage, JTUC-Rengo’s view is that “the trend of wage hikes is continuing.” The wage hikes of 991 unions at small and medium-sized enterprises (SMEs) having fewer than 300 employees where the amount of wage hike such as across-the-board pay raises was clearly calculable were 1,382 yen, lower than the overall average in terms of amount. However, their rate of increase was 0.57%, which was higher than the overall average. The results show that SME unions are doing better than in the past (Figure 1).

For the past several years, JTUC-Rengo has been calling for demands focused on wage levels with the aim of correcting the disparities among company sizes. The number of unions that made such demands with stress on absolute amounts was 3,240, or about half of the total number of unions that submitted demands. This marked a significant increase over the previous year. Here, JTUC-Rengo’s view is that “union efforts that take into



Source: JTUC-Rengo, “Results of spring offensive final responses.”

Note: Data for each year are rates of wage hike (including portions equivalent to automatic raises of monthly basic wage) based on the average wage method (weighted average).

Figure 1. Changes in wage hike rates in *Shunto* (tabulated results of companies’ final responses, 2013 to 2021)

account their companies' wage levels are making progress." As for responses concerning annual lump-sum payments (1,933 unions), the weighted average was down slightly to 4.62 months (down by 0.17 months). However, here, too, the extent of the decrease was small.

### **In the machinery and metal industry, a progress was observed in rectifying disparities by company size**

On March 17, the concentrated response date, responses from major companies in the automobile, electrical machinery and other industries seen as so-called "pattern setters" that play a leading role in the wage hike negotiations were noticeably uneven. This was the third year in which the Confederation of Japan Automobile Workers' Unions' message shifted from "joint struggle for forming the standard of increases in wages," which was the mainstream of past *Shunto*, to "joint struggle with stress on absolute levels of wages," which seeks to correct disparities among industries and company sizes. In the case of the manufacturers' unions, Toyota's union did not disclose the demanded amount of its monthly wage. However, the company settled by giving a response that fully met the union's demand of "a per-person average of 9,200 yen in total wage hikes, such as automatic raises of monthly basic wage, including investment in people, for all members" and "annual lump-sum payment covering six months per year." Nissan also fully met its union's demand for "an average wage-based revision resource<sup>1</sup> of 7,000 yen" and "annual lump-sum payment covering five months per year." Although its union did not demand a wage improvement, Honda also settled on a response that fully met its union's demand for annual lump-sum payment covering 5.0 + 0.3 months per year.

The Japanese Electrical Electronic & Information Union (DENKI RENGO) conducts a unified industrial union campaign that is centered on raising the wage level of core development and design workers at individual points. In this year's *Shunto*, DENKI RENGO set a wage level improvement of 2,000 yen (1,000 yen lower than the previous year)

as a unified demand criterion. Through negotiations, all 13 unions of the Central Struggle Committee Union, comprised of major manufacturers' unions, satisfied the "1,000 yen or more" criterion for avoidance of dispute (so-called *hadome* in Japanese, i.e., minimum standards for wage increases). Following the previous year, the response levels varied somewhat, with Hitachi's union settling at 1,200 yen, Murata Manufacturing's union settling at 1,100 yen, and 11 unions (including those of Panasonic, Fujitsu, Toshiba, Mitsubishi Electric, and NEC) settling at 1,000 yen. All settled at roughly the same level as the previous year.

In the case of the Japan Federation of Basic Industry Workers' Unions (KIKAN ROREN), which is made up of unions in the steel, shipbuilding and heavy machinery, and non-ferrous metal industries, the unions of Mitsubishi Heavy Industries and IHI did not demand wage improvements for the first time in ten years due to the sluggish performance of their core businesses.

On the other hand, in the case of the Japanese Association of Metal, Machinery and Manufacturing Workers (JAM), an industrial union to which many SME unions in the machinery and metal industries belong, 437 SME unions received responses by March 19, following the concentrated responses from the major companies. The average amount of wage hikes for the 138 unions where the amount of wage hikes of across-the-board pay raises and wage improvement was clearly calculable was 1,212 yen. By company size, the average wage hike for major companies with more than 3,000 employees was 1,052 yen, while that for companies with fewer than 300 employees was 1,301 yen, exceeding that for the major companies. Reacting to these developments, JAM's headquarters noted that "SME unions are continuing to break away from their pattern of following the standards set by large enterprise unions."

### **Steady in retail and food products while top priority put on maintaining employment in tourism and transportation**

Looking at the Japanese Federation of Textile,

Chemical, Food, Commercial, Service and General Workers' Union (UA Zensen)—the largest industrial union organizing supermarkets and drug stores, which are performing well due to demand generated by people's staying at home—according to data compiled as of March 25, when the second climax was completed (176 unions, 590,000 people), wage hikes for regular employee union members surpassed the previous year's results in more than half of the unions for which comparisons with the previous year were possible. The weighted average rate of increase was 2.34%, which surpasses the rate of increase for all JTUC-Rengo member unions (1.81%, as of March 19). UA Zensen's headquarters indicated that it saw this as meaning that progress was being made in correcting the disparities among industries. The weighted average rate of increase for short-hour (part-time) union members accounting for the majority of union members was 2.44%. This figure exceeded the rate of increase for regular employees for the sixth year in a row. Taking this into account, UA Zensen's headquarters judged that some progress was being made toward correcting disparities among industries and forms of employment.

The Federation of All Japan Foods and Tobacco Workers' Unions (the FOOD-RENGO) positions union members working in the food industry as essential workers. Responses obtained as of the end of March showed that the simple average under the average wage hike method is 5,686 yen, or 2.02%, which surpasses the previous year (4,947 yen, 1.88%). On March 17, the NTT Group reached an agreement with its labor unions to implement wage improvement of 2,000 yen per person per month, the same amount as the previous year, on average for its seven major companies. This year will become the eighth consecutive year of wage hikes.

Thus, in industries with essential workers who supported sales and production amid the COVID-19 pandemic, responses were the same as the previous year or better. On the other hand, labor-management negotiations in such industries as hotel, leisure, restaurant, and transportation which handles the flow of people had difficulty negotiating wage hike

itself. As a result, most unions focused on securing automatic raises of monthly basic wage, and many of the responses pertaining to annual lump-sum payments were only for the first half of the year, with discussions continuing. The continuation of business was a major topic of discussion, with some workplaces striving to maintain employment through "temporary assignments with continuing affiliation,"<sup>2</sup> an approach that is attracting attention as the effects of COVID-19 become prolonged.

The 2021 *Shunto* was marked by mixed wage hike responses that were attributable to differences in business conditions and the COVID-19 pandemic's impact. However, it is apparent that both labor and management looked ahead to the post-COVID-19 world and thus avoided implementing wage adjustment measures that would have affected workers' morale.

### **“Progressing in correcting disparities toward a shift in the distribution structure” (JTUC-Rengo, as of May 2020)**

The tabulated results of responses and agreements reflect the results of SME unions with each successive round after the date of concentrated responses by the major companies. In typical spring labor-management negotiations, the rate of wage hike gradually decreases with each tabulation. However, a different trend was observed in this year's negotiations. According to JTUC-Rengo's tabulation, the rate of wage hike based on the average wage hike method remained constant (between 1.81% and 1.83%) between the first tabulation (March 19) and the fifth tabulation (May 6). JTUC-Rengo assessed this trend in its mid-term summary report of the 2021 *Shunto* (May 20) by stating, “We consider this means that the movement toward changing the structure of following and complying with the standards set by large enterprise unions is making further progress.”

Moreover, hourly wages for fixed-term, short-hour, and contract workers, such as part-timers and contract employees, showed distinctive movement this year. In the fifth tabulation, the weighted average wage increased by 21.88 yen and the

reference value increased by 2.13% (down 6.61 yen from the same period of the previous year), which were lower than those of the same period of the previous year. However, the rate of increase in hourly wages surpassed the average wage hike rate for regular employee union members. In response, JTUC-Rengo positively assessed the outcomes of efforts by SME unions that took into account “their own wage levels” in its mid-term summary report. JTUC-Rengo’s “2021 Policy for Spring Struggle” states that the wages of SME unions as well as fixed-term, short-hour, and contract workers should be raised to “a level commensurate with the value of their work”<sup>3</sup>. Since wage hikes for fixed-term, short-hour, and contract workers have consistently surpassed those of general union members, JTUC-Rengo’s analysis states that “Our view is that movements made with awareness of correcting disparities and achieving ‘wage levels commensurate with the value of work’ are making progress toward changing the distribution structure.”

### **Progressing discussions on work style reform and response to digitalization**

As was seen earlier, the results of the wage negotiations were mixed, reflecting differences in business conditions among business categories and types as well as companies’ favorable or unfavorable conditions. On the other hand, progress was seen in discussions on work style reforms, including the correction of unreasonable differences in treatment among employment forms, and on business structure reforms, including the promotion of digitalization with a view to the post-COVID-19 world.

On April 1, 2021, application of the Part-Time and Fixed-Term Workers Act was expanded to include SMEs, and laws concerning “equal pay for equal work” were applied to all companies. According to JTUC-Rengo’s final tabulation of results concerning responses and agreements of this year’s negotiations, there were 230 cases of “development of rules for conversion to regular employees and inspection of their application” and 131 cases of “development of rules for determining basic wages and other wages.” Additionally, it is

apparent that labor-management negotiations and discussions on the correction of long working hours, which is another pillar of work style reform, made progress. A total of 714 cases resulted in a response or agreement on “inspection and review of the Labor-Management Agreement relating to Overtime Work and Work on Days Off (the so-called ‘36 Agreement’)” in the bargaining unit. Those cases include the conclusion of agreements setting overtime at “no more than 45 hours per month and no more than 360 hours per year” as a general rule (247 cases); setting a limit on overtime of no more than 720 hours per year, even when special clauses are unavoidably concluded (61 cases); and efforts to keep the number of overtime hours, including work on days off, to within 720 hours per year (51 cases).

Kengo Sakurada, chairman of the Japan Association of Corporate Executives (Keizai Doyukai), stated in his comments on the concentrated response date of March 17, “Various changes are taking place in face of the COVID-19 pandemic. They include more widespread use of teleworking and web conferencing; reassessment of conventional practices using written documents, face-to-face meetings, and seals; and efforts to maintain employment and exchange human resource through temporary assignments with continuing affiliation.” According to JTUC-Rengo’s tabulations, the number of responses and agreements addressing the introduction of teleworking and reassessment of systems reached 270. Additionally, a survey by the Tokyo Metropolitan Government revealed that more than 40% of unions demanded teleworking-related “overhead costs” and “working hour management.”

### **Giving attention to wage levels**

Management is also expressing its awareness of the wage level issue in Japan. At a meeting between the top representatives of JTUC-Rengo and Keidanren on January 27, which effectively marked the start of this year’s *Shunto*, Keidanren Chairman Nakanishi said, “We recognize anew that Japan’s wage levels are considerably below those of other OECD members. We have had a great sense of urgency with respect to this problem, even before

the government asked us to maintain momentum of wage hikes.” Although no answers to this issue were found during the spring wage negotiations, it is likely that grappling with it will become an unavoidable part of maintaining international competitiveness.

During the previous year’s *Shunto*, increases in hourly wages rose to their highest level since JTUC-Rengo’s formation. Nevertheless, as a result of a request on the management side to postpone revision, no guidelines for subsequent regional minimum wage revisions were presented this year. At the meeting of JTUC-Rengo’s Central Committee on June 1, President Rikio Kozu stressed, “At all costs, we must avoid a situation in which the amount of increase remains low for two consecutive years. We must break away from the levels that have left us far behind and buried among the developed nations.”

The COVID-19 pandemic has made it clear that

Japan lags behind other countries in terms of digitalization. Investment in the human resources that will lead this digitalization will be essential in the years ahead. And for labor and management, the question of how Japan’s wage levels stack up against other nations is likewise emerging as a critical issue.

1. 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.
2. “Temporary assignment with continuing affiliation” refers to a form of work in which, based on a temporary assignment contract between a sending company and receiving company, a worker works under an employment contract with the two companies.
3. “A wage level commensurate with the value of work” refers to a wage level that is commensurate with experience, skills, and abilities possessed by the individual. It shall be commonly recognized that no differences will arise in terms of company size, employment form, and gender (from the “2021 Policy for Spring Struggle”).

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