

**Key topic**

## The 2022 *Shunto* Results and Challenges: Labor and Management Shared a Recognition of the Need for “Investment in People”

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The spring wage negotiations, *Shunto*, of 2022 saw a succession of companies responding to union demands in full on March 16, 2022, which was the concentrated response date for major companies and the most critical point in the negotiations. The responses from the majority of companies to their company-based unions indicated a year-on-year increase, reflecting a recovery in corporate performance. Behind this outcome—which came despite the uncertainties such as rising prices associated with resources and energy including crude oil and the situation in Ukraine—were an inclination among companies to reward employees for their efforts to keep business going amid the COVID-19 pandemic and a shared recognition between labor and management of the need for “investment in people” as a source of growth for the post-COVID world. There were also cases of companies that were responding to the Kishida administration’s desire to see enterprises whose performance had improved raise wages; and of companies that sought to take advantage of various policy measures, such as a tax system devised to encourage higher wages.

This result elicited wage responses surpassing those of major companies from some mid-tier enterprises and small and medium-sized enterprises (SMEs) whose negotiations were already in full swing. In addition, hourly wage increases for part-time and non-regular workers were also strong. Thus, the ideal of “equal pay for equal work” is gaining traction, and disparities among types of employment are being corrected.

**The wage increase rate reaches 2.07%, recovering to the 2% level for the first time in three years**



The Japanese Trade Union Confederation (JTUC-Rengo; Tomoko Yoshino, President) reported the aggregated result of companies’ final responses for the 2022 *Shunto* on July 5, 2022. According to this report, the weighted average of the amount of wage increase (including portions equivalent to regular pay raises) using the average wage method was 6,004 yen, or 824 yen above the final result of the previous year. The rate was 2.07%, which was 0.29 percentage points higher than last year’s final result, and reached the 2% level for the first time in three years.

The weighted average of wage increase for unions where the amount of wage increase associated with base pay hikes (across-the-board wage increases, called “*base-up*” in Japan) and wage improvement<sup>1</sup> was clearly calculable (2,213 unions) was 1,864 yen, up 262 yen from the previous year (excluding regular pay raises), for a rate of 0.63%, up 0.08 percentage points from the previous year. By size of company, wages increased by 390 yen compared to the previous year to 1,772 yen (0.72%) for companies with “fewer than 300” employees and by 241 yen to 1,873 yen (0.62%) for “300 or more.” The wage increase rate for unions of SMEs with “fewer than 300” was higher than the overall total and those of “300 or more,” suggesting that unions at SMEs (SME unions) are doing well. Both the amount and rate of wage increases for “fewer than 300” are the highest since

the 2015 offensive, when data on SMEs' wage increases were first aggregated (Figure 1).

The wage increase for non-regular workers (fixed-term, part-time, and contract workers) was 23.43 yen (weighted-average hourly wage; total of 754,004 workers), which was 3.52 yen above the previous year's hike. The average hourly wage stood at 1,047 yen.

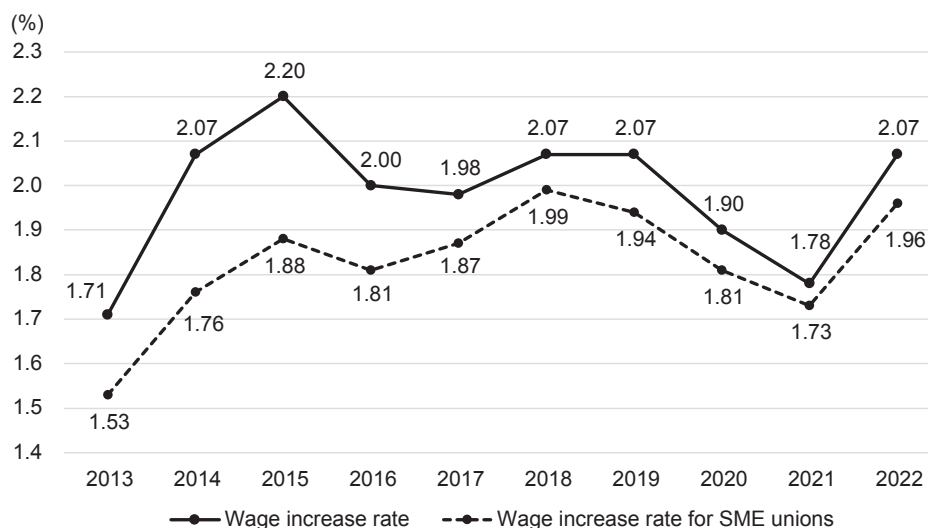
As for responses concerning annual lump-sum payments, payments for union members who are full-time workers covered 4.87 months per year, which was 0.25 months higher than those of the previous year. In terms of monetary value, the average was 1,560,045 yen, an increase of 39,921 yen over the previous year.

The weighted-average number of months in responses concerning annual lump-sum payments for part-time workers (79,951 workers) was 0.82 months. The annual amount (101,156 workers) was 73,748 yen.

## JTUC-Rengo/Spring Struggle Committee summary report and management's view

In June, JTUC-Rengo and the Joint Spring Struggle Committee (comprised of the National Confederation of Trade Unions [Zenroren], Jun-Churitsu-Kumiai Kondankai [a discussion group of independent trade unions], regional joint struggle organizations, and others) each affirmed their mid-term report concerning the progress and results of the 2022 *Shunto*. Given that wage increases ended up being among the highest levels achieved at spring negotiations in which wage increases resurged since 2014, they appraised the 2022 *Shunto*'s result as showing "[that unions] played a certain role as a driving force" (JTUC-Rengo) and presenting "progressive responses, with the largest hikes in terms of amount and rate in the past two decades" (Joint Spring Struggle Committee).

JTUC-Rengo appreciated the fact that, although there are variations in the status of responses among industries, many unions won wage increases, and the



Source: JTUC-Rengo, "Results of spring wage negotiation final responses."

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

Figure 1. Changes in wage increase rates in *Shunto* (tabulated results of companies' final responses, 2013 to 2022)

number of unions that won wage improvements is expected to be the second largest following the 2014 and 2015 spring wage offensives. In its summary report, JTUC-Rengo stated, “Labor-management negotiations were conducted in the midst of Russia’s invasion of Ukraine and soaring fuel and material prices in addition to the effects of the COVID-19 pandemic. Nonetheless, they produced results that came from persistent negotiations from a medium-to-long-term perspective, with a focus on “investment in people” and monthly wages. Thus labor unions were able to play a certain role as a ‘driving force’ in moving society forward.”

In the recent spring wage offensive, JTUC-Rengo, under the slogan of “Future-Building Spring Struggle,” actively called for “investment in people,” which will become the driving force of economic and social vitality, rather than following the economy. It noted that Keidanren (Japan Business Federation) expressed a certain degree of understanding of this view in its 2022 Report of the Committee on Management and Labor Policy, which serves as a negotiating guide for management. It also observed that many in labor and management appear to have shared awareness of this issue and a deepened recognition of it, noting as an example the fact that the recruitment and retention of current and future human resources became focus points in individual negotiations. Moreover, with respect to the transportation and tourism-related industries, where the business environment remains harsh due to the effects of the COVID-19 pandemic, JTUC-Rengo expressed recognition that, while the movement of responses was sluggish, “some unions were able to deepen labor-management recognition of the need for ‘investment in people’ to restore damaged labor conditions.”

Regarding the “correction of disparities,” which was one of the themes of the recent spring offensive, JTUC-Rengo stated in its summary report that (1) SME unions did well overall, as wage increases were highest in terms of both amount and rate since the 2015 wage offensive, when the wage increases of SMEs began to be aggregated, and the distribution of amounts including regular pay raises shifted higher;

and (2) wage increases for non-regular workers (fixed-term, part-time, and contract workers) exceeded those of general union members, and thus progress was made toward the correction of disparities.

Upon receiving the results of the concentrated response date of March 16, Masakazu Tokura, Chairperson of Keidanren, commented, “My frank assessment is that the momentum for wage increases is being steadily maintained and strengthened. Many companies—primarily in automobiles, electrical machinery, steel, and other key industries of Japan—responded that, not only would they implement base pay hikes, but they would provide base pay hikes, bonuses, and lump-sum payments that exceed amounts of the previous year and the year before. Some companies even gave responses that fully met their unions’ demands.”

Moreover, at a regular press conference held on March 18, Chairperson Tokura said, “We will continue to call on big companies to take the lead in promoting fair transaction prices, such as by participating in the Declaration of Partnership Building initiative, to ensure that this momentum for wage increases will also extend to the small and medium-sized enterprises.” Thus, both labor and management assessed the 2022 *Shunto*’s results similarly and shared expectations that SMEs will make appropriate wage increases through the passing on of costs.

### **Many responses fully meeting union demands in automobiles and electrical machinery; growing decentralization of negotiations**

A JTUC-Rengo/Keidanren top management roundtable meeting held on January 26, 2022—the gathering that effectively kicked off this year’s negotiations—resulted in a shared recognition between labor and management of the need for “investment in people” and for wage increases by SMEs. This can be seen as having influenced subsequent labor-management negotiations at the individual enterprise level. On the other hand, the shift in *Shunto* from “industry-wide and uniform

wage increases” to wage determination based on actual company circumstances, an approach that the management side has been calling for these past several years, was more pronounced in this year’s negotiations. In labor-management negotiations in industries that serve as pattern setters, such as automobiles and electrical machinery, an even stronger tendency for responses to be scattered and decentralized emerged.

The automakers’ labor unions were conspicuous in reviving their demands for a base pay hike, as those companies have been enjoying better performance compared to 2021. In part because the assertions made by labor and management did not diverge greatly, negotiations concluded with Toyota, Nissan, and Honda Motor effectively deciding to fully meet their unions’ demands one week before the designated employer response date. The four companies of Mazda, Mitsubishi Motors, Subaru, and Yamaha Motor followed by presenting similar responses on the concentrated response date.

Among the unions of major manufacturers affiliated with the Japanese Electrical Electronic & Information Union (Denki Rengo), the four of Hitachi, Toshiba, NEC, and Murata Manufacturing received responses that their demands would be met in full. The Denki Rengo made a uniform demand based on individual points for “core development and design workers,” which is a major item of job category-specific wages, and the four companies responded by raising wages by 3,000 yen as per the union’s demand.

One can conclude that, within labor-management negotiations involving such major companies, the two sides shared a common understanding of the need for “investment in people” to overcome issues such as the delays in digitalization that became apparent during the COVID-19 pandemic, weak resilience, and wage levels that continue to fall behind those of other developed countries. Toyota has been holding labor-management discussions for several years to cope with a coming “once-in-a-century” revolution in the automobile industry. This trend is not limited to talks in the automobile industry. Discussions on “job-based employment” that are

taking place in major electrical machinery companies and others with a view to restructuring the Japanese-style employment system can also be seen as efforts to bring about sustainable industries, companies, and human resources in the post-COVID era.

Promoting digital transformation and working toward carbon neutrality are indispensable for restarting economic growth in the post-COVID era. Securing innovators and similar human resources will be required for both. The need to invest in such human resources is behind companies’ responses that fully met unions’ demands in the *Shunto*, and it is reflected in, for example, increases in the starting salaries of new university and junior college graduates that went beyond unions’ demands.

### Looking ahead to the 2023 *Shunto*

JTUC-Rengo stresses the need to continue wage increases next year and beyond to secure real wages. Specifically, JTUC-Rengo states in its summary report that “although nominal scheduled wages are expected to be positive in FY2022, real wages that take prices into account are likely to be negative” and that “it is necessary to realize policies aimed at ‘reversing the long-term downward trend in real wages’ through continuous wage increases.”

In light of these issues, JTUC-Rengo decided at a Central Committee meeting on December 1 to set its demands for the 2023 spring offensive (*Shunto*) at around 3% for base pay hikes and about 5% for wage increases that include portions equivalent to automatic raises of monthly basic wage (for the maintenance of wage curves) from a macro perspective to make the *Shunto* a turning point in sustaining and improving working people’s lives.

As consumer prices continue to rise, the government is also expressing its expectations for next spring’s labor-management negotiations. At the Council of New Form of Capitalism Realization held on October 4, Prime Minister Kishida said before top leaders of labor and management in attendance that “In next spring’s wage negotiations, we would like to see labor and management hold discussions that take into account the circumstances of individual companies, with the goal of raising wages to cover

rising prices.”

At a press conference on October 18, Keidanren Chairperson Masakazu Tokura commented on JTUC-Rengo’s proposed policy, saying that he was not surprised to see higher figures than last year, given rising prices. He further stated that it is true that the current price increases are placing a burden on workers, and that “we must recognize anew the role and function of base pay hikes.” At a time when price hikes are highly likely to continue, he expressed the view that “we are well aware that price trends are the most important factor to be taken into account.”

Thus, the government, labor, and management share in the recognition that raising wages has become a pressing issue in light of recently rising prices. Attention will be focused on whether the

public and private sectors can work together to achieve wage increases that counterbalance rising prices ahead of the 2023 *Shunto*.

1. Wage improvement is a term coined by labor unions during the 2006 *Shunto* as a replacement for “*base-up*” (across-the-board wage increases). Until then, in *Shunto*, base pay hikes 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 pay hikes 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 increases 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.

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