

3 Shunto: Spring Wage Offensive

What Is Shunto?

Shunto - the spring wage offensive - is a united campaign by the labor unions, led by Industrial Unions. It is launched every year between March and April, the main aim of negotiations being higher wages. Beginning in 1955, Shunto has become a platform for wage rise demands throughout Japan. By establishing a schedule for strike action and unified demands in each industry, Shunto provided a framework that surpassed internal individual corporate negotiations, instead creating a bargaining method whereby wage increases could be secured throughout the entire industry. The aim of Shunto when it was initially launched was, “the realization of wage increases to put wages on a par with Europe and the US”.

The results of these negotiations did not merely affect the industrial sector. Their influence fanned out in the late 1950s to form what became known as the “spring wage settlement” throughout Japan as a whole, including small and medium enterprises and the public sector. From the 1960s and the period of rapid economic growth, the driving force behind Shunto - the so-called pattern setter - was the labor-management negotiations in the steel industry, which was representative of the bullish manufacturing sector as a whole. In addition, in 1964, the Japan Council of Metalworkers’ Unions (IMF-JC) was formed as the result of the merger of labor unions in the following four metals industry sectors: steel, ship-building and engineering, electric, and automobiles. This private sector metalworkers’ organization took the lead in the Shunto wage increase negotiations each year.

An End to Rapid Growth and a Shift in Shunto Policy

The period of rapid growth came to an end with the first oil shock in 1973. Commodity prices jumped 20% bringing confusion to the market and for the first time in the post-war period real GDP recorded negative figures. It was in 1975 that the “theory of economic conformance” first appeared in the Shunto, which was

essentially a self-imposed limit on wage increase demands with the aim of achieving price stability. Ever since, Shunto has come to be dominated by this concept. As a result, the initial direction of Shunto’s achievement, “large scale wage increases” to realize wage that is equivalent to Europe and the US, was abandoned and an end was brought to the era of two-digit annual wage increases.

After rapid growth ground to a halt, the “theory of economic conformance” espoused by IMF-JC, which took the lead in negotiations resulted in inflation being controlled and made a significant contribution to the macro-economy and the achievement of moderate growth in the 4-5% range. This theory of economic conformance functioned as a kind of “social income distribution mechanism” built in to the Japanese economy. However, following the collapse of the bubble economy, Shunto demands, which had been premised on the theory of economic conformance, were faced with a deflationary economy from the late 1990s, bringing Shunto to a second point of transition in its history.

Shunto in the Post-bubble Era

The collapse of the bubble economy resulted in Japan falling into a recession which has become known as the “lost decade.” From the latter half of the 1990s deflationary tendencies intensified, and the labor-side’s demand structure of “annual pay increases + commodity price increases + improvements in living standards” at Shunto lost effectiveness, due to the fact that they had been premised on continuous economic growth. The wage increase rate accordingly slumped (see Figure IV-6).

Entering the 21st century, Shunto found it difficult even to maintain the so-called annual pay increases (equivalent to 2%), impacted by the long recession, permeation of performance-based pay system, the persistent deflationary economy, and the hollowing out of industry, among other factors. From 2002 the IMF-JC ceased to make a unified request for hikes in base

pay, and the phenomenon of Shunto ceasing to seek wage hikes continued. Therefore, management has thus declared that “Shunto is dead” in that industry-wide settlements for hikes in base pay have come to an end.

Since being written off for a second time, however, a new role is being sought for Shunto as a means of correcting disparities. One new initiative for remedying disparities between enterprises is the determination of wages based on occupational rates. IMF-JC is exploring migrating to an occupational wage-based method of determining wage levels, while the Japanese Electrical, Electronic and Information Union moved to an occupational wage-based demand system, beginning from the 2007 Shunto, to demand wages commensurate with the value of work according to occupation. Moreover, based on the fact that there are pronounced wage gaps depending on the scale of the company (between large companies and small and medium-sized enterprises) and also depending on the form of employment (between regular and irregular employment,) the Japanese Trade Union Confederation (JTUC-RENGO) launched the “joint offensive for small and medium-sized enterprises” and the “joint offensive for part-time workers.” Both joint offensives aim to redress the gap by raising the overall level of wages and working conditions.

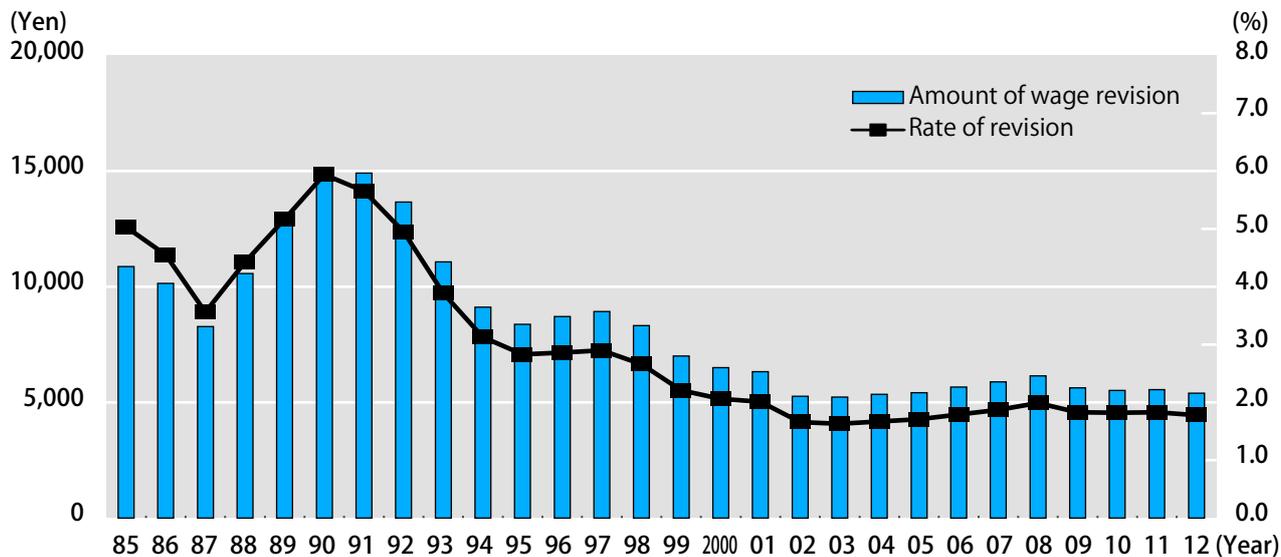
The Biggest Policy Challenge for Government, Labor and Management Is to Break Away from Deflation

Wage levels in Japan as a whole peaked in 1997, and have been in a downward trend ever since. To

make matters worse, under the impact of the global economic crisis of autumn 2008, the following year saw the largest fall in wages since the Second World War. In light of this, the unions embarked on a strategy of negotiation targeting a return to wage levels at their peak, starting with the 2011 Shunto. But just as the Shunto was reaching its climax, the Great East Japan Earthquake struck. The disaster was followed by the Fukushima nuclear power accident, and this in turn by flooding in Thailand that autumn, causing a sudden fall in corporate performance. The impact of this extended to the 2012 Shunto, when bonuses fell sharply.

Both labor and management agreed with the government that deflation is responsible for the protracted stagnation in Japan's economy, and that breaking away from deflation is the biggest policy challenge. Then, at the end of 2012, the Democratic Party suffered a crushing defeat and the LDP-Komeito coalition was revived. This signalled a second term of office for Shinzo Abe and the start of what is now called “Abenomics”. Now, in a bid to break free of deflation, the new administration urged businesses to increase remunerations during Shunto negotiations. But although some companies agreed and the mood of the 2012 Shunto pointed strongly toward wage hikes, it still led to no overall increase. Meanwhile, in the “Growth Strategy” drafted by the new administration, opportunities are to be created with a view to achieving a common understanding between government, labor and management on issues such as how to distribute the fruits of growth. All eyes are now on how these three sectors will reach a social consensus in a bid to break free of deflation.

Figure IV-6 Fluctuations in Revisions to Average per Capita Wage and Rate of Revision (Weighted Average)



Source: Ministry of Health, Labour and Welfare, *Results of Spring Wage Negotiations by major private companies*

Note: In principle up to 2003, companies surveyed are those with a capital of over 2 billions and whose labor union is comprised of over 1,000 workers, among member enterprises in the first section of Tokyo Stock Exchange or Osaka Stock Exchange (before 1979: simple average, after 1980: weighted average). Meanwhile in principle after 2004, they are those with a capital of over 1 billion and whose labor union is comprised of over 1,000 workers (weighted average).