

## 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 (then IMF-JC, now JCM) 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 in

following 1974, 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, the trend for wage demands based on this "theory of economic conformance" also ran aground in the prolonged recession and deflationary economy known as the "two lost decades" after the collapse of the bubble economy in 1991. This brought the Shunto to its second major turning point.

### Shunto in the Post-bubble Era

The justification for wage rise demands by the labor side seeking "annual pay increases + consumer price indexation + improved living standard indexation", premised upon continuously upward economic growth, lost effectiveness as a result of the prolonged deflationary economy. The wage increase rate accordingly slumped (see Figure IV-6).

Since the beginning of the 21st century, it has been difficult for the Shunto even to maintain wage rises equivalent to the so-called annual pay increase (around 2%). Besides deflation, this has been

impacted by a loss of international competitiveness resulting from catch-up growth by emerging Asian economies, a progressive shift to overseas manufacturing due to the appreciation of the yen, and the spread of performance-based principles in enterprises, 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 seeking a shift to a method of determining wage levels in line with “occupation-based wages”, while the affiliated Japanese Electrical, Electronic and Information Union (JEIU) actually shifted to an “occupation-based wage demand method” from the 2007 Shunto. Under this method, wage demands are commensurate with the value of work for specific occupations. Moreover, in light of the widening wage gap between different sizes of enterprise, i.e. between large corporations and SMEs, and between regular and non-regular employment formats, Rengo launched an “SME joint offensive” in 2004 and a “part-timers joint offensive” in 2006, respectively. 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**

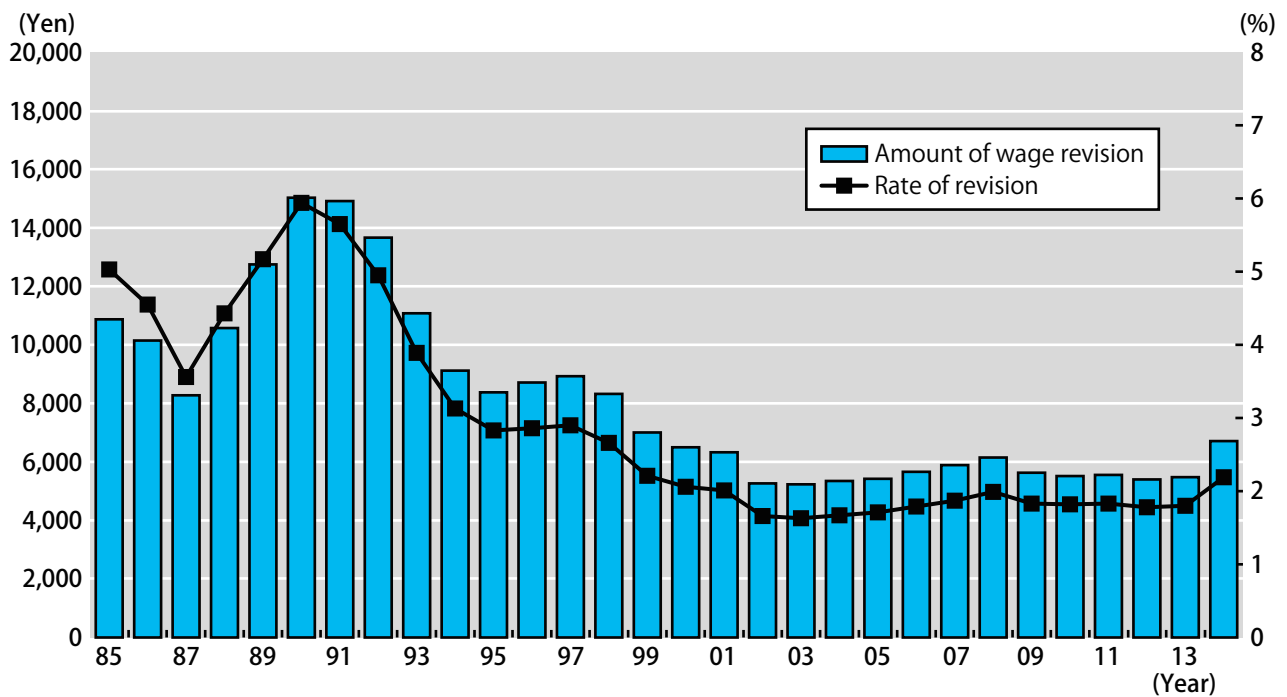
Wage levels in Japan as a whole peaked in 1997, and have been in a downward trend ever since. To make matters worse, under the impact of the global economic crisis of autumn 2008, the following year saw the largest fall in wages since the Second World War. In light of this, the unions embarked on a

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.

Not only the government but also labor and management felt that deflation was to blame for the prolonged stagnation of the Japanese economy, and recognized attempts to break out of deflation as a shared policy challenge. Just then, the Democratic Party suffered a heavy defeat in elections at the end of 2012, and the LDP-Komeito coalition was restored to power. With this, the 2nd Abe administration was formed and the policy known as “Abenomics” was set in motion. First, with a view to breaking out of deflation, the new administration started asking businesses to increase pay during the Shunto bargaining season. Then, in autumn 2013, the government set up a “Tripartite Conference to Achieve a Virtuous Economic Cycle” with a view to creating an environment in a form that involved the labor side. It then compiled a document confirming that all three parties (government, labor and management) would strive to raise wages, from their respective positions. As a result, the rate of wage increases by large private corporations in the 2014 Shunto returned to the 2% level for the first time in 13 years. The framework of this Tripartite Conference was then continued into the 2015 Shunto, when the rate of wage increases rose from the previous year to 2.38%, the highest level since 1998.

It remains to be seen whether this trend toward pay rises will be extended to SMEs and non-regular workers in future, and moreover to provincial regions that have so far been denied the benefits of economic recovery, and whether moves to break out of deflation can be achieved.

**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).