

2017 “Shunto” to call on 4 consecutive years of pay scale increase

“Shunto” stands for spring offensive in Japan. It is a labor campaign by labor union to mainly call on wage rise to company managements. A word “Shunto” derived from activities of labor union to negotiate with company managements aiming at better living of workers before the beginning of fiscal year starting from April in Japan. In general, labor unions call on company managements to improve working conditions such as pay scale increase around February, to which company managements give responses in middle of March and both aim at reaching agreement by the end of March every year.

Point 1

Abe administration asked for same level of wage increase as previous year and pay scale increase for 4 consecutive years to make sure virtuous cycle of economy under Abenomics (economic policies of PM Abe) continues

- In Japan, wage increase can be broken down into (i) annual wage increase, an increase in proportion to time course such as seniority or length of service, and (ii) pay scale increase, an increase of the base wage level. Abe administration has been urging business community to raise wages since the start of its second administration. In November 2016, Prime Minister Abe called on same level of wage increase as previous year and pay scale increase for 4 consecutive years at “Working-style reform committee” to make sure virtuous cycle of economy under Abenomics (economic policies of PM Abe) will persist.

Point 2

JTUC called on pay scale increase for 4 consecutive years Total wage increase (including annual wage increase) of about 4%

- Japan Trade Union Confederation (JTUC), that bundles labor unions across all industries, announced 2017 “Shunto” policy to work on realization of “raise and support” and “reduce disparities” of wages of all workers. JTUC called on pay scale increase for 4 consecutive years. In concrete terms, request for around 2% wage increase as a base and around 4% increase including annual wage increase (equivalent to the increase to maintain the wage curve).
- Under JTUC’s policy of “wage raising Shunto”, pay scale increase for 3 consecutive years was achieved in 2016. However, JTUC is continuing to call on pay scale increase, similar to previous year, in order not to return to deflationary economy as it still considers past wage increases insufficient to lead personal consumption.

Future Outlook

Middle of March will be the peak of company managements’ response to labor unions. Working-style reform is one of focal points in 2017

- Labor unions of major manufacturing companies seem to have decided to request pay scale increase of about JPY 3000, similar to the previous year. Meanwhile, some of the managements intend to reduce pay scale increase by negotiating wage increase together with bonus. We need to focus on outcome of “Shunto” during peak of company managements’ response to labor unions in middle of March.
- In Japan, companies are working hard to secure human resources by increasing wages, as Japan is almost in full employment. Under such circumstances, Working-style reform is one of the focal point of “Shunto” in 2017. In Japan ongoing discussions are being made on quality of employment such as prohibition of long working hours in addition to wage increase as countermeasures to the falling birth rate and promotion of active female participation in order to secure labor force.

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