

Strong Showing of Small Businesses Noticeable in 2017 “Shunto”

Initiatives also increasing for work-style reforms

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The results of the annual “Shunto” spring labor offensive, the fifth under “Abenomics,” are gradually coming out. What has been noticeable in this year’s Shunto thus far is the strong showing by small and medium-sized enterprises against the lackluster performance of large corporations. In fact, based on data as of April 13 (on the basis of the same labor unions that make comparison with 2016 possible), while the rate of wage increases by large corporations dipped by 0.04 percentage point from 2016, that of smaller businesses showed a marginal rise of 0.01 percentage point.

Serious Shortage of Labor Explains the Wage Rise at Smaller Businesses

For base wages for scheduled working hours, small and medium-sized enterprises came up with higher increases than large corporations. Behind the stronger wage increases at smaller businesses is the shortage of labor not seen since the bubble economy era. In order to secure enough workers, they have to raise wages. In fact, the Bank of Japan’s “Tankan” Short-Term Economic Survey of Enterprises in Japan of March 2017 shows that the shortage of labor is far severer at smaller businesses than at large corporations. Aside from this factor, it can be pointed out that also contributing to the higher wages at smaller businesses is the fact that lower crude oil prices, which continued through 2016, have helped them reduce costs, creating more money available for wage increases.

Enhancement of Labor Productivity Holding the Key

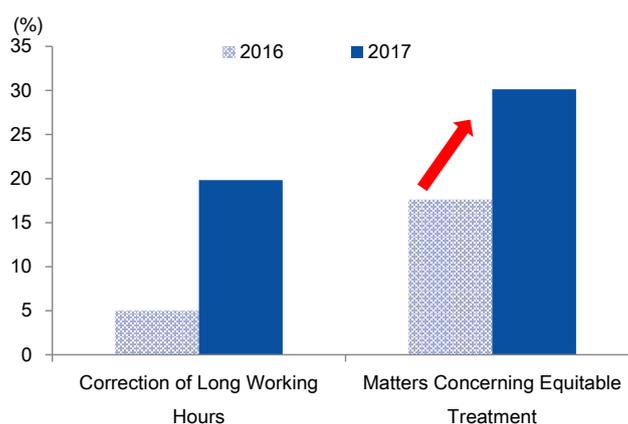
Under these circumstances, are the wage increases at smaller businesses sustainable? Wages in Japan as against labor productivity had been somewhat overvalued since the Lehman Shock, but declined to appropriate levels after the introduction of “Abenomics,” as corporate earnings improved and small and medium-sized enterprises had more money to fund wage increases. However, temporary factors also played a major role, including oil price declines and higher public investment. In order to make sustained wage increases possible, it is essential to enhance labor productivity through corporate efforts. In this regard, some bright signs are emerging recently. According to the aforementioned March Tankan survey by the Bank of Japan, fixed investment plans of smaller businesses for FY2017 stand at the highest level in recent years as the planned

values as of March. Since not many small and medium-sized enterprises have firm plans for fixed investment for the whole year in as early as the spring, developments going forward need to be watched. But the Tankan numbers suggest that they may have started to spend on labor-saving investment to make up for the labor shortage they are facing.

Rising Number of Companies Addressing Work-Style Reforms

Another noteworthy aspect in the 2017 Shunto is the increasing number of companies addressing work-style reforms. In particular, the ratio of companies indicating that they would strive to cut back on overtime work rose from 5% in 2016 to 20% in the 2017 Shunto. The ratio of companies implementing measures to improve the treatment of non-regular workers is also increasing. That said, at small and medium-sized enterprises already plagued with the labor shortage, many managers are balking at work-style reforms that inevitably lead to shorter working hours. With Japan's workforce expected to shrink, however, just sitting by idly and doing nothing will not help improve the situation. It may be argued that small business managers are being called upon to have firm resolve to set out on reforms by taking the call for work-style reforms as an opportunity to review their organizations and business operations.

[Chart1 : Corporate Initiatives Concerning Labor Conditions]



Note: The ratio of the number of management responses to the number of labor demands

Source: Made by Mizuho Research Institute based on "Third Summary of Management Responses, 2017 Shunto Labor Offensive and Various Year-Round Initiatives" by Japanese Trade Union Confederation.

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