

KEY TOPIC

Regional Minimum Wages Hiked by Average 3% for 2nd Straight Year

Hourly Rate Now 848 yen

In recent years, moves to raise the minimum wage have been getting active around the world. In Japan, Prime Minister Shinzo Abe has expressed a positive stance on raising the minimum wage; for example, he has indicated a policy of increasing the amount by an annual rate of about 3%, targeting a minimum hourly average of 1,000 yen (\$8.86).

In response to this, the regional minimum wages decided for each prefecture increased by a national weighted average of 25 yen (about 3%) for two straight years in 2016 and 2017. This is the largest rise since 2002 when an hourly amount was adopted as the indicator of regional minimum wage.

Revisions of regional minimum wages are decided by Regional Minimum Wage Councils in each prefecture, based on guidelines issued by the Central Minimum Wages Council, Ministry of Health, Labor and Welfare (MHLW). In this process, the views of relevant labor/management organizations and the results of the Survey on the Status of Wages are taken into account. In principle, the minimum wage applies to all workers, numbering some 50 million, and the weighted average hourly minimum for 2017 is 848 yen.

With this, regional minimum wages have risen by about 100 yen over the past five years of the Abe administration.

Policy trends in minimum wage rises, starting 10 years ago

Since the beginning of the 21st century, the deflationary economy has intensified and the ratio of non-regular employment (part-time workers and short-term contract workers) has risen significantly. Therefore, reducing disparity among employment forms has become a major policy issue, and the existence of a minimum wage system as a safety net has increased in importance. For this reason, a lively policy debate on the minimum wage was started about ten years ago.

When the first Abe administration took power in September 2006, raising the minimum wage was cited as one of the pillars of public policy to give public-sector jobs to part-time workers, and to help failed businesses to start up again. As a related move, a “Growth Potential Enhancement Strategy Planning Team” was set up in the government in February 2007, and in March, a “Strategy for Enhancing Growth Potential” was drawn up. One of its goals was to raise the incomes and living standards of all working people while preventing disparity from becoming entrenched. This led to the launch, later that month, of the “Round-Table Council to Promote Strategy for Enhancing Growth Potential” consisting of government, labor, and management. Its aim was to promote an improvement in productivity combined with a rise in the minimum wage.

Until then, revisions of the minimum wage had been implemented following deliberation on revision guidelines by the Central Minimum Wages Council. In this process, the Council took account not only of price increase but also of trends in wage rises by private companies affected by the outcome of that year’s *shunto* (spring wage negotiations), as well as data showing the revised average wages of workers (general workers and part-time workers) in small, medium, and micro-enterprises in the important reference material “Survey on the Status of Wage Revision” (MHLW).¹ Because wage rises remained low in a state of deflation, the minimum wage increase often consisted of just a few yen until 2006.

In response to these trends, in July 2006 the Round-Table Council agreed to “encourage rises not on the same trajectory as those hitherto” when raising the minimum wage for FY2007. This principle was then incorporated in a consultation by the MHLW to the Central Minimum Wages Council. As a result, the national average hourly wage for FY2007 was revised upwards by 14 yen from the previous year, compared to only 5 yen in FY2006.

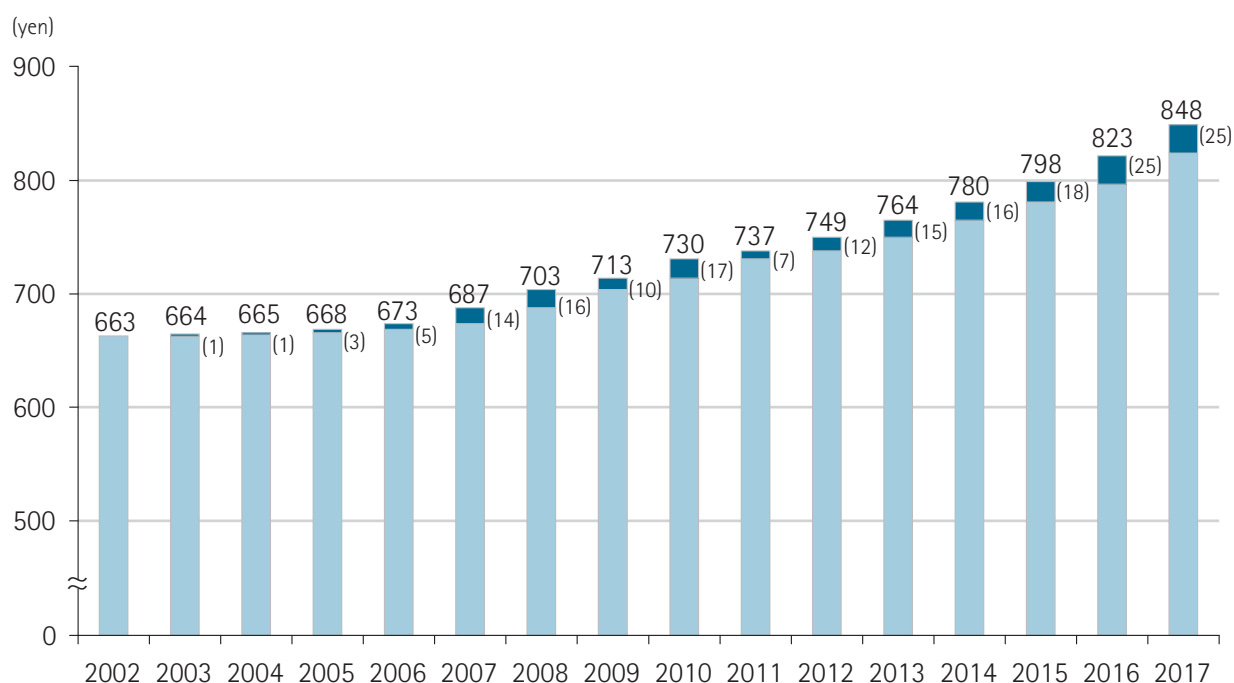
In conjunction with these government initiatives, a “Bill for Partial Revision of the Minimum Wage Act” was submitted to the Diet in March 2007. As well as “Clarifying the standards for deciding minimum wages so that the consistency between regional minimum wages and public assistance policies shall be considered to ensure that workers can maintain the minimum standards of wholesome and cultured living,” the Bill also increased penalties for non-payment of the minimum wage from the previous 20,000 yen to 500,000 yen. The Bill was enacted in November that year and came into effect on July 1, 2008.²

The “Round-Table Council Agreement” drawn up in June 2008, meanwhile, incorporated a medium- to long-term rise in the minimum wage based on the amended Minimum Wage Act. It included a statement that “the government, labor, and management will combine efforts with the aim of raising the minimum wage for about the next five years, in consideration of consistency with public assistance standards and balance with the minimum starting salary for senior high school

graduates in small-scale businesses.” With this, an attempt not only to eliminate the problem of reverse phenomenon between public assistance standards and the minimum wage (the phenomenon that the sum of minimum wage becomes lower than public assistance) but also to achieve a balance with high school graduate starting salaries was being proposed as a new indicator. With the targeted standards of medium- to long-term minimum wage rises agreed in this way, the scene was set for staged increases in the minimum wage.

Impact of the Lehman’s collapse and the Great East Japan Earthquake

The Democratic Party of Japan (DPJ) won the September 2009 General Election by a landslide, having pledged that it would “aim to raise the minimum wage to a national average of 1,000 yen” in its election manifesto. With this change (of the government), the DPJ now led the government with Yukio Hatoyama as Prime Minister. In November that year, an “Employment Strategy Dialogue” comprising representatives of labor and industry as



Source: MHLW, Compiled from “Status of Reports on Regional Minimum Wage Amounts,” 2017, <http://www.mhlw.go.jp/file/06-Seisakujouhou-11200000-Roudoukijunkyou/0000175631.pdf>

Note: Top segment shows the raised amount (figures in parentheses) on the minimum wage of the previous year.

Figure 1. Trends in regional minimum wages (national weighted average, hourly amount)

Table 1. Regional minimum wages FY2017 (yen)

Prefecture	Minimum wage amount	(FY2016)	Raised amount
Hokkaido	810	(786)	24
Aomori	738	(716)	22
Iwate	738	(716)	22
Miyagi	772	(748)	24
Akita	738	(716)	22
Yamagata	739	(717)	22
Fukushima	748	(726)	22
Ibaraki	796	(771)	25
Tochigi	800	(775)	25
Gunma	783	(759)	24
Saitama	871	(845)	26
Chiba	868	(842)	26
Tokyo	958	(932)	26
Kanagawa	956	(930)	26
Niigata	778	(753)	25
Toyama	795	(770)	25
Ishikawa	781	(757)	24
Fukui	778	(754)	24
Yamanashi	784	(759)	25
Nagano	795	(770)	25
Gifu	800	(776)	24
Shizuoka	832	(807)	25
Aichi	871	(845)	26
Mie	820	(795)	25
Shiga	813	(788)	25
Kyoto	856	(831)	25
Osaka	909	(883)	26
Hyogo	844	(819)	25
Nara	786	(762)	24
Wakayama	777	(753)	24
Tottori	738	(715)	23
Shimane	740	(718)	22
Okayama	781	(757)	24
Hiroshima	818	(793)	25
Yamaguchi	777	(753)	24
Tokushima	740	(716)	24
Kagawa	766	(742)	24
Ehime	739	(717)	22
Kochi	737	(715)	22
Fukuoka	789	(765)	24
Saga	737	(715)	22
Nagasaki	737	(715)	22
Kumamoto	737	(715)	22
Oita	737	(715)	22
Miyazaki	737	(714)	23
Kagoshima	737	(715)	22
Okinawa	737	(714)	23
The average of the whole country	848	(823)	25

Source: MHLW, "Regional minimum wages of Japan at a glance," 2017, http://www.mhlw.go.jp/stf/seisakunitsuite/bunya/kokyou_roudou/roudoukijyun/minimumichiran/

well as experts was set up under the Prime Minister, and the "New Growth Strategy (Basic Policies)" decided by the Cabinet in the following month stated that a concrete target would also be set for the minimum wage hike "by 2020," in line with the Employment Strategy Dialogue and others. Then, at the 4th Employment Strategy Dialogue in June 2010, it was confirmed that "At the earliest possible juncture, we will secure a national minimum wage of 800 yen, and will aim for a national average of 1,000 yen while taking account of the economic situation."

Considering, however, that the DPJ administration was launched at a time of recession caused by the Lehman Brothers collapse, and that it was also confronted by the unprecedented disaster of the Great East Japan Earthquake on March 11, 2011, the targeted "national average of 1,000 yen" was not attempted to be achieved during its three years in power. Indeed, partly because priority was given to eliminating the reverse phenomenon between public assistance and regional minimum wages, the rise was extremely small in prefectures where there was no such phenomenon (Table 1).

Minimum wage hikes accelerated under the 2nd Abe administration

Under the second Abe administration launched at the end of 2012, the policy of "striving to raise the minimum wage" was indicated as part of the administration's growth strategy known as the "Japan Revitalization Strategy" (June 2013), aiming at achieving a positive cycle of wage rise and improved corporate earnings. Then, following deliberation on regional minimum wages in line with the Central Minimum Wages Council's guidelines in August that year, the reversal between minimum wage and public assistance was eliminated in all prefectures except Hokkaido. The phenomenon was eliminated in Hokkaido in the following year.

After this, in the Council on Economic and Fiscal Policy in November 2015, Prime Minister Abe declared that "The minimum wage needs to be raised by a target annual rate of around 3%, while taking account of the rate of growth in nominal GDP, and we will aim to take the national weighted average to 1,000 yen." With this, he indicated more specific targets for the rise than had previously

been expressed. As a result, the FY2016 minimum wage hike was 25 yen (an increase of 3.1% from the previous year), the largest increase since 2002.

After deliberating the rise for FY2017, the Central Minimum Wages Council decided on a target national average of 25 yen (3.0%) on July 25. Following deliberation on the revision of regional minimum wages by the councils in each prefecture, the revised national weighted average was to be 848 yen, an increase of 25 yen (3.0%) over the previous year. The government's Action Plan for the Realization of Work Style Reform, decided in March 2017, stated explicitly that "we will raise the minimum wage at an annual rate of approximately 3%, and through this, we will aim for the national weighted average to reach 1,000 yen." This year's revision was in line with that principle. Since 2007,

therefore, revisions of the minimum wage could be said to have been promoted through dialog between the government, labor, and management and academic experts, in addition to the basic principle of the Minimum Wage Act, giving comprehensive consideration to targets and others set by successive administrations.

Note

1. <http://www.mhlw.go.jp/toukei/list/97-1.html>.
2. In Japan, the Amended Minimum Wage Act was established on November 28, 2007 (enforced on July 1, 2008). As a result of this amendment, the living expenses of workers considered when determining regional minimum wages shall be balancing in consistency with social security benefits; the extended application system of labor agreements was abolished; a specified minimum wage was established; and penalties for nonpayment of wages were raised (up to 500,000 yen).

NEWS

Rengo Holds 15th Biennial Convention, Re-Elects President Koze

Aims to Establish "Rengo Vision 2035" as It Nears 30th Anniversary

The Japanese Trade Union Confederation (JTUC-JTUC-Rengo, hereinafter Rengo), a trade union national center in Japan with 6.75 million members, hosted its 15th Biennial Convention in Tokyo on October 4-5. Its new action policies for the coming two years include the task of formulating the "Rengo Vision 2035 (provisional name)," which will act as a medium- to long-term compass for labor union action as Rengo approaches its 30th anniversary in November 2019. In the election of executives, president Rikio Koze (Kikan Roren¹) and non-full-time deputy president Atsushi Kawamoto (Jichiro²) were re-elected. General secretary Naoto Ohmi (UA Zensen³) was elected to the new post of full-time deputy president, and Yasunobu Aihara (JAW⁴), became his successor as general secretary.

Renewed tax reform and formulation of a new social security vision

The slogan for action in FY2018-2019 is "A

Significant Step toward the Next Stage." The action policies decided in anticipation of Rengo's 30th anniversary are to "make it a time when we will call more comrades to join our action and hone our 'strength and policy,' as well as striving to form a decent consensus, promoting action in solidarity within Rengo, and increasing our basic strength as we aim for the next step forward." As well as this, the Convention set out priority tasks designed to accelerating the process towards a "secure society based on work," the image of society that has always been Rengo's aim.⁵ These tasks are defined as (i) to build up the influential strength to achieve policies made from the standpoint of workers and consumers, and (ii) to maintain and increase organizational power and the driving force to promote action.

It was also proposed that a new vision for society should be formulated with the medium- to long-term perspective in light of progressive trends such as population decline and the Fourth Industrial