

9 Minimum Wage System

Purpose of System

The minimum wage system is a system by which the Government establishes legally enforceable minimum amounts for wages that at least employers must pay workers.

The stated objective of the Minimum Wage Act (hereinafter referred to as the “Act”) is “to improve the working conditions of low-paid workers by guaranteeing minimum amounts of wages and thereby to contribute to stabilizing workers’ living, raising the quality of the labor force, and securing fair competition among undertakings, as well as to promote the sound development of the national economy” (Article 1 of the Act).

Methods of Determination and Types of Minimum Wage

In Japan, minimum wages are determined based on investigation and deliberation by minimum wage councils. This is called the “council method”.

*Another method of determining minimum wages, called the “expanded collective labor agreement method”, was discontinued under revisions to the Act effective from 2008.

Minimum wages are of three kinds – regional, industrial, and occupational – of which two are presently set: 1) regional minimum wages and 2) industrial minimum wages.

1) Regional minimum wages

(All 47 prefectures had regional minimum wages in FY2012. These covered approximately 51.2 million workers, and the weighted average amount was 749 yen).

Regional minimum wages are determined at the level of each prefecture and accordingly named after the prefecture. As a rule, they apply to all workers working at establishments and all employers employing even just one worker in the prefecture concerned.

2) Industrial minimum wages

(There were 243 industrial minimum wages in FY2012, covering approximately 3.65 million workers. The weighted average amount was 807 yen).

Almost all industrial minimum wages (242 of the total) are established for a specific industry in a given prefecture, and accordingly named after the prefecture and industry concerned. One minimum wage covers a specified industry nationwide, and is named accordingly.

Following the recommendations of the Central Minimum Wage Council dated July 29, 1981, and February 14, 1986, industrial minimum wages are established where the employers and workers concerned consider it necessary for wages to be higher than the regional minimum in order to improve working conditions and ensure fair business competition. (240 “new industrial minimum wages” of this kind have so far been set).

The “former” industrial minimum wages set before these recommendations were made have not, with the exception of those replaced by new equivalents, been revised since 1989, and have been phased out as they have fallen below the regional minimum wage. Presently only three minimum wages of this kind remain.

Standards for Determination of Minimum Wages

Minimum wages are established taking into all-round consideration three factors: 1) workers’ cost of living, 2) workers’ wages, and 3) the capacity of normal industries to pay wages. When considering the first factor, consideration is shown for consistency with measures pertaining to public assistance to enable workers to maintain the minimum standards of wholesome and cultured living (Article 9 of the Act).

Revision of Minimum Wage Rates

Since 1978, guideline increases to regional minimum wages have been presented every year by the Central Minimum Wage Council to the regional

minimum wage councils in order to ensure consistency nationwide. The Regional Minimum Wage Councils then consider revisions to the regional minimum wage in their area based on local conditions and taking these guidelines into consideration.

Industrial minimum wages are revised after deliberation by a minimum wage council where it deems this necessary following a request by a representative of some or all workers or employers (Article 15, Paragraph 1 of the Act).

Expression of Minimum Wage

Minimum wages are presently expressed in the form of an hourly rate as provided for by Article 3 of the Act. (However, some industrial minimum wages are expressed as both a daily rate, as in the past, and as an hourly rate: the daily rate applies to those workers in the industries concerned who are paid a daily wage, and the hourly rate applies to those paid an hourly or monthly wage. Following the entry into effect of the revised Act in 2008, minimum wages

expressed as daily rates must also be expressed as an hourly rate when next revised).

In order to determine whether the wage actually paid meets the minimum wage, therefore, the actual wage received less the allowances for dependents, etc. shown in 5 is compared with the minimum wage by the appropriate method shown below according to the mode of payment of wages (Article 2 of the Rules).

1) Hourly wage:

Hourly wage \geq minimum wage (hourly rate)

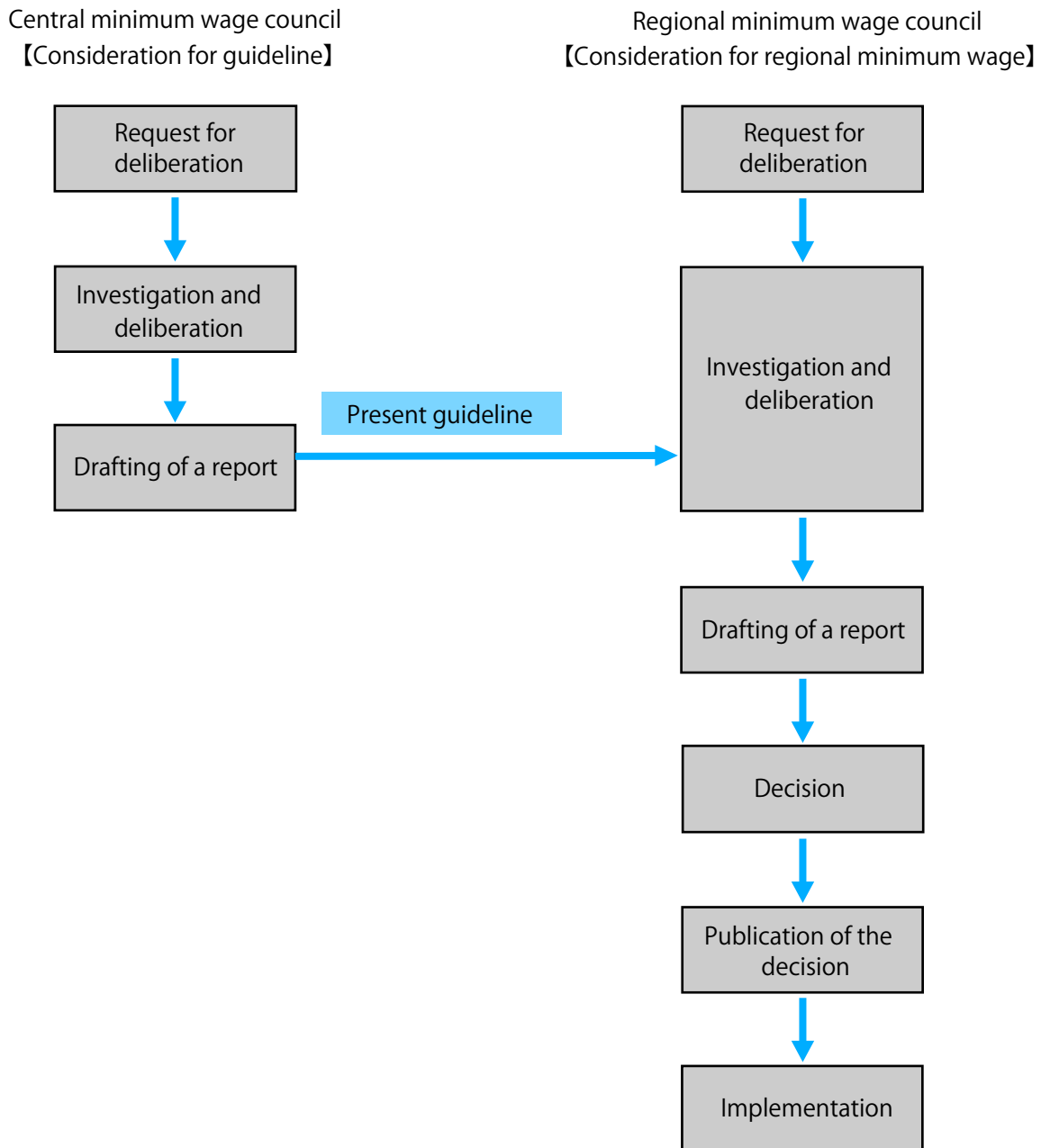
2) Daily wage:

Daily wage / scheduled working hours per day \geq minimum wage (hourly rate)

(Daily wage \geq daily rate of minimum wage in the case of industrial minimum wages to which a daily rate applies)

3) Monthly wage:

Wage is converted to an amount per hour and compared with the minimum wage (hourly rate)

Figure V-12 Methods Used to Set Minimum Wages (Minimum Wage Set through Minimum Wage Council Investigation and Deliberation)**Table V-13 Minimum Wages (Weighted National Average)**

(As of July 2, 2013, yen)

	Hourly rate
Minimum wage by prefecture	749
Minimum wage by industry	807