
A New Departure in the Japanese Minimum Wage Legislation

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The Minimum Wages Act underwent a major revision in 2007 as the issue of the working poor heightened public interest in the theme. The revision streamlined the entire minimum wage system, placing the regional minimum wages established by the prefectures clearly at the core. It also required that the amounts of these minimum wages be consistent with public assistance policies. Under the revised act, the new regional minimum wages were set and entered effect in each prefecture from autumn 2008. This article explores the significance of this new minimum wage legislation.

I. Introduction

In 2007, the Minimum Wage Act of Japan underwent its first major revision in four decades. This act used to have a comparatively low profile even within the field of labor law, but the growing focus on the issue of the working poor in the past few years has generated considerable public interest in the minimum wage system as a way of dealing with this problem. The revision of 2007 overhauled the entire minimum wage system. Most notably, it put the regional minimum wages established by the prefectures clearly at the system's core and ordered that the amounts of these minimum wages be determined giving consideration to their consistency with public assistance policies. In addition, a new system of "specified minimum wage" was adopted as a distinctive measure without criminal sanction. Under the revised act, the minimum wages for fiscal 2008 were determined and went into effect in each prefecture from autumn 2008. This marked the first step in the new era of Japanese minimum wage legislation. This article will explore the significance of the 2007 revision after reviewing the historical development of the minimum wage system.¹

II. Development of the Minimum Wage System in Japan

1. Enactment of the Minimum Wage Act and the Revision of 1968

The Minimum Wage Act of Japan was enacted in 1959, exactly half a century ago. Prior to this act, the Labor Standards Act of 1947 contained provisions that allowed the

¹ Regarding the minimum wage system prior to revision, see Kazuo Sugeno, *Japanese Employment and Labor Law* 242-47 (Carolina Academic Press 2002); The Japan Institute for Labor Policy and Training (JILPT), *Labor Situation in Japan and Analysis: General Overview 2006/2007* 101-102 (JILPT 2006). For an example of press coverage of the 2007 revision, see Japan Times, *Labor Laws Passed; Better Terms Hoped*, November 29, 2007, <http://search.japantimes.co.jp/cgi-bin/nn20071129a3.html>. For an article describing the guideline increases recommended for regional minimum wages in fiscal 2008, see Japan Times, *Minimum Wage May Rise ¥15 on Average*, August 7, 2008, <http://search.japantimes.co.jp/cgi-bin/nb20080807a7.html>.

administrative authorities, where deemed necessary, to establish minimum wages for workers employed in certain industries and occupations after having requested an investigation by and the opinion of the central or local wage council. However, in the harsh economic conditions of the postwar years, it was feared that the establishment of a minimum wage would put excessive pressure on business. Despite persistent calls from the labor side, the mechanism of the Labor Standards Act was not utilized in practice.

As the economy moved into gear in the mid-1950s, the Minimum Wage Act of 1959 was enacted, after heated debate, to deal with the issue squarely. The creation of the Minimum Wage Act independent of the Labor Standards Act, as well as the establishment of actual minimum wages under this Act, represented a major advance. The principal method adopted for establishing a minimum wage, however, was the so-called “trade-agreement method” (i.e., based on mutual agreements among business entities of a particular industry and region), which was unheard of in other countries.

The 1959 Act did provide for two other methods, that is, regional minimum wages based on locally predominant collective bargaining agreements (collective-agreement extension method), and minimum wages based on investigation and deliberation by a tripartite minimum wages council (council method). However, the collective-agreement extension method was rarely used because most labor unions in Japan are formed at individual enterprises and there are few industry-wide agreements upon which to set regional minimum wages. As for the council method, it was given only an auxiliary role by the Act. Minimum wage councils could determine minimum wages only where determination of minimum wages based on either trade agreement or collective bargaining agreement was unfeasible or inappropriate.

In any event, the minimum wages under the 1959 Act, established mostly through the trade-agreement method, covered only a fraction of the total labor force. Moreover, because workers’ representatives were not involved in the making of trade agreements, there was strong criticism that this arrangement contravened ILO Convention No. 26 on Minimum Wage-Fixing Machinery (1928). To address these problems, the Minimum Wage Act was substantially revised in 1968. Japanese minimum wage legislation thus evolved into the third phase, counting the unused mechanism of the Labor Standards Act.

The 1968 revision eliminated the trade-agreement method and expanded the provisions for the council method, completing the framework of the Minimum Wage Act as it existed prior to the 2007 revision. The system was founded on two pillars: (i) regional minimum wages established by the collective-agreement extension method (specified in Article 11 of the 1968 act) and (ii) minimum wages established by the council method (specified in Article 16 of the same act).

2. Developments under the 1968 Revised Act

The first of the above two pillars—the collective-agreement extension method—was modeled on the European system and, as noted above, unrealistic in the Japanese setting. It

was inevitable that the council method became the principal method used.

The minimum wages councils under the 1968 Act were the same as they are today, consisting of the “Central Minimum Wages Council” at the national level and the Regional Minimum Wages Councils established in each prefecture. These councils are a tripartite body comprising of the same number of members representing workers, employers, and the public, respectively. The Central Minimum Wages Council has the authority to decide minimum wages spanning more than one prefecture, but it seldom does so in reality. Most minimum wages have been determined in each prefecture based on the investigation and deliberation of the Regional Minimum Wages Council.

The foremost priority at the time of the 1968 revision was to expand the coverage of the system so that all workers may enjoy the legal protection of minimum wage. The existence of prefecture-wide regional minimum wage seems so natural today, but that was not the case until mid-1970s. Using the council method, minimum wages were established one after another in various industries and regions. The two spread to create a complementary patchwork, and it was hoped that the gaps would be filled in eventually. Then, from 1971, the establishment of regional minimum wages in particular was pursued in a planned manner in accordance with government policy, and minimums had been established for all prefectures by January 1976.

Thus the goal of giving the protection of the minimum wage to all workers was attained. In response to this, there were two subsequent developments.

The first was the system of “guideline” of the Central Minimum Wages Council for revision of regional minimum wages. This system was adopted in 1978 to seek national consistency among regional minimum wages while still allowing them to be determined in each prefecture according to the judgment of the Regional Minimum Wages Council. The Central Minimum Wages Council study various economic factors and draw up suggested change to minimum wages for the year concerned, which are then presented as “guidelines” to the Regional Minimum Wages Councils. The prefectures are divided into four ranks—A, B, C, and D—and a guideline increase is recommended for each of the ranks. Guidelines are of course not binding on the Regional Minimum Wages Councils. Moreover, in practice, the division between representatives of workers and employers is so fierce every year that the Central Minimum Wage Council only issues the “opinion of public members” on guideline increases, rather than its unanimous and official recommendations. Still, the guidelines wield substantial influence over the decision of Regional Minimum Wages Councils. This is a modest mechanism designed to compensate for the lack of a uniform national minimum wage in Japan’s decentralized system.

The second development was the reorganization of industrial minimum wages. Formerly, they were set rather aggressively in competition with regional minimum wages to expand the total coverage of minimum wage system. Now that all the prefectures had the regional minimum wage, however, it became necessary to create a division of roles between the two. From 1982, the scope of industries covered was defined more narrowly than before,

and the requirements for establishment of such minimum wages were streamlined. Industrial minimum wages were to be established only where deemed necessary, and their amounts should be higher than the applicable regional minimum wage.

III. Minimum Wage Situation

1. Number of Minimum Wages Determined

The number of minimum wages established in Japan as of the end of February 2008 was 299,² of which only two—one in Shiga Prefecture and the other in Hiroshima Prefecture—were established by the collective-agreement extension method (affecting approximately 500 workers).³ The remaining 297 were determined by the council method. Of the minimum wages determined by the council method, 47 were regional (prefectural) minimum wages and 250 were industrial (industry-specific) minimum wages. The number of workers affected by the former (50,240,000 workers) was far greater than the latter (3,730,000 workers). Of the industrial minimum wages, 247 were so-called “new” industrial minimums established after the shift to the narrow classification system, and three were “old” ones determined under the previous system.

All of the regional minimum wages were determined on a prefectural basis, as were the great majority of the industrial minimum wages. These minimum wages were established by the Director of the Prefectural Labor Bureau based on the investigation and deliberation of the Regional Minimum Wages Council. While a national minimum wage can be established by the Minister of Health, Labor and Welfare based on the investigation and deliberation of the Central Minimum Wage Council, only one industrial minimum wage was determined in this manner.

2. Regional Minimum Wages and Guideline Increases

Regional minimum wage rates per hour ranged from a maximum of 739 yen (Tokyo) to a minimum of 618 yen (Okinawa and Akita) at the stage prior to revision in 2008. The national weighted average was 687 yen. Regional minimum wages used to contain both daily and hourly rates, but in accordance with the recommendation of the Central Minimum Wages Council all prefectures have established only hourly rates since 2002.

Trends in the guideline increases of the Central Minimum Wages Council and the actual regional minimum wage rates in terms of the national weighted average are shown in Tables 1 and 2. From 2002 to 2004, when deflation was at its worst, the guideline recommended no increase of minimum wage rates for three consecutive years, and actual increases among individual prefectures, if any, were very small.

² *Heisei 20-nendoban Saitei Chingin Kettei Yoin* [2008 Directory of Minimum Wage Decisions] (Rodo Chosakai 2008). Other figures cited below are from the same source.

³ The Director of the Prefectural Labor Bureau established these minimum wages based on application from the parties to regionally dominant collective agreements.

Table 1. Trends in Guideline Increases for Revision of Regional Minimum Wage Rates

(Unit: Yen)

	Guideline increases in daily rate					Guideline increases in hourly rate					
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Rank A	116	97	49	44	38		0		3	4	19
Rank B	110	92	47	42	36	Note 3	0	Note 3	3	4	14
Rank C	106	89	45	40	35		0		3	3	9-10
Rank D	100	84	43	38	33		0		2	2	6-7

Source: Ministry of Health, Labour and Welfare data.

- Notes: 1. The guideline increase for the revision of each rank indicates the amount to be added to the minimum wage (in terms of the daily rate up to 2001 and the hourly rate from 2002).
 2. Ranks A to D are classified based on the actual economic conditions in each prefecture.
 3. In 2002 and 2004, it was recommended that minimum wages should be maintained at their current levels, and no specific guideline increases were proposed.

Table 2. Trends in Regional Minimum Wage Rates (National Weighted Average)

Year of revision	Minimum wage (yen)	Increase from previous year (yen)
1978	315	-
1979	334	19
1980	357	23
1981	379	22
1982	399	20
1983	411	12
1984	423	12
1985	438	15
1986	451	13
1987	461	10
1988	474	13
1989	492	18
1990	516	24
1991	541	25
1992	565	24
1993	583	18
1994	597	14
1995	611	14
1996	623	12
1997	637	14
1998	649	12
1999	654	5
2000	659	5
2001	663	4
2002	663	0
2003	664	1
2004	665	1
2005	668	3
2006	673	5
2007	687	14

Source: Ministry of Health, Labor and Welfare data.

In 2007, on the other hand, a bill for revision of the Minimum Wages Act was submitted to the Diet, and the Roundtable to Promote Strategy to Enhance Growth Potential, which included representatives of business and labor, was formed at the initiative of the Government, in an effort to boost the function of minimum wages. Against this background, the Central Minimum Wage Council recommended considerably greater guideline increases than in the past (19 yen for rank A, 14 yen for rank B, 9-10 yen for rank C, and 6-7 yen for rank D), and revisions by the prefectures, in line with these guidelines, resulted in a substantial 14 yen rise in the national weighted average.

While a variety of economic indicators are taken into consideration during the Council's deliberations on guideline increases, one particular important source is the "Survey of Wage Revisions," which indicates the growth in wage rates of workers as a whole compared with the previous year after. This survey reflects the results of annual spring wage negotiations (*shunto*).

As a whole, minimum wages are set so low that they are not an issue for most regular employees. However, it is not unusual for non-regular employees such as part-time and temporary workers to experience wages that barely meet the minimum.

3. Industrial Minimum Wages

Industrial minimum wages vary widely according to prefecture. In the case of Tokyo, for example, where the hourly regional minimum wage rate was 739 yen as of February 2008, industrial minimum wages were set in six industries, including iron and steel (822 yen), general industrial machinery and equipment manufacturing (810 yen), publishing (805 yen), and general retailing (779 yen). Industrial minimum wages have also been established as an hourly rate since fiscal 2002, except some residual cases of daily-and-hourly indication.

Industrial minimum wages are normally discussed each year by the Regional Minimum Wages Council in each prefecture after determination of the regional minimum wage. Revised rates are adopted where deemed necessary, usually taking effect in December.

4. Effects of Minimum Wages

Like the Labor Standards Act, the Minimum Wages Act is equipped with three mechanisms for ensuring compliance: (i) mandatory effect upon the contract between the parties, (ii) penalties for violation, and (iii) administrative supervision. Labor contracts that do not provide for a wage that meets the minimum wage rate (even if so desired by a worker) are therefore null and void, and the contract is treated as providing for a wage that is equal to the minimum wage. Employers that do not pay the minimum wage are fined, and are also subject to supervisory administration by the labor standards inspection office. According to statistics on supervision by the Ministry of Health, Labor and Welfare in June 2007, infringements of the Minimum Wage Act were found in 6.4% of all business

establishments inspected.

A relatively recent ruling that attracted attention in the press was the Supreme Court's decision on the *Kansai Medical University* case (Supreme Court, June 3, 2005, *Minshu* 59-5-938), which found that treatment of medical interns at a private university hospital violated the Minimum Wages Act. A monthly "scholarship" of 60,000 yen was paid to intern doctors who worked daily from 7:30 a.m. to 10:00 p.m. under the hospital's direction, an amount far below the regional minimum wage. The Supreme Court found that such doctors, too, were "workers" protected by the Minimum Wages Act and ordered the employer to pay the shortfall.⁴

In order to determine whether the minimum wage has been observed, the hourly wage (where there is one) is compared with the minimum wage per hour. Where the employee is paid a daily wage, the hourly wage is calculated by dividing the daily amount by the normal working hours per day. This amount is compared with the hourly minimum wage rate. In Japan, almost all regular employees receive a monthly salary, in which case the monthly pay is compared with the hourly minimum wage rate by multiplying it by 12 and dividing the product by the number of normal working hours per year to arrive at the hourly wage rate. Commuting allowances, allowances for dependents, and overtime allowances are excluded from the calculations. Semi-annual bonuses, usually paid in June and December, are also not taken into consideration.

IV. Revision of the Act in 2007

1. Background to Revision

Except for minor revisions, the Minimum Wages Act had not undergone a major overhaul since 1968. During that time, as observed above, progress had been made in establishing regional minimum wages. The economic and social conditions surrounding the system had also changed considerably. In this sense, there was plenty of scope for revision of the Minimum Wages Act. The direct impetus for its revision, however, came from the trend toward "regulatory reform" (or deregulation). A particular concern at this time was the industrial minimum wage.

It had long been argued, principally in business circles, that the industrial minimum wage was completely redundant, and that it should be abolished and rolled into the regional minimum wage. This was taken up as part of the Government's series of deregulatory policies from the 1990s and became an issue of concern in this process. The third report of the Council for Comprehensive Regulatory Reform released in December 2003 squarely recommended the abolition of the industrial minimum wage system, and the "Three-year Plan for Promoting Deregulation and Regulatory Reform and Private Opening" endorsed by

⁴ Regarding this judgment, see *Kansai Medical University. v. Mori et al.*, in *International Labour Law Reports* vol. 25, at 45-48 (Alan Gladstone ed., Martinus Nijhoff 2006).

the Cabinet in March 2004 also called for the system to be critically reviewed. As the ministry responsible, the Ministry of Health, Labor and Welfare therefore formed a committee of academics, called the “Panel on the Future of the Minimum Wage System,” to conduct a comprehensive study of the minimum wage system. This panel’s report, released in March 2005, noted regarding industrial minimum wages the “need for a radical review, including the possible abolition of the system.”

In response, a study was conducted by the Minimum Wage Subcommittee of the Working Conditions Committee of the Labor Policy Council, a tripartite deliberative body for labor legislation, from June of the same year. However, the gulf in opinion between employers, who demanded the total abolition of the industrial minimum wage, and workers, who sought continuance of the system, was so wide that deliberations soon became deadlocked. To overcome this situation, a public members’ proposal was put forward in November, which suggested that the provisions on the industrial minimum wage be deleted from the Minimum Wages Act and that a new system of “occupational minimum wage” be established by separate legislation. However, both worker and employer members took a negative attitude toward the brand-new concept of an “occupational” system, and the proposal was not adopted. After a year of further deliberation, it was finally agreed that a “specified minimum wage” system should be established under the Minimum Wages Act itself as an alternative to the industrial minimum wage. This consisted of the de facto maintenance of the framework of establishing minimum wages by industry, while giving these minimums the effect of civil aspect only and removing the penalties for their infringement. On other points as well, agreement was reached and a report produced, and on December 27, 2006, the Labor Policy Council released its recommendations for a complete overhaul of the Minimum Wages Act.

These recommendations formed the basis for a reform bill, which was drawn up by the Government and submitted to the Diet in March 2007. Interestingly, in the interim, the problem of the working poor attracted considerable attention in Japanese society and, instead of voices for deregulation, it became strongly argued that the functions of minimum wages be enhanced. The Minimum Wages Act reform bill was portrayed in the media as a bill to raise the minimum wage, and few people cared about the issue of industrial minimum wage. The reform bill was carried over from the ordinary session to an extraordinary session of the Diet, and during this process an opposing bill was also put forward by the Democratic Party of Japan. However, the government bill was ultimately passed by both houses of the Diet after slight amendment, and was promulgated in early December.

2. Contents of Reform

The 2007 reform was extensive in its content, but the main focus was on streamlining the existing framework of overlapping minimum wages and establishing the regional minimum wage system at its center. The regional minimum wage was enhanced as a safety net for all workers, while the industrial minimum wage was recast into a new system to play

a different role from it.

(1) Regional Minimum Wages

Regional minimum wages were previously no more than one of various minimum wages, which were to be established according to “industries, occupations or regions” (Article 1 of the old act). In contrast, the revised act provided a whole section dedicated to the regional minimum wage (Chapter 2, Section 2), which, it was specified, “must be determined in each region of the nation without exception” (Article 9, Paragraph 1). The government was thus mandated clearly to provide this essential safety net guaranteeing a minimum floor of wages for all workers.

Secondly, the revised act provided that regional minimum wages must be established taking into consideration “the cost of living and the wages of workers and the capacity of normal industries to pay wages in the region” (Article 9, Paragraph 2). This restated the three factors specified under the old act as a general principle for determination of minimum wages—the cost of living of workers, wages of similar workers, and the capacity of normal industries to pay wages (old Article 3)—while narrowing them down to focus on the region in question.

Thirdly, the revised act added that, in considering the “cost of living of workers” factor, “consideration shall be given for consistency with measures pertaining to public assistance so that workers may maintain the minimum standards of wholesome and cultured living” (Article 9, Paragraph 3). This provision reflects an awareness of the criticism that existing minimum wage rates were so low that they were below the public assistance level even when working full-time. Public assistance and the minimum wage naturally serve different purposes and cannot be directly compared. Nevertheless, at least they should be designed to avoid creating a moral hazard that impedes the willingness to work. This point was clarified in the revised act. The phrase “so that workers may maintain the minimum standards of wholesome and cultured living” derives from Article 25 of the Japanese Constitution, which guarantees the people’s right to life, and was inserted by the Diet at the insistence of the Democratic Party of Japan (the only amendment that was made to the government bill).

Criminal penalties are applicable for infringement of regional minimal wages (Article 40), which was also true under the old act. However, as the maximum penalties had not been raised for many years and were demonstrably too low, the 2007 revision raised the maximum from 10,000 yen to 500,000 yen.

(2) Specified Minimum Wages

Arrangements concerning industrial minimum wages were substantially altered, with the safety net function being transferred to regional minimum wages as described above. They were reorganized for a new purpose under the name of “specified minimum wage” (Article 15 and following).

The setup itself is the same as that for industrial minimum wages in the past: a minimum wage is set for certain industries or occupations by the Minister of Health, Labor and Welfare or the Director of the Prefectural Labor Bureau based on investigation and deliberation by the minimum wage council in response to a request from the workers or employers concerned. However, the criminal penalties for infringement of specified minimum wages established in this manner have been eliminated, and they now only have the effect of a civil minimum standard. The new specified minimum wage is expected to “complement efforts of workers and employers when setting the wage level in an enterprise and promote fair wage determination” (as stated in the Government’s reasons for the reform bill), as opposed to the safety net function of the regional minimum wage, and its force was limited to the extent as it was considered necessary and proper to fulfill this purpose. Regarding amounts, it was explicitly stated that the specified minimum wage must exceed the regional minimum wage (Article 16).

On the other hand, regional minimum wages by the collective-agreement extension method (Article 11 of the old act) was abolished by the 2007 revision. As a result, minimum wages in Japan were sorted into two types—(i) the mandatory regional minimum wage, and (ii) the specified minimum wage—both set by the council method. The structure of the act was also changed to make it more coherent, with Chapter 2 (“Minimum Wages”) being divided into three sections concerning, respectively, general provisions, regional minimum wages, and specified minimum wages.

(3) Other Points of Revision

The other main changes introduced by the 2007 revision were as follows.

Firstly, the hourly rate was adopted as the standard method of expression of the minimum wage (Article 3). The old act allowed the minimum wage to be expressed as an hourly, daily, weekly, or monthly rate, but this was changed in view of the rise in the number of workers paid an hourly wage due to the increase in contingent employment, and also to ease calculation and public understanding. In practice, as was observed above, the minimum wage was already being expressed as an hourly rate in most cases.

Secondly, the exemption of certain categories of workers (incapably handicapped, probationary, etc.) where authorized by the Director of the Prefectural Labor Bureau (Article 8 of the old act) was revised to allow instead for a reduction in the minimum wage rate by a proportion determined taking into consideration capacity for work and other circumstances (Article 7). This revision also institutionalized what was already used in practice, which was that a reduced amount would be specified by the Director rather than simply allowing employers a total exemption from paying the minimum wage.

Thirdly, regarding dispatched workers, the regional minimum wage and specified minimum wage covering the business to which workers are dispatched were made applicable to such workers (Articles 13 and 18). Previously, the minimum wage had been determined based on the dispatching business on the grounds that the dispatcher was the

“employer” responsible for paying the worker’s wages. However, because a dispatched worker is placed under the orders and instructions of the user-company and work side by side with its own employees, it was decided to be more appropriate to use the actual workplace as the basis for determining the minimum wage.

Fourthly, fresh provisions were introduced regarding violation of the act to give workers the right to report infringements to the labor standards inspection office and to prohibit disadvantageous treatment by employers of workers who exercise this right (Article 34, Paragraphs 1 and 2). Though a familiar part of the Labor Standards Act and Industrial Safety and Health Act, these provisions had been lacking from the Minimum Wages Act, and so were introduced to ensure its effective implementation.

V. Entry into Effect of the Revised Act and Revision of Regional Minimum Wages in 2008

1. Entry into Effect of the Revised Act

The above revisions to the Minimum Wages Act in 2007 entered effect on July 1, 2008. New regulations were adopted to implement the revised act, and a comprehensive enforcement notice was issued by the Ministry of Health, Labor and Welfare (Jul. 1, 2008, *Kihatsu* 0701001).

As for Article 9, Paragraph 3, which specifies the factors to be taken into consideration in setting regional minimum wages, this notice stated as follows: “Of the three criteria to be taken into consideration by Regional Minimum Wages Councils in their deliberations on determining the minimum wage, consistency with measures relating to public assistance pertains to the cost of living. Although the text simply provides for consideration for such consistency, in view of the fact that consistency with measures relating to public assistance is singled out particularly for consideration under the Act, this should be interpreted as meaning that consideration should be made for ensuring that the minimum wage is set at a level that is not less than public assistance.”

A similar explanation was given during deliberations in the Diet, but it is nevertheless significant that this notice, rephrasing the vague words of the law, explicitly mentioned “a level that is not less than public assistance.”

2. Deliberation of Guideline Increases for 2008

The deliberation of guideline increases for 2008 by the Central Minimum Wage Council commenced on June 30. Normally, a request for advice is given to the Council from the Minister of Health, Labor and Welfare in May, and a report of the Council submitted in response toward the end of July. In 2008, however, events proceeded somewhat behind this schedule due to the entry into effect of the revised act.

In 2008, the Minister of Health, Labor and Welfare specifically requested that the Council make investigation and deliberation “in light of recent circumstances concerning

Table 3. Guideline Increases for 2008 (Part 1)

Rank	Prefecture	Amount
A	<u>Chiba</u> , <u>Tokyo</u> , <u>Kanagawa</u> , Aichi, <u>Osaka</u>	15 yen
B	Tochigi, <u>Saitama</u> , Toyama, Nagano, Shizuoka, Mie, Shiga, <u>Kyoto</u> , <u>Hyogo</u> , <u>Hiroshima</u>	11 yen
C	<u>Hokkaido</u> , <u>Miyagi</u> , Fukushima, Ibaraki, Gunma, Niigata, Ishikawa, Fukui, Yamanashi, Gifu, Nara, Wakayama, Okayama, Yamaguchi, Kagawa, Fukuoka	10 yen
D	<u>Aomori</u> , Iwate, <u>Akita</u> , Yamagata, Tottori, Shimane, Tokushima, Ehime, Kochi, Saga, Nagasaki, Kumamoto, Oita, Miyazaki, Kagoshima, Okinawa	7 yen

the minimum wage and the purpose of the revised Minimum Wages Act, entering effect on July 1 of this year, and also giving consideration to discussion on raising wages in the Roundtable to Promote Strategy to Enhance Growth Potential.” On June 20, the Roundtable endorsed a document entitled “Basic Policy (Roundtable Agreement) on Increasing Small and Medium Enterprise Productivity and Mid- and Long-term Raising of Minimum Wages.” This document stated that the level of minimum wages should be “raised over around the next five years taking into consideration consistency with public assistance standards and the balance with the lowest starting pay of high-school graduates at small business establishments.” However, opinion was divided among the members as to how “small business establishments” should be defined.

In any event, according to the established practice, a tripartite “Committee on Guideline Increases” was set up in the Central Minimum Wage Council to consider specific proposal of guideline increases. This committee is known for intense negotiations, continued through the night each year at the crucial stage. Deliberations ran into difficulties in 2008, too, and no agreement could be reached between representatives of workers and employers. Ultimately, however, it was agreed that a “public members’ opinion” on guideline increases should be presented to the regions, and the committee’s final report was endorsed by the Central Minimum Wage Council on August 6.

3. Details of Guideline Increases

The guideline increases recommended for 2008 consisted of basic increases larger than the previous year, resulting in a nationwide weighted average increase of 15 yen. In addition, reflecting the revision to the act in 2007, they specifically called for measures to eliminate the gap in prefectures where the minimum wage was lower than the public assistance level.

Firstly, the amounts shown in Table 3—15 yen for rank A, 11 yen for rank B, 10 yen for rank C, and 7 yen for rank D—were recommended for basic increases in the regional minimum wage. These amounts were determined based on the data sources used in other years, most notably the Survey of Wage Revisions, but were set somewhat higher than usual

Table 4. Guideline Increases for 2008 (Part 2)

Prefecture	Difference based on 2006 data (A) (yen)	2007 increase in regional minimum wage (B) (yen)	Remaining difference (A - B) (yen)
Hokkaido	63	10	53
Aomori	20	9	11
Miyagi	31	11	20
Akita	17	8	9
Saitama	56	15	41
Chiba	35	19	16
Tokyo	100	20	80
Kanagawa	108	19	89
Kyoto	47	14	33
Osaka	53	19	34
Hyogo	36	14	22
Hiroshima	37	15	22

in line with the aim of raising the level of minimum wages. The prefectures shown in Table 3 that are not underlined were advised to revise their minimum wages by the guideline amounts.

Secondly, however, it was observed that the regional minimum wages in the 12 underlined prefectures in Table 3 would still be below the public assistance level according to the most recently available data (for 2006), even counting the hikes of minimum wages hikes in 2007. This is shown in Table 4. The recommendations for 2008 note that this “residual difference” needs to be eliminated within a certain period of time.

The question is how long should be allowed for this elimination. While differences in the size of the difference and the varying economic conditions in each prefecture rule out specification of a uniform period, the recommendations stated that “the difference should, in principle, be eliminated within two years, or three years where the increase required in this fiscal year to eliminate the difference would be unprecedentedly high.” A period of two to three years was thus suggested as a benchmark. However, it was also stated that “in cases where following this approach could still have a marked impact on the regional economy and employment, the difference may reasonably be eliminated over a period of five years.” In any case, the Regional Minimum Wages Councils are to determine the specific periods and amounts by which to eliminate the difference for themselves, taking into account the conditions in their own regions.

As a result, in the case of the 12 prefectures indicated in Table 4, the greater of the increase shown in Table 3 and the amount obtained by dividing the difference in Table 4 by the above number of years was to be adopted as the guideline increase.

The comparison of the minimum wage and public assistance is not a simple task, as the public assistance level in fact varies according to the location, age, and scope of benefits of the recipients used for comparison. Whereas the regional minimum wage is determined at the prefectural level, public assistance is determined by dividing municipalities into six ranks. The base amounts of public assistance also differ according to age and household composition, together with various additions such as housing benefits and other allowances according to need. Addressing this problem, the guideline recommendations state that comparisons should be made between the minimum wage rate in terms of take-home pay and the value of public assistance received by a single young person to cover food, clothing, and housing costs according to the most recently available figures. This latter amount is to be calculated by adding the actual housing allowance to the average, weighted by prefectural population, of the public assistance standard. This judgment is likely to form a basis for future guideline increases too.

Because the standards of assistance are reviewed from time to time under the Public Assistance Act, fresh differences may arise in subsequent years. In such case, special increases will be required again to eliminate them. A concrete change engendered by the 2007 revision is the initiation of this form of cycle and regular checking to ensure that the minimum wage does not fall below the public assistance level.

4. Revision by Prefectures

In response to the above guideline increases, revisions to the regional minimum wage were conducted by each prefecture's Regional Minimum Wages Council. These deliberations had all been completed by mid-September 2008, and the results are summarized in Table 5. The hourly rate was raised by between 7 yen and 30 yen, and by a national weighted average of 16 yen. The highest minimum wage after revision was 766 yen in Tokyo, and the lowest was 627 yen in the prefectures of Kagoshima, Miyazaki, and Okinawa (all in southernmost part of Japan).

Many of the 12 prefectures that were required by the guideline increases to eliminate the difference between the minimum wage and public assistance decided to do so over a period of two or three years, and the increases to the minimum wage in these prefectures were topped up appropriately. Hokkaido, however, decided it would take five years to eliminate the difference in order to avoid an excessively rapid rise in the minimum wage rate.

Normally, revisions to the regional minimum wage rate enter effect on September 30 or October 1. As deliberation of the guideline increases had fallen behind schedule in 2008, as noted earlier, however, deliberations in the prefectures were also delayed, and the new regional minimum wages did not enter effect until mid to late October in most cases, and not until November in some prefectures.

Table 5. Revisions to Regional Minimum Wages in 2008

Prefecture (from north to south)	Minimum wage hourly rate (yen)	Increase (yen)	Date of entry into effect
Hokkaido*	667 (654)	13	October 19, 2008
Aomori*	630 (619)	11	October 29, 2008
Iwate	628 (619)	9	October 30, 2008
Miyagi*	653 (639)	14	October 24, 2008
Akita*	629 (618)	11	November 2, 2008
Yamagata	629 (620)	9	October 30, 2008
Fukushima	641 (629)	12	October 22, 2008
Ibaraki	676 (665)	11	October 19, 2008
Tochigi	683 (671)	12	October 20, 2008
Gunma	675 (664)	11	October 16, 2008
Saitama*	722 (702)	20	October 17, 2008
Chiba*	723 (706)	17	October 31, 2008
Tokyo*	766 (739)	27	October 19, 2008
Kanagawa	766 (736)	30	October 25, 2008
Niigata	669 (657)	12	October 26, 2008
Toyama	677 (666)	11	October 25, 2008
Ishikawa	673 (662)	11	October 19, 2008
Fukui	670 (659)	11	October 22, 2008
Yamanashi	676 (665)	11	October 25, 2008
Nagano	680 (669)	11	October 16, 2008
Gifu	696 (685)	11	October 19, 2008
Shizuoka	711 (697)	14	October 26, 2008
Aichi	731 (714)	17	October 24, 2008
Mie	701 (689)	12	October 26, 2008
Shiga	691 (677)	14	October 18, 2008
Kyoto*	717 (700)	17	October 25, 2008
Osaka*	748 (731)	17	October 18, 2008
Hyogo*	712 (697)	15	October 22, 2008
Nara	678 (667)	11	October 25, 2008
Wakayama	673 (662)	11	October 30, 2008
Tottori	629 (621)	8	October 26, 2008
Shimane	629 (621)	8	October 19, 2008
Okayama	669 (658)	11	October 18, 2008
Hiroshima*	683 (669)	14	October 26, 2008
Yamaguchi	668 (657)	11	October 26, 2008
Tokushima	632 (625)	7	November 6, 2008
Kagawa	651 (640)	11	October 19, 2008
Ehime	631 (623)	8	October 24, 2008
Kochi	630 (622)	8	October 26, 2008
Fukuoka	675 (663)	12	October 5, 2008
Saga	628 (619)	9	October 25, 2008
Nagasaki	628 (619)	9	October 30, 2008
Kumamoto	628 (620)	8	October 17, 2008
Oita	630 (620)	10	October 29, 2008
Miyazaki	627 (619)	8	October 25, 2008
Kagoshima	627 (619)	8	October 18, 2008
Okinawa	627 (618)	9	October 31, 2008
National weighted average	703 (687)	16	

Notes: 1. Prefectures needing to take steps to eliminate the difference from public assistance under the guideline increases for 2008 are marked by an asterisk.

2. The figures enclosed in parentheses in the “Minimum wage hourly rate” column indicate the regional minimal wage rates in 2007.

VI. Concluding Remarks

That concludes our review of the 2007 revision to the Minimum Wages Act. The Minimum Wages Act, seemingly long neglected, was overhauled and the arrangements put in place to enable minimum wages to function under present-day conditions. In this respect, the revised act may be called a “new departure” of Japanese minimum wage legislation.

The focus of interest looking ahead will, first and foremost, be on trends in regional minimum wages. While the specific amounts are determined by minimum wages councils taking into consideration various economic and social conditions, it is impossible to rule out the possibility of narrow-sightedness of the parties involved who are absorbed in heated discussions between labor and management. There has been widespread criticism in recent years that the level of the minimum wage in Japan is too low by international standards, and the fact that, in some parts of the country, it was actually below the public assistance level will no doubt force a rethink of this past approach to the minimum wage. While the adoption of the revised act has set in motion rises in the minimum wage toward a more effective level, there is considerable division of opinion between workers and employers regarding what constitutes an appropriate level. Moreover, the rapid deterioration of the global economy from the autumn of 2008 is anticipated to heighten opposition to increases in the minimum wage. The fierce debate thus looks set to continue.

Another issue to be considered is the variation in the regional minimum wage according to prefecture. Unlike in other developed countries, the minimum wage in Japan is set “regionally” at the level of each prefecture. It has long been argued even in Japan that a uniform national minimum wage should be established. In fact, when the present revision was passing through the Diet, the alternative bill proposed by the Democratic Party of Japan put forward a mechanism whereby a “national minimum wage” applicable to all workers would be established (envisaged to be set at 800 yen), based on which a “regional minimum wage” of an amount in excess of this would be set by each region. On the other hand, it is a stark reality is that there are considerable differences in prices and wage levels between urban and rural areas; whereas the actual wage level in the former is much higher than the minimum wage, there are many workers in the latter who are paid the minimum wage or only slightly more. The minimum wage gap between regions will not narrow but widen further in the years to come. Still, it would be possible to argue that for this very reason a uniform minimum wage is needed to provide a national minimum. This question will remain an issue for consideration in future legislation.

Finally, it will be worth watching to see what use is made of the specified minimum wages. The existing industrial minimum wages remain effective for two years and thereafter will be treated as specified minimum wages under the revised act. Thus, industrial minimum wages absorbed into the new system will therefore probably make up the bulk of specified minimum wages for the time being, but they will be freshly established under the new framework. Regional minimum wages cannot be so high because they are the bare

minimum across the board. It is hoped that specified minimum wages are utilized, at the initiative of the employers and workers of the particular industry and occupation, to function as a tool for establishing more desirable, decent working conditions.