

# Changes in the Wage System in Japan: Circumstances and Background

**Itaru NISHIMURA**

The Japan Institute for Labour Policy and Training

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## I. Contents of report

This article describes changes occurring in Japan due to the ongoing transition to a performance-based pay system, which began in the mid-1990s, and some of the characteristics that distinguish Japan from foreign countries. It will especially focus on changes in the qualification grade and wage scale, and briefly discuss the factors that underlie these changes.

## II. Differences between Japan and other countries

The Japanese wage system is often referred to as a seniority-based pay system. However, according to research on wage profiles in other countries, a wage curve for white-collar workers<sup>1</sup> in the US and Europe also increases according to age,<sup>2</sup> and the seniority-wage curve is not unique to Japan. Meanwhile, according to a survey on case studies of white-collar workers in the US and the UK, wages vary to some extent on workers' performance as appraised through evaluations,<sup>3</sup> even when their job duties are the same. Determination of wages based on supervisors' evaluations of subordinates is the norm both in Japan and in Western countries.

Here I will briefly outline differences between the personnel and wage systems of Japan and other countries (in particular Germany, France, and Sweden), based on my observations conducted by JILPT surveys from 2013 to 2016.<sup>4</sup> In every country, there is a qualification-grade system that ranks each employee in a grade. Determination of employees' wages based on grade is also common to every country.

However, there are several differences among countries. One of these is the structure of the grade system. As shown in the rough image in Figure 1, other countries' grade systems emphasize the distinction between job duties more than does Japan's. For example, a Swedish manufacturer uses different grade scales according to the area of job duties, such as marketing or human resources, but in Japan, many companies tend to classify all "white-collar jobs," including marketing and human resources, in a single grade scale. In Germany, as well, the scope of each grade is separately determined for each job duty area: for example, an electrician is classified in a grade between fifth and eighth depending on specific tasks performed. In Japan, these specific tasks do not demarcate the upper and lower bounds of a grade. If they

1 There is no clear definition of "white-collar," but the following explanation by Koike (2003) is generally accepted: In short, it refers to people working in offices, by the (often) white collars of their shirts. There is another similar expression, "blue-collar," referring to people mainly working on production lines, by the blue collars of their work uniforms.

2 e.g. Koike (2003).

3 e.g. Koike (2015).

4 The results of the survey are summarized in Japan Institute for Labour Policy and Training (2016). The discussion here includes contents not in the above report.

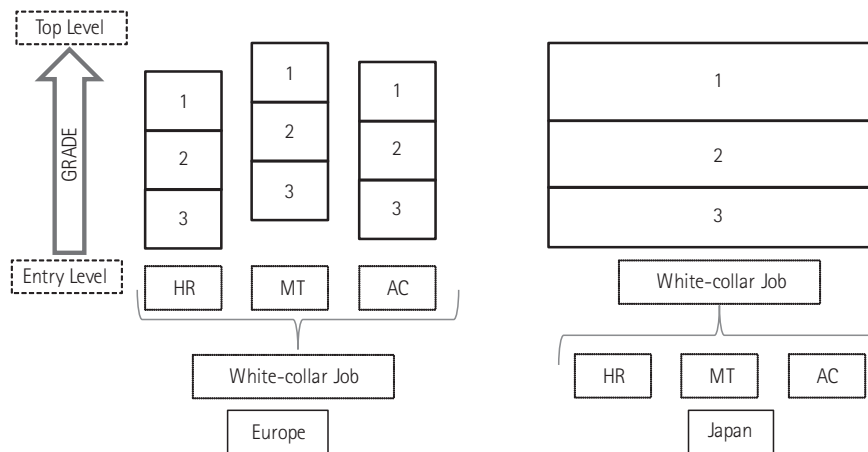


Figure 1. Image of grade structure

have comparable academic background, all new graduates are classified into the same grade, and all have the potential to be promoted to the highest rank of non-executive employee, regardless of their job duties with which employees are assigned for their first job in the firm they are hired.

Second, there are differences in terms of who designs the grade structure. For example, in both Germany and France, labor and management at an industry-wide level greatly influence the determination of grade structure, at both upper and lower ends of the scale. In Germany, labor and management at an industry-wide level also have a significant influence on wage level, while this is not the case in France. In Japan, the grade structure is mainly determined by labor and management at the individual company level, and this is also the case in some European countries like Sweden.<sup>5</sup>

Third, although the system itself is structurally similar in Sweden and in Japan, there are major differences in terms of formation of wage standards. Although wage standards are set at an industry-wide level in both countries, there are significant disparities in the degree of influence exerted at this level. Though in both countries, the degree by which wages should be raised is discussed in the industry level, in Sweden the rate of increase is set based on binding industrial agreements, which all companies are required to follow. Meanwhile, wage increases are not fixed in a binding manner on an industry-wide level in Japan, but rather there are guidelines, and wage rates can be set by labor and management at individual enterprises. In short, there are two notable characteristics that distinguish Japan from other countries: (1) Differences among job duties are not emphasized in designing personnel and wage structures, and (2) wages are primarily determined by labor and management at each individual company.

### III. Basic rules for wage increases

Let us examine the basic rules for determination of wages in Japan. In Japan, there are two mechanisms for raising wages, namely base-up and *teiki-shokyu* (annual wage increment). Basic wage increase (base-up) are determined through labor-management negotiations conducted every spring (spring wage bargaining), while *teiki-shokyu* are conducted according to the company's wage system, without negotiations being involved. Japanese companies' wage systems incorporate these automatic periodic pay increases into their wage systems (e.g. employees' regular monthly wage) without designating them as based on age or years of continuous service. The system of annual increment will be described in detail

<sup>5</sup> Thus, even setting aside discussions of division of authority between labor and management, there are some differences even among the advanced countries of Europe in terms of the roles of labor and management at an industry-wide level. Just as there is no system common to all East Asian countries, European countries also have diverse systems.

later in this article. What is important here is that the system of annual increment is one of the primary factors ensuring that wages for both blue-collar and white-collar workers follow a seniority-based wage curve.

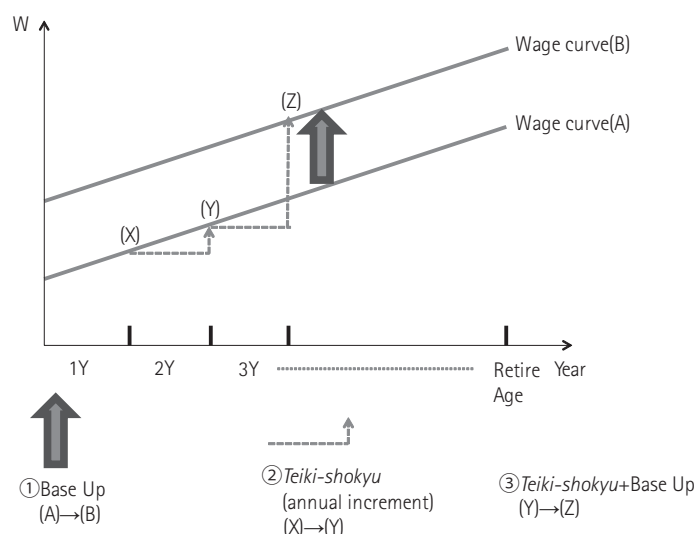
Figure 2 shows the relationship between base-up and annual wage increment, with the vertical axis being the wage amount, and the horizontal axis the years of length of service. When wage curve (A) is a wage curve resulting from operations of the wage system, base-up is what elevate the wage curve itself from (A) to (B) through wage negotiations. Meanwhile, annual wage increment is going up the wage curve itself based on the annual operation of the wage system. In Figure 2, the degree of elevation from (X) to (Y) indicates the action of annual wage increment. Thus, three years after an employee started to work for a company, if both annual wage increment and base-up are implemented concurrently, the employee's wages will be raised to point (Z) from point (Y).

#### IV. Former system

##### 1. Ability-based qualification grades

As illustrated in Figure 2, wages rise to some degree as a result of the functioning of the wage system, even if labor-management negotiations do not succeed in getting wage increases. To understand the mechanism of these automatic periodic pay raises (*teiki-shokyu*), it is necessary to examine the wage system itself. This article will discuss this system both before the introduction of performance-based pay and afterward. First, let us examine the former.

Before the introduction of performance-based pay, workers' wages were fixed according to a wage table with a gradual build-up, under an "ability-based qualification grade" system. The point here was that wages were decided based on evaluations of the workers' abilities and knowledge (possessed, rather than actually demonstrated in practice), with length of service factored in to some degree. It should not be overlooked that even prior to the advent of performance-based pay, wages were decided not only according to age or length of service. However, the qualification grades in which workers were classified and the amounts of wages paid did not necessarily correspond to the degree of difficulty of tasks or the post currently demonstrated in practice in the organization. A key characteristic of this system was its intent to pay wages in accordance with workers' abilities and knowledge (as opposed to results).



Source: Prepared by the author based on Imano and Sato (2002).

Figure 2. Base-up (basic wage increase) and *Teiki-shokyu* (annual wage increment)

## 2. Approaches to ability-based qualification grade

Next, let us examine the concept of ability-based qualification grades, and discuss this system briefly based on an explanation by Kyu Kusuda, who designed an ability-based grading system and, in his capacity as consultant, made great efforts to popularize it. An important point here is that he tried to form a system of qualification grades by rating the degree of difficulty of various tasks, investigating the various operations needed for each task in the workplace. According to Kusuda (1987), it was optimal for grades to be formed and workers graded according to the following order of criteria:

- 1) What kind of work do they perform in the workplace, and what kind of tasks does this work consist of?
- 2) If the tasks are arranged in a line in order by degree of the difficulty, what would that order look like?
- 3) Create grades for workers based on this order of difficulties.

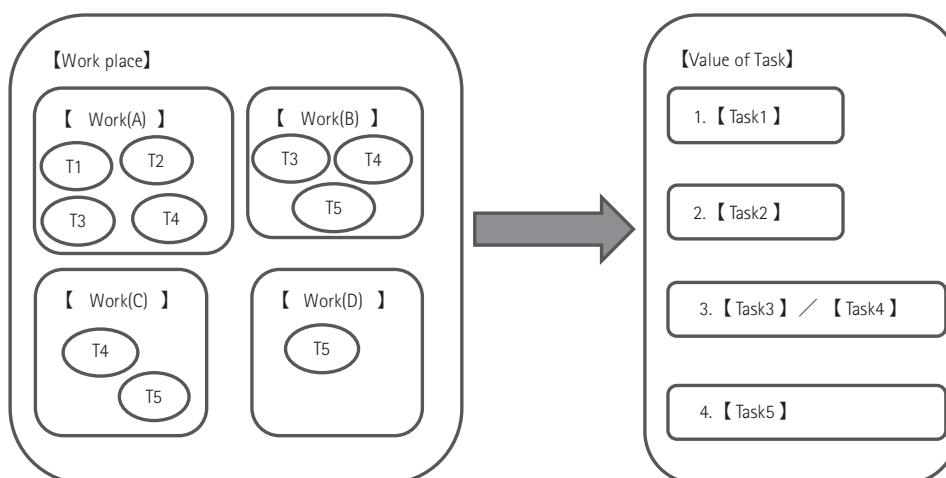
As shown in Figure 3, each type of work is assumed to consist of various tasks. For example, let us hypothesize that there are four main types of work in a workplace. First, we list the contents of each type of work and verify what they consist of. Then, we rank the degree of difficulty of these contents of tasks. Next, we define workers' handling of these tasks more finely, according to criteria such as whether they are able to perform the tasks only with senior employees' help, are able to perform the tasks by themselves, or are even able to lead other workers in performing them. Then, we define the abilities and knowledge they should have for each grade, and grade the workers according to this definition.

For example, if we define the J-2 grade as shown in Figure 4, workers would be graded based on whether they meet that definition. Because workers are graded based on his holding capability, workers are not reassessed later based on how tasks were actually performed. Also, the grades are composed based on rough classifications like office work, engineering, or manufacturing, rather than fine classifications based on specific job duties like marketing, human resources, or administration.

## 3. Wage tables based on ability-based qualification grade

Now, let us have a look at typical wage tables under the ability-based grading system, with classic examples shown in Figures 5 and 6. Two common characteristics are evident, one being the steady rise in wages, but the other being disparity in the amount of individuals' pay raises depending on supervisors' evaluations. This system was applied not only to white-collar but also to blue-collar workers.

For example, on a wage table like that shown in Figure 5, the amount of pay increase for each worker



Source: Prepared by the author based on Kusuda (1987).

Note: T means task.

Figure 3. Relationship between work and task

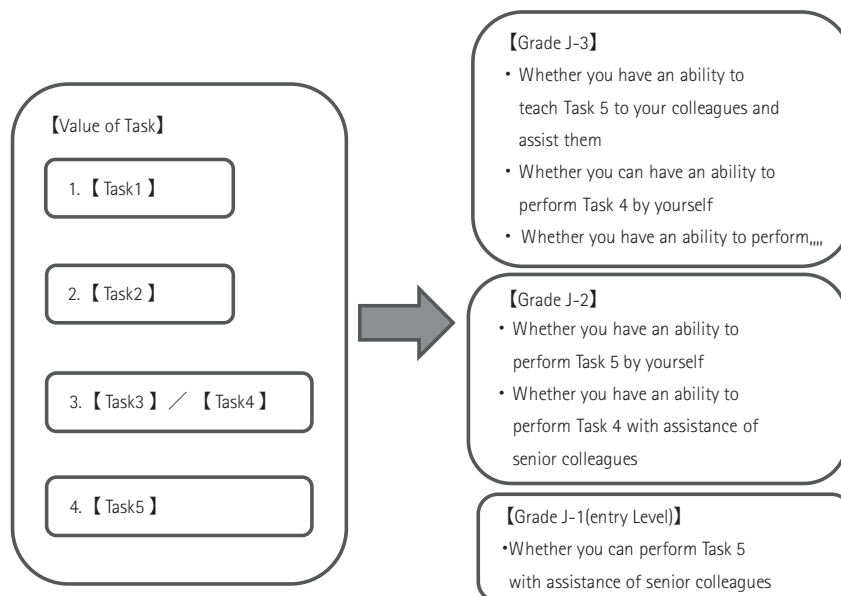
is decided according to an annual evaluation, with separate evaluations for each grade. If a worker were placed in Grade J-2, he or she would get a 2,800 yen raise if evaluated as rank B, and a 3,100 yen raise if evaluated as rank A. Determined in this way, wages rose steadily under this system, although there were some disparities in the amount of increase for each individual worker.

Figure 6 is an example of a wage table where step-numbers are assigned according to evaluations of workers. In this case, if a worker were evaluated with a standard rank of B, he or she would get a five-step raise. Thus if the worker had number 1 in J-2 and was assigned a rank of B, he or she would rise to number 6 in J-2. As a result, wages would grow from 44,800 yen to 47,600 yen.

The pay raises given through these systems correspond to the *teiki-shokyu* outlined in Figure 2. Meanwhile, in the case of annual basic-wage increases (base-up), the amounts on the wage table itself are revised. For example, in Figure 5, an annual basic-wage increase might mean that the wages of a worker graded as rank B and class J-1, now 2,500 yen, would increase to 3,000 yen or so as a result of labor-management negotiations.

#### 4. Characteristics and the background of the system prior to introduction of performance-based pay

Thus far, in this section we have reviewed the characteristics and the background of the system in place before a performance-based pay system was introduced. Now, let us summarize the outcomes of this qualification-grade system, in which workers were primarily graded on their abilities and knowledge, and the system of periodic pay raises incorporated with assessments of these abilities and knowledge. For one, workers had steady opportunities for promotion to higher grades and corresponding pay raises. Also, these systems had advantages for enterprises in terms of giving workers motivation to improve their skills, abilities and knowledge, and enabling enterprises to maintain a pool of competent human resources. However, it was a somewhat costly system for enterprises in that the abilities workers demonstrated in practice and the posts they currently held were often inconsistent with their wages. Nonetheless, at least until the 1980s and early 1990s, Japan was blessed with an economic climate in which this system was viable. On this topic, please refer to Imano (1998) and Ishida (2006). Summing up the findings of both, the



Source: Prepared by the author based on Kusuda (1987).

Figure 4. Tasks and grading

background behind this system was as follows.

According to Imano and Ishida, Japan enjoyed a degree of stability thanks to an economy that was playing catch-up to Europe and the United States. One reason for this was that it was already clear what kind of products and services needed to be created, as Western companies in countries like the US and Germany gave examples of products to create and the specifications these products required. Thanks to these role models, Japanese enterprises could concentrate on improving product quality and production efficiency. A second reason is that the product and services enterprises created were steadily consumed in the domestic market due to the favorable conditions of the Japanese economy. A third reason was that while

(Unit:Yen)

Rank Grade	S	A	B	C	D
J - 1	3,100	2,800	2,500	2,200	1,900
2	3,400	3,100	2,800	2,500	2,200
3	4,000	3,600	3,200	2,800	2,400
S - 4	4,400	4,000	3,600	3,200	2,800
5	4,800	4,400	4,000	3,600	3,200
6	5,500	5,000	4,500	4,000	3,500
M - 7	6,000	5,500	5,000	4,500	4,000
8	4,800	4,400	4,000	3,600	3,200
9	3,600	3,300	3,000	2,700	2,400

Source: Prepared by the author based on Kusuda (2006).

Figure 5. Wage table with a gradual build-up approach (Type 1)

(Unit:Yen)

Grade Step	J-1	J-2	J-3	S-4	S-5
1	31,700	44,800	58,600	77,800	98,200
2	32,200	45,300	59,200	78,500	99,000
3	32,700	45,800	59,800	79,200	99,800
4	33,200	46,400	60,400	79,900	100,600
5	33,700	47,000	61,000	80,600	101,400
⑥	34,200	47,600	61,800	81,400	102,200
7	34,700	48,100	62,400	82,100	103,000
8	35,200	48,600	63,000	82,800	103,800
9	35,700	49,200	63,600	83,500	104,600
10	36,200	49,800	64,300	84,200	105,400
⑪	36,700	50,400	65,000	85,000	106,200
12	37,200	50,900	65,600	85,700	107,000

Source: Prepared by the author based on Kusuda (2006).

Figure 6. Wage table with a gradual build-up approach (Type 2)

enterprises themselves were growing and expanding steadily, they were consistently able to offer workers opportunities to demonstrate their abilities and knowledge. These factors made it possible for the workers to utilize their abilities and knowledge effectively within the enterprise, and for companies to maintain the overall personnel budget to cover the annual costs incurred through the operation of this kind of wage system. The former Japanese wage system based on employees' abilities and knowledge was underpinned to some extent by the above-described business-environment factors.

## V. Current system

### 1. General characteristics

Naturally, there is fierce competition among enterprises in any era, but compared to today, this competitive environment was relatively mild in the Japan of the 1980s and early 1990s. As the business climate rapidly grew more severe from the 1990s onward, wage systems began to be revised accordingly.

This revision can be seen as taking on three major forms. One is that personnel management and wage systems have increasingly come to incorporate assessment of current post or duties within the organization, and abilities demonstrated in practice rather than simply possessed, into the conventional ability-based system. There has been a growing emphasis on treating and compensating human resources based on their immediate value to the company, not in terms of the abilities and knowledge they are evaluated as having, but those they are currently putting into practice and their current areas of responsibility. The system is evolving to one in which employees are rewarded for their most recent contributions to generating added value for their enterprise.

The second is a growing tendency for systems to be designed based on enterprise-specific business models. Enterprises that view the consistent quality of their products and the high skill levels of workers at manufacturing sites as being their core competencies have introduced somewhat modified versions of the old ability-based grading system, whereas enterprises such as department stores that see ability to outsell competitors in the market as their core competences have formulated systems that emphasize scope of duties and actual performance (Ishida 2006). As systems are designed in accordance with business models, the systems in place at individual enterprises are diversifying. This is difference point between the era before performance-based pay, when many enterprises converged under the umbrella of the ability-based grading system, regardless of industry and era after it. As a result, various names for the grading system have emerged, including "ability-based grading system," "job duties-based grading system," "role-based grading system" and so forth.

The third major area of change is the emergence, as a result of these new areas of emphasis, of wage tables diverging from the conventional gradual-increase model. These have not been widely discussed in the literature, but as harbingers of significant change from the previous era, they should surely not be overlooked.

### 2. Core concepts of a qualification grade system

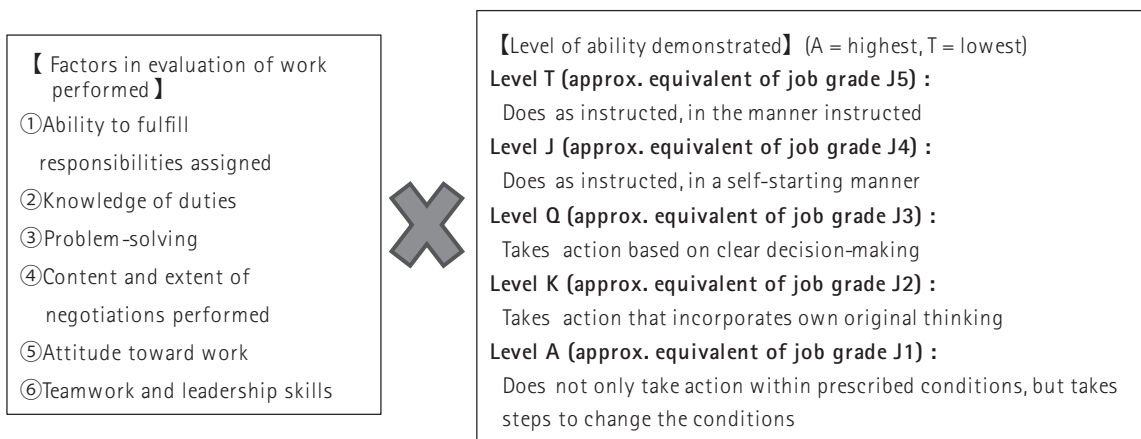
While wage systems have been diversifying as described above, one fundamental concept has come to be increasingly emphasized across the board, namely "role." This concept came to the forefront when management considered the design of qualification grades based on workers' degree of contribution to creation of added value for their enterprise. They sought to redesign the qualification grade system based on this concept, from the standpoint of assessing the magnitude of workers' responsibility to the enterprise, and the value of their practically demonstrated ability, as the most important factors for added value creation. Specifically, this entailed ranking employees by post at the managerial level, and by ability (as actually demonstrated, and producing concrete results) at the non-managerial staff level. Thus, "role" can be seen as a mixture of both the contemporary viewpoint of emphasizing current position and duties performed, and the traditional Japanese emphasis on (possessed) ability. Indeed, this combination of both

elements — duties (currently performed) and ability (of potential use to the enterprise) — is the practical benefit of the “role” concept. It seems to have been a useful concept in that it enabled the incorporation of new ideas, such as post and duties, without giving up the benefits of the traditional ability-based system, namely the ability to hold on to human resources and cultivate them.

Let us examine some case studies of grade systems in Japan, which can help us to understand the importance of the concept of “role.” To make a long story short, even when a grading system is called “job duties-based,” what is emphasized is in fact something very close to “role.” When we look at these case studies of enterprises implementing job duties-based grading, it is clear that in formulating new systems they have adhered to the concept of “role” outlined above.

In one example of a Japanese enterprise that adopted job duties-based grading, at the managerial level rank according to qualification grade is determined based on the post currently held, and among non-managerial-level employees, rank according to qualification grade is assigned based on degree of demonstration of ability. This means that even when two workers are doing the same job, under this system they may be assigned a different rank according to qualification grade if they demonstrate different levels of ability. While the system is ostensibly “job duties-based,” it takes into account both post of organization and ability of individual employees in assigning grades.

What follows is one example of a method of ranking workers based on duties. Figure 7 shows rules for ranking general employees under a job duties-based grading system, with the left side listing the factors taken into account when evaluating employees. Specifically, these are: (1) Ability to fulfill responsibilities assigned (2) Knowledge of duties (3) Problem-solving (4) Content and extent of negotiations performed (5) Attitude toward work, and (6) Teamwork and development of leadership skills. Employees are assigned ranks in each of these areas depending on their job content. Meanwhile, the right side lists levels based on degree of ability demonstrated, from “T” to “A,” i.e. lowest to highest. The left- and right-side factors are combined to give workers a final rank, on which their overall grade is based. For example, when an employee is seen as having “Q-level in Knowledge of duties, K-level in Problem-solving due to outstanding ability, but J-level in Attitude toward work due to unresolved issues,” he or she is assigned a grade accordingly, with the degree of individual ability demonstrated also taken into account. Under these rules, two workers might have the same jobs (same scope of duties), but one might be ranked in a higher grade than the other.



Source: Yanashita (2005).

Figure 7. Rules for ranking non-managerial staff according to a job duties-based grading system



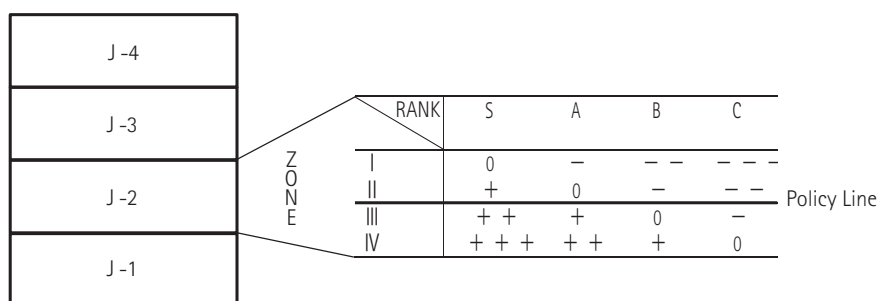
### 3. The emergence of new wage tables

Next, let us examine the change in wage tables. This can be called the area where the greatest changes have occurred since introduction of a performance-based system. Some enterprises have begun using what is known as a “matrix type of wage table.”<sup>6</sup>

Figure 8 presents an image of a matrix type of wage table. One feature of this wage table is that each grade is divided into zones, and a salary increase amount is assigned to each zone. At the same time, benchmark line (called a “policy line”) defines the standard wage level for each grade. The system is designed so that when a worker’s wages are below the policy line, they are raised more swiftly, while above the policy line pay raises are less forthcoming (and in some cases pay may even drop), which has the effect of grouping the wage levels of workers in a single grade in a cluster around the policy line.

The matrix type of wage table has the effect of curtailing periodic pay raises (*teiki-shokyu*), which were typical during the earlier era, and as such can be called a radical departure from the older model. Also, the fact that wages have the potential to fall even among non-managerial staffs is a rarity on a global scale.

A more specific example is shown in Figure 9. Here, in the higher zones, wages drop even when the



Source: Prepared by the author based on Nishimura (2017).

Figure 8. Matrix type of wage table

(Unit: Yen)

Grade	Zone(Wage level)		Increases according to Score					
			E	-Omitted-	B	-Omitted-	S	
Grade V	Zone4	~Omitted~	~Omitted~					
	Zone3							
	Zone2							
	Zone1							
Grade IV	Zone4	210,000 or higher	240,000 or less	- 7,000	~Omitted~	- 3,500	~Omitted~	2,500
	Zone3	181,300 or higher	Less than 210,000	- 4,500		0		5,000
	Zone2	130,000 or higher	Less than 181,300	300		5,400		8,000
	Zone1	80,000 or higher	Less than 130,000	2,000		7,900		10,000
Grade III	~Omitted~							
Grade II								
Grade I								

Source: Nishimura 2016.

Notes: 1. The names of grades and evaluation guidelines are used for convenience and are not official.

2. The monetary amounts on the table are imaginary and not based on those of a real enterprise.

Figure 9. Example of a matrix wage table

6 This is actually a convenient term for research and is not actually used in practice.

employee is evaluated as “standard,” whereas in the lower zones, workers can receive larger raises even when receiving the same evaluation.

#### 4. Effects and context of changes

Here I will summarize the effects of the transition to a performance-based system. One is that in determining workers’ wages, greater emphasis is now placed on their degree of contribution to the enterprise’s business performance, rather than the abilities they possess. Contribution to business performances is seen as creating added value for the enterprise, which in turn determines the “worker’s role” in the enterprise, and personnel management and wage systems have been redesigned based on this way of thinking. As an example of a concrete change, Nakamura (2006) points out that compared with the former system, posts and titles currently held by workers in their organizations are more greatly emphasized in classifying them into grade system.

Another effect is a diminishment of stable wage growth that workers can count on, due to the curtailing of *teiki-shokyu*. Compared to the earlier gradual-increase model, under a matrix type of wage table there are few or no automatic periodic pay raises, and it is very hard for all workers to achieve consistent wage growth.<sup>7</sup>

Nonetheless, there seems to be a positive aspect to the need for such systemic reforms, as the challenges they present indicate a certain milestone that the Japanese economy has reached. Increased uncertainty about the future, which accompanies Japan’s arrival as one of the frontrunners of the global economy, has played a considerable role in heightening the need to build a new wage system to replace the previous one.<sup>8</sup>

One area of uncertainty springs from the fact that it is no longer a safe bet to simply follow the example of Western enterprises in terms of what sorts of products to produce. This means it is no longer clear whether the products and services created will sell in the market or not.

A second area of uncertainty is that enterprises can no longer count on stable, sustained growth due to changes in the competitive environment, meaning in turn that enterprises can no longer guarantee their employees consistent access to opportunities to demonstrate their possessed abilities.

Amid growing uncertainty, enterprises were no longer assured of sufficient revenue to cover the wage costs incurred through automatic annual pay increases, supposedly commensurate with workers’ growing abilities, and were forced to scramble for a new kind of wage system. This meant that drastic measures needed to be taken to prop up the system, and it must be acknowledged that the current system is at least in some ways the result of sincere attempts to address challenges that cannot be resolved by looking nostalgically toward the past.

## VI. Summary

### 1. How Japan has changed

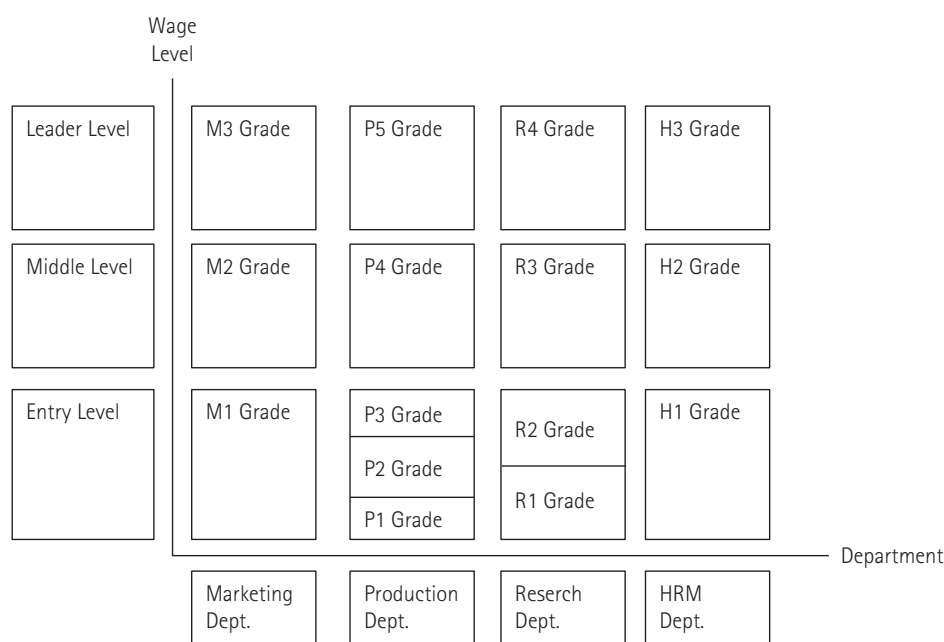
One change that has occurred is that in the qualification grade system, ranking rules take current position and practical demonstration of ability into account to a higher degree than before. Some enterprises have begun establishing different sets of qualification grades for each department, such as marketing or human resources (Figure 10). These new developments can be interpreted as a narrowing of the gap between Japanese and Western wage systems, as described at the beginning of this article.

Another change is the waning of the automatic periodic pay raise such as annual wage increment (*teiki-shokyu*), as represented by the introduction of matrix type of wage tables. With these tables, several zones are created within a single grade (pay range), and pay raise increments are determined for each zone. Until

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<sup>7</sup> The curtailing of annual wage increment (*teiki-shokyu*) in the new type of wage table is described in more detail in Ishida (2006).

<sup>8</sup> The background described in the ensuing paragraphs makes considerable reference to Imano (1998), and Ishida and Higuchi (2009).



Source: JILPT 2013.

Note: The names of grades used for convenience and are not official.

Figure 10. An example of different sets of qualification grades for each department in Japanese company

workers’ wages reach the “policy line,” the median of the pay range for their grade, they now enjoy larger raises than under the previous system, but once they are above the policy line, it is harder to get raises than previously. A key characteristic of the matrix type of wage table is that wages do not rise consistently and indefinitely, but rather the enterprise sets a wage standard (median wage) for each grade and employees’ wage levels tend to cluster around that amount. The emergence of such wage tables is an aspect of the reform of Japanese wage systems since 2000 that cannot be ignored. The change is significant, in that wage systems increasingly have the effect of consolidating workers’ wages at certain levels within same grade rank.

## 2. Points of international comparison

Finally, let us see what prominent features emerge when we compare Japan to other countries. With regard to determining qualification grades, Japan is in line with the rest of the world when it comes to posts and specific duties playing a larger role, and in a sense, can be said to be drawing closer to Europe and the US.

However, a closer examination reveals undeniable differences. For example, based on the discussion comparing the US and Japan by Ishida, Higuchi (2009), somewhat different principles are used to determine the upper and lower boundaries of pay ranges for each grade. In the US, the “going rate” in the labor market is emphasized, meaning that the maximum and minimum wages for each grade fluctuate, and there is overlap between the pay ranges of different grades, defined by the standard wage levels in the market at the time. The market significantly affects enterprises’ wage systems,<sup>9</sup> whereas in Japan, there is an emphasis in maintaining order through balance among different pay grades, and the influence of market rates is minimal. In other words, the upper and lower boundaries of each pay range and the overlap

9 In a survey in Sweden conducted by the author, one recent change to one enterprise’s white-collar wage system was mentioned that market rates were becoming more important in setting the upper and lower boundaries of wage ranges.

between pay grades are determined as enterprises see fit. The achievement of order and balance within enterprises and organizations is seen as more crucial than the integrity of the market.

Discrepancies can also be seen in terms of wage table design. For example, in the JILPT field survey of France<sup>10</sup> in which the author took part, even at the level of department heads and other managerial personnel, monthly pay was set so that it did not fall below that of the previous year. While the amount of annual pay increase might fall from, for example, €500 in the year X to €300 in the year X+1, the system was not designed to allow monthly pay to fall from, for example, €2,000 to €1,800.<sup>11</sup> In Japan, however, there are wage tables where even non-managerial staffs have the potential to get no pay raise, or a pay cut, and the system is designed to allow drops from, for example, 200,000 yen per month to 198,000 yen.<sup>12</sup> In this comparison, Japan's wage conditions appear to be harsher.

As we have seen, when examined in detail, Japan's wage system can be seen to have unique features. At the beginning of this article it was mentioned that (1) when designing personnel management and wage systems, differences in specific job duties are not emphasized, and (2) labor and management at individual enterprises play a leading role in setting wage standards. Regarding the first feature, some degree of change has been evident recently, while no significant change can be seen with regard to the second feature. A third feature can be added, namely that compared to their counterparts in other countries, Japanese enterprises exercise more stringent control over pay increases. Naturally, further research is needed in order to back up this assertion with more accurate details. However, one thing that can be said for certain is that the winds of change are undeniably blowing with regard to wage systems in Japan.

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10 The two enterprises surveyed were a manufacturer and an insurance company. Both are the large companies in France.

11 The monetary amounts of this example are imaginary and not based on those of a real enterprise.

12 The monetary amounts of this example are imaginary and not based on those of a real enterprise.