

# Wages in Japan

## Part III: Wages and Forms of Employment

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### I. Wage curves vary depending on forms of employment

Part I identified the seniority-based wage curves as a characteristic of wages in Japan. This aspect, however, does not apply to all employees. Depending on the size of the company by which they are employed, the steepness of wage curves varies and wage differentials arise. Part II examined these situations and pointed out at its conclusion the possibility that wages varied depending on forms of employment. This article presents the characteristics of wages by form of employment.

There are differences in how wages rise between regular employees and non-regular employees. Figure 1 shows wage curves for male regular employees and male non-regular employees. The wage curve for regular employees shows a seniority-based shape that continuously rises from the age of 19 until around the age of 50 and peaks at the 50–54 age group. Looking at the degree of increase, the peak of their wage amount is 2.4 times the amount of the 19 or younger age group. Meanwhile, the wage curve for non-regular employees shows a gradual rise but is nearly flat. The 60–64 age group, the peak of their wage amount, is 1.5 times the amount of the 19 or younger age group. Thus, the wages of non-regular employees do not form the seniority-based wage curve as seen in Japanese wages which was identified in Part I.

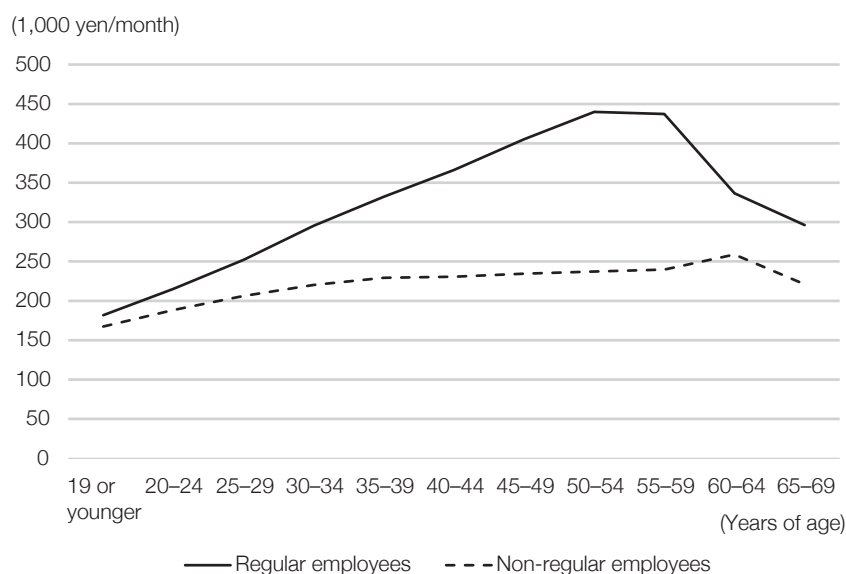
As to these wage curves, the wage differentials between regular employees and non-regular employees are not so large in the younger age groups but grow larger with each older age group. In the

19 or younger age group, the wages of non-regular employees are 92.1% of those of regular employees. The gap is not exceptionally large or could be said roughly the same at this age group. The gap then gradually grows larger with successive ages, and at the point of the 50–54 age group, which is where regular employees' wages peak, the wage amount of non-regular employees is 53.9% of that of regular employees. Thus, different wage curves form for regular employees and non-regular employees. Attention must be paid to what extent the actual differences are, as this analysis above does not take into account the industries, occupations, or jobs that employees actually do. Furthermore, the existence of fixed-term contract employees who receive higher wages than those of regular employees has been pointed out. It is not the case that the wages of *all* non-regular employees are low compared to those of regular employees.

### II. Wage differentials between full-time workers and part-time workers

Let us now examine the wage curves and wage levels of part-time workers in comparison with those of full-time workers. The wage curve for part-time employees is almost flat as shown in Figure 2. Looking at the degree of increase, the amount of the 30–34 age group, the peak of their wage amount, is 1.2 times the amount of the 19 or younger age group. It can be seen that part-time employees' wage curves resemble those of the non-regular employees shown in Figure 1.

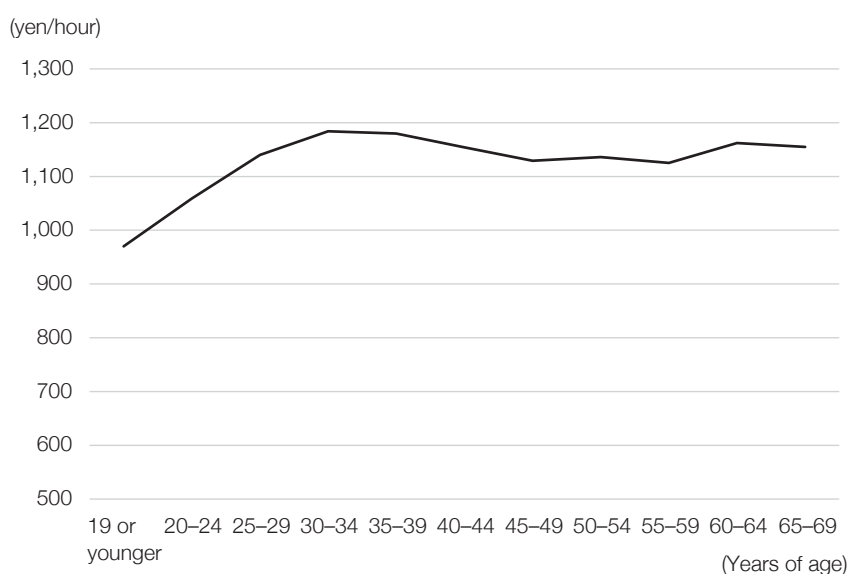
What about the wage levels of non-regular employees? Table 1 shows the wage gap between



Source: MHLW, *Basic Survey on Wage Structure*, 2019.

Notes: 1. Regular employee refers to a person considered to be a regular employee or regular staff member at his or her establishment, while non-regular employee refers to any other person (i.e., a person who is not a regular employee or regular staff member).

Figure 1. Wage curves by form of employment



Source: MHLW, *Basic Survey on Wage Structure*, 2019.

Figure 2. Wage curves of part-time employees

full-time employees and part-time employees in Japan and other countries. In Japan, the wage levels for part-time employees is 56.6% (2014), 59.4% (2017), and 60.4% (2018)<sup>1</sup> of that of full-time employees. The wage gap between full-time

employees and part-time employees is shrinking, albeit gradually.

Part-time employees' wages in France, Denmark, and Sweden are about 80% of those of full-time employees. In the United Kingdom and German,

Table 1. Earnings gap between full-time workers and part-time workers

	(% , Full time workers=100)		
	2014	2017	2018
Japan <sup>1</sup>	56.6	59.4	60.4
United Kingdom <sup>2</sup>	71.0	71.6	72.6
Germany <sup>3</sup>	72.1		
France <sup>3</sup>	86.6		
Italy <sup>3</sup>	66.4		
Denmark <sup>3</sup>	79.0		
Sweden <sup>3</sup>	82.2		

Source: JILPT, *JILPT Databook of International Labour Statistics 2019*.

Notes: 1. Hourly scheduled cash earnings (average) of part-time workers in comparison with “ordinary workers (*ippan rōdōsha*)” at private-sector companies with 10 or more “regular employees (*jōyō rōdōsha*)”. Overtime work is excluded.

2. Sample survey targeting 1% of all occupational types, excluding self-employment. Average hourly wage (excluding overtime pay) of part-time workers in comparison with full-time workers. Revised values for 2014 and 2017; provisional values for 2018.

3. Average hourly wage (including overtime pay) of part-time workers in comparison with full-time workers at companies with 10 or more employees.

these same wage levels are about 70% (Table 1).<sup>2</sup> The gap in wage level between full-time employees and part-time employees in Japan is larger than that in other countries.

One factor behind this situation is that a high percentage of part-time employees are non-regular employees in Japan. In other words, the wage differentials between full-time and part-time employees are thought to be largely due to differences in forms of employment.

### III. Why do differences arise in wage levels?

The above discussion examined wages based on forms of employment. The shape of the wage curve differs for regular employees and non-regular employees. There are gaps between regular employees and non-regular employees in terms of wage level as well.

Several factors are thought to be behind these phenomena.<sup>3</sup> One major cause is that the principles for determining wages differ. Regular employees’ wages are determined in accordance with organizational rules, while non-regular employees’ wages are determined by market wage rates in

the labor market. In Japan, the wages of regular employees are determined based on the employees’ professional abilities, their general abilities such as character and personality, and their own performance. Employees’ abilities grown through experience in their jobs result in their wage raises. In contrast, in the case of non-regular employees, wages are determined by market wage rate but not by their general abilities and their own performance. Thus, while regular employees can increase their wages based on their own efforts and results without being affected by labor market conditions, few non-regular employees increase their wages in that way.

### VI. Efforts to reduce wage differentials

The wage differentials between regular employees and non-regular employees are questioned in Japan as in other countries, and efforts have been made to correct the situation. Such efforts are epitomized by a 2020 revision of labor laws enforced under the slogan for realizing a Japanese version of “equal pay for equal work”. Specifically, the Part-time and Fixed-Term Workers Act<sup>4</sup> was enacted by combining Article 20 of the Labor Contracts Act and the Part-time Workers Act. The Worker Dispatching Act was also revised. With these revisions of laws, the expansion of the scope of equal treatment (prohibition of less favorable treatment) and balanced or proportional treatment of non-regular employees has been realized. Future trends must be watched to determine how this series of legal revisions changes the wages of regular employees and non-regular employees, which have different wage determination principles.

This is a series of three articles on the topic of wages in Japan. See “Part I: Why Does Japanese Wage Curve Have a Strong Seniority Element?” (May-June issue, vol. 4, no. 23) at <https://www.jil.go.jp/english/jli/documents/2020/023-04.pdf> and “Part II: Wages and Size of Company” (July issue, vol. 4, no. 24) at <https://www.jil.go.jp/english/jli/documents/2020/024-06.pdf>.

1. The differences in wage level presented here do not take into account differences in the jobs performed and other factors such as gender and educational background. It can be expected that the numerical values indicating wage differentials between full-time and part-time employees would fluctuate if such factors were considered.

2. Definition of “part-time employee,” surveyed subject, and method for calculating factors such as wage levels vary from country to country, to which attention should be paid when making comparisons.

3. For example, while not considered in this paper, differences may exist in the content of jobs performed by regular employees

and non-regular employees. If regular employees handle more difficult jobs and non-regular employees engage in simpler tasks, it follows that gaps in their wages would inevitably occur.

4. Act on Improvement, etc. of Employment Management for Part-Time and Fixed-Term Workers.

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