

Japanese Companies' Wage Determination in the Heightened Climate for Wage Increases

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In recent years, the Japanese government has shown a great interest in raising wages. In addition to requesting labor and management to increase wages, it also pursues measures to ensure that the statutory minimum wage is raised on an ongoing basis. How have these developments affected wage management in companies? Based on case studies of companies, this article examines the impact of the government's request for wage increases on the company's wage management. The case studies reveal the following points. First, annual wage increment is undergoing change. The stable portion of wage increases that Japanese wage system used to implement for regular employees is shrinking. Second, the basic wage increase is being utilized as an incentive to encourage employees to behave in such a way that contributes to improving their company's ability to compete. Third, increases in regional market rates are generating problems for companies in their wage management of non-regular employee. This increase has led to a break down in the ordered ranking structure by which wages reflect employees' abilities and roles within the company. Fourth, labor and management are engaged in eradicating these problems. These results indicate that labor-management negotiations are becoming increasingly important in determining wages for both regular and non-regular employees. It appears to have become more important to examine the frameworks for labor-management communication within corporate organizations to enhance the wage determination desirable for both labor and management.

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- II. Wage determination principles by form of employment
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I. Introduction

Wage increases have been a topic of great interest to the Japanese government in recent years. In addition to urging labor and management to ensure wage increases, the government also pursues measures to ensure that the statutory minimum wage is raised on an ongoing basis. Such an approach at government level may be the very stuff of dreams from the point of view of labor unions in other countries. Looking at past developments in economically advanced countries such as the UK and Sweden, it appears that such governments have never sought wage increases—if anything, they take action to ensure that wage increases are *curbed*. The Japanese government’s tendency to pursue wage increases may be attributable to the fact that, in Japan, wages have tended not to increase despite personnel shortages. With the labor market’s demand and supply mechanism not functioning as expected, the methods of raising wages are being explored.

While it is difficult to accurately measure whether the government’s calls for wage increases have an impact on labor-management negotiations at individual companies, negotiations for wage increases are being pursued by labor and management. Table 1 shows the state of demands regarding wage increases beyond the funds for wage increases originally assigned as necessary for the operation of the wage system—namely, the “demands for

Table 1. Content of wage increase demands (FY2009-2019, %)

Companies with 5,000 employees or more

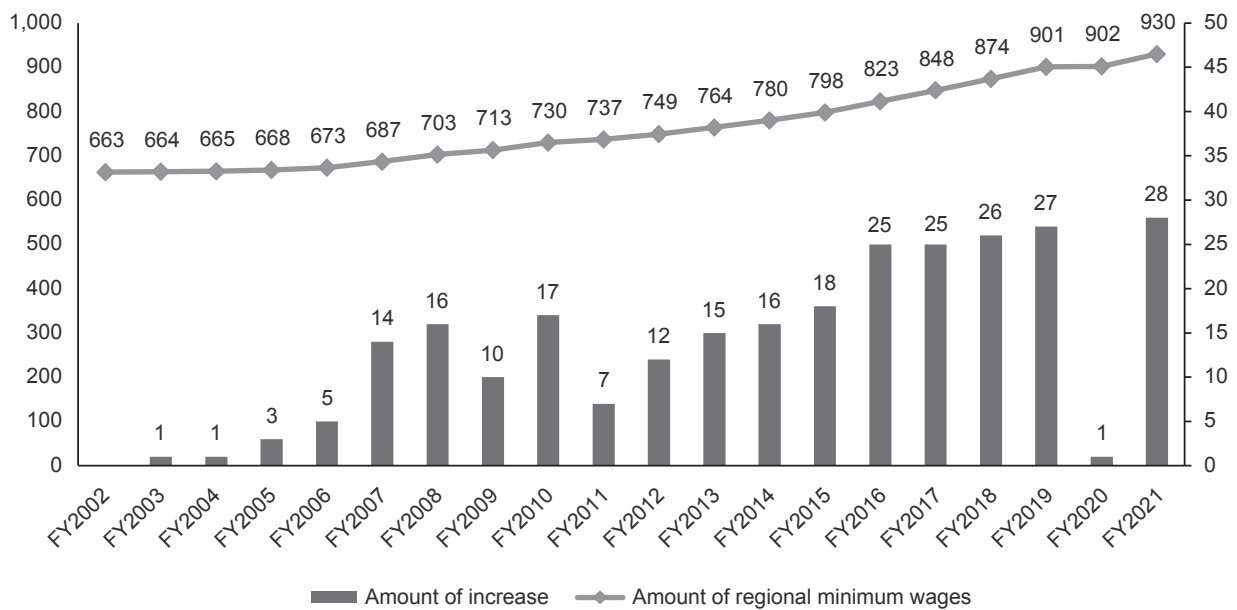
Year	Demands for a concrete amount of wage increase	Demands to maintain the wage structure	Unknown	Total
2009	74.2	23.5	2.3	100
2010	52.2	46.2	1.6	100
2011	59.7	40.3	-	100
2012	61.5	37.3	1.2	100
2013	51.9	47.3	0.8	100
2014	87.8	9.9	2.3	100
2015	90.7	6.3	3.0	100
2016	88.5	8.7	2.8	100
2017	90.3	6.7	3.0	100
2018	88.8	9.7	1.5	100
2019	91.9	7.4	0.7	100

Companies with 1,000-4,999 employees

Year	Demands for a concrete amount of wage increase	Demands to maintain the wage structure	Unknown	Total
2009	67.9	30.9	1.2	100
2010	52.3	43.5	4.2	100
2011	50.8	47.4	1.8	100
2012	55.4	43.9	0.7	100
2013	57.6	38.3	4.1	100
2014	83.9	11.7	4.4	100
2015	79.9	15.3	4.8	100
2016	84.1	11.2	4.7	100
2017	75.0	22.0	3.0	100
2018	82.9	14.3	2.9	100
2019	89.6	8.4	2.1	100

Note: The figures show the percentages accounted for by “companies at which negotiations were taken place to pursue on the basis of demands for wage increases” among industry totals for each year.

Source: Created by the author based on the MHLW’s “Survey on Wage Increase.”



Source: Created by the author based on the *Chiiki-betsu saitei chingin no zenkoku ichiran* [List of regional minimum wages], MHLW.
 Note: The line graph shows the national weighted average of regional minimum wage amounts. The bar graph presents the year-on-year difference in amounts of increase in regional minimum wages.

Figure 1. Status of increase in minimum wages (FY2002-2021, yen)

a concrete amount of wage increase”—among companies where wage negotiations were taken place. As the table shows, there has been a heightened climate for wage increases since 2014. Prior to that year’s round of annual wage negotiations—known as *shunto* (spring wage offensive)—then Prime Minister Shinzo Abe requested labor and management to ensure wage increases. 2014 is therefore considered a symbolic year, in which the government took a direction that could be described as *reverse* income policy.

In addition to such developments, increases to the minimum wage are also being implemented on an ongoing basis. As shown in Figure 1, while increases in the early 2000s have only been around a few yen year-on-year, the increase since 2016 is over 20 yen.¹ Minimum wage increases are being implemented at rapid pace.

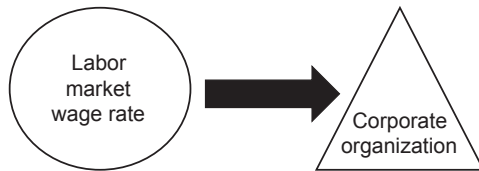
What kind of impact has such a heightened climate of wage increases had on companies’ wage management? This paper draws on case studies of companies to reveal the effects of the government’s requests for wage increases on companies’ wage management.

II. Wage determination principles by form of employment²

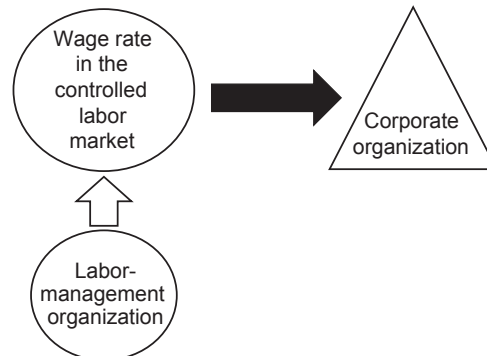
1. Patterns of wage determination

There are three patterns by which wages are determined, depending on the corporate organization’s relationship with the labor market. Figure 2 presents a concise overview of three wage determination patterns: firstly, the corporate organization is significantly influenced by the labor market and essentially determines wages based on the market rate (Pattern 1); secondly, the corporate organization determines wages in accordance with a labor market controlled by labor-management organizations and other such entities across the companies (Pattern 2), and thirdly, the corporate organization is barely influenced by the labor market and determines wages according to its own rules (Pattern 3).

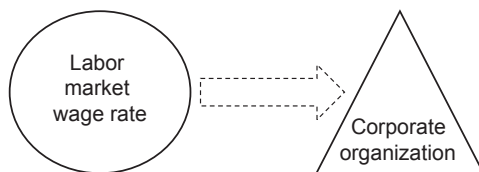
Pattern 1: The corporate organization is significantly influenced by the labor market and essentially determines wages based on the market rate.



Pattern 2: The corporate organization determines wages in accordance with a labor market controlled by labor-management organizations and other such entities across the companies.



Pattern 3: The corporate organization is barely influenced by the labor market and determines wages according to its own rules.



Source: Created by the author based on Ishida and Higuchi (2009), JILPT (2017), and Marsden (1999).

Figure 2: Wage determination patterns

If we assume that wages are determined according to one of these three patterns, the determination of wages for regular employees in Japan falls under Pattern 3. This unique lack of labor market influence on wage determination at companies in Japan is even more evident when a comparison is drawn with the US and European countries. Comparing the employment systems of the UK, US, Germany, and Japan, Marsden (1999), for example, notes that corporate organizations in Japan, in contrast with those in the other three countries, have the distinctive ability to define their own employment rules, given the lack of inter-company restrictions.

What do we mean here by inter-company restrictions? Ishida and Higuchi (2009) draw on case studies revealing the distinctive features of the wage systems in the US and Japan and note that in the US labor market, each job title is assigned a monetary value. For instance, at one company, market research is conducted on all jobs within the company, of which there are as many as 1,800. Each job is then divided into categories, such as “Financing manager Category I, II, III and IV,” such that there are as many as several thousand job titles within the company. These titles significantly influence the determination of the amounts of wages employees receive. At the same time, companies in the US define their own internal hierarchy of jobs and seek to ensure that the jobs that play important roles in business operations are assigned higher wages (Higuchi 2011). If these wage levels determined within the company according to their internal job hierarchy diverge from market rates, the market rates are given precedence. The US approach therefore falls under Pattern 1 where the corporate organization essentially determines wages on the basis of the market rate and the market rates take precedence over the wages that a company may determine according to its own criteria. While Japan has also seen an increase in companies placing importance on factors such as job content, duties, and performance since the introduction of performance based pay system in the late 1990s, as yet only a highly limited number of companies have developed a system linking their wages with the market rates such as that seen in the US (Ishida and Higuchi 2009). The concept of *shigoto* (job content or job duties), which plays such a key part in the determination of wages in Japan, is not that of established occupation types within the labor market, but the employee’s work (in other words, his or her role in the company) as adapted to suit the company’s management strategy and business plan (Umezaki 2008; 103).

Japan is therefore distinctive in the way in which its companies, unlike those in the US, form a tight barrier to the market rate.³

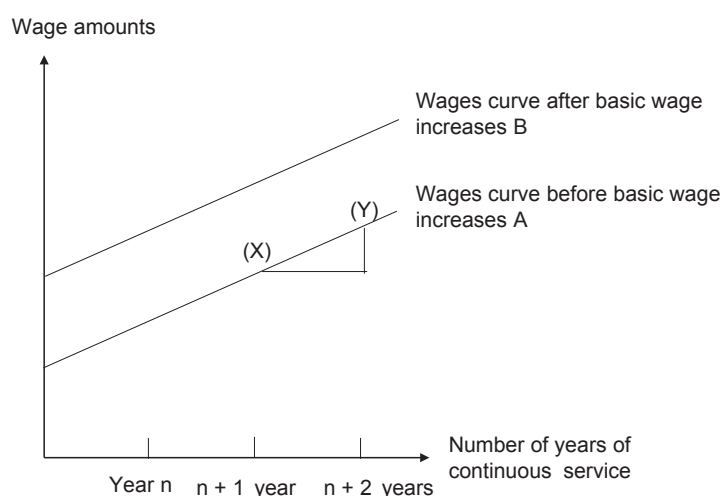
However, that is not to suggest that a country will be restricted to a single pattern of wage determination. The pattern that is applied may differ according to occupation type or form of employment. In the case of Japan, regular employees fall under Pattern 3, while non-regular employees fall under Pattern 1. The wages of non-regular employees are determined according to the market wage rate in the region (hereafter, the “regional rates,”) and it is the statutory minimum wage that influences the formation of that market rate. A rise in the statutory minimum wage will prompt a rise in the regional rate, and ultimately also influence the wages of non-regular employees.

Wage determination patterns in Japan therefore differ according to form of employment. In the case of regular employees, wages are determined according to the corporate organization’s own rules. For non-regular employees, wages are determined according to market rules. The principles for determining wages differ from regular to non-regular employees.

2. Distinctive features of wage determination for regular employees

Let us start by identifying the distinctive features of the wage determination of regular employees, which falls under Pattern 1. The amounts by which pay is increased (or reduced) consist of a portion determined by the operation of the wage system and a portion determined by labor-management negotiations within the company. Increases in pay according to the operation of the wage system are known as *teiki shokyu* (annual wage increments). Annual wage increments are the pay raises that are guaranteed by the system in accordance with the personnel and wage systems under the existing wage curve. The other portion of wage increases brought about by labor-management negotiation are across-the-board pay raises (basic wage increases, called “base up” in Japan) which are the wage increases that are generated by changing wage curve itself. In Japan, the wage increases implemented as a result of *shunto* wage negotiation are basic wage increases. While both annual wage increments and basic wage increases are elements by which employee's wage increases are determined, they differ in terms of the method with which they do so.

Figure 3 draws on Imano and Sato (2020) to present the relationship between annual wage increments and basic wage increases. Looking firstly at annual wage increments, these are regular wage increases that occur in accordance with the rules of the company’s personnel and wage systems as described above. More specifically,



Source: Created by the author based on Imano and Sato (2020).

Figure 3. Annual wage increment system and basic wage increases

annual wage increments are the amounts of wage increase that are determined on the basis of the grade system, wage table, and evaluation system. The grade system is the foundation of the personnel and wage system (Imano and Sato 2020, Hirano and Enatsu 2018), by which the relevant employees are graded in ranks (e.g., Grade 1, Grade 2) on the basis of what can be described as some form of “criteria of excellence.” The criteria for such ranks take into consideration a variety of factors, such as number of years of continuous service, the abilities that employees possess, and the jobs that they are engaged in. Companies design their grading system on the basis of these internally defined “criteria of excellence” for employees.

Wage tables are constructed to correspond with grade system, such that employees' wages are determined according to the grade that they have been allocated. The amount of wages that will be paid according to the grade and wage table is determined by the evaluation system. Managers typically conduct an evaluation of their employees in accordance with the evaluation system. Such evaluation is known as *jinji kōka* (personnel rating, sometimes also referred to as *satei*). Each employee's wages for the following financial year are determined on the basis of the results of the personnel rating.

How do annual wage increments occur under such a system? Let us say, for example, that there is a wage table with predetermined amounts of wage increase for each evaluation result, such as 1,500 yen for Evaluation Rating A, or 1,000 yen for Evaluation Rating B. The wage increases that arise under such a system are the annual wage increment portion. In other words, annual wage increments are the portion of wage increase that is built into the wage system. In terms of Figure 3, the change from (X) to (Y) is the annual wage increment.

The Ministry of Health, Labour and Welfare (MHLW)'s “Survey on Wage Increase” defines annual wage increments as “wage increases implemented in a given period each year in line with systems predetermined by collective agreements, employment regulations and other such means. In addition to automatic increases by age or number of years of continuous service, increases according to personnel ratings based on ability or performance in a given period may also be included.” As this definition shows, while the wage increases automatically occur annually, their extent is determined according to evaluation of ability and performance. More specifically, annual wage increments are the system by which, while a typical employee's wages follow a standard line of wage increase determined by labor and management in each company, the actual amount of wage increase is determined according to the results of personnel rating (Umezaki 2008).

While there are various opinions as to when annual wage increments were introduced, it is said that they were established as a system in around the mid-1950s.⁴ Looking exclusively at the postwar developments, annual wage increments were introduced as a result of calls from employers, as a means of making a division in wage management between wage increases for the purpose of maintaining living standards and wage increases for contributions to the company (such as productivity and efficiency) (Sato 1999). That is, annual wage increments are the portion of wage increase that was introduced as the latter of the two—namely, the portion of wage increase that reflects contributions to the company's operations. Results from the “Survey on Wage Increases” show that among companies with an annual wage increment system, 76.8% have such a system for managerial level employees, and 82.5% have such a system for non-managerial level employees. As this indicates, the system is widely adopted by Japanese companies.

The important aspect of annual wage increments in relationship to wages in Japan is that annual wage increments are to serve as the institutional foundation for Japan's seniority-based wage curve.⁵ However, this does not necessarily mean that Japanese wages are seniority based and ignores ability and performance. This is because, as confirmed in the aforementioned definition set out for the MHLW survey, it is not the case that all employees can equally receive the same amount of wage increase. The wage increases take into account the individual employee's ability and performance. Wages are not only determined by age or years of continuous service.

The other means of pay increase, basic wage increase, is the wage increase that is generated by changes to the wage curve. More specifically, it refers to wage increases brought about by revision to the wage table. For instance, basic wage increase is the wage increase that is generated by adjustments to the wage table itself, such

as changing the wage portion assigned for Evaluation Rating A from to 1,500 yen in the existing wage table to 2,000 yen in the revised version. It is a wage increase, but in a different approach from that of the annual wage increments. In terms of Figure 3, the change from Wage Curve A (the curve based on the former wage table) to Wage Curve B (the curve based on the new wage table) represents a wage increase brought about by basic wage increase.

While annual wage increments are wage increases that arise through the operation of the personnel system, basic wage increases are wage increases brought about by labor-management negotiations. Although basic wage increase is now implemented as a general trend since 2014, there was formerly a negative stance among employers toward such wage increases from the late 1990s onward (Ogura 2017). For example, survey results from Mitsubishi UFJ Research and Consulting (2014) show that of the companies that implemented basic wage increases in 2014, over 70% of companies responded that they had “implemented basic wage increases for the first time in six years or more.” These also included companies that were implementing basic wage increases for “the first time in 14 years or more,” which accounted for around 15% of them.

What purpose does basic wage increase serve as a wage increase? Labor union demands until the 1990s were rooted in the principle of “maintaining the annual wage increment + securing the equivalent of the increase in consumer prices in order to maintain/improve real wages + improving living standards” (underlining by the author) (Japan Institute for Labour Policy and Training [JILPT] 2014). It was basic wage increase that has served as the wage increase to cover these underlined aims. Namely, up until it was revived, basic wage increase was principally aimed at maintaining and improving living standards. This therefore indicates that it was a wage increase that was expected to function as a means of maintaining and improving livelihood. In contrast, annual wage increments were, as shown above, wage increases corresponding to factors such as the growth of a company or the employee's performance.

Do the annual wage increments and the revived basic wage increase follow the same relationship as before? Or do they follow a different relationship? Have changes arisen in the means by which the wages of regular employees are determined according to organizational rules? These are important questions to consider in relation to the wages of regular employees in Japan.

3. Wages of non-regular employees

Let us next establish the distinctive characteristics of the wage determination of non-regular employees, who fall under Pattern 1 in Figure 2. The wages of non-regular employees are, in contrast with those of regular employees, strongly influenced by the market rates. As Ishida (2006) describes it, non-regular employees are the group to which the “market wage rate” is applied. However, as reflected by discussion highlighting the trend toward non-regular employees becoming the core workforce, there are non-regular employees who engage in more sophisticated tasks within their organizations, as opposed to merely basic tasks.⁶ Along with this increasingly key role of non-regular employees in the workforce, there is also a trend toward applying the grade system and evaluation system to non-regular employees. It is becoming ever more necessary for the wage management of non-regular employees to reflect the increasingly advanced nature of their work by drawing on an ability-based hierarchy of employees.

In line with such practical developments in the utilization of human resources in companies, there are companies that have established systems that allow for non-regular employees' wages to differ depending on an individual employee's performance and ability.⁷ In other words, this is the expansion of the portion of wages determined according to the rules of the corporate organization. What impact has the introduction of the rules of the corporate organization in the determination of the wages of non-regular employees had on the management of non-regular employees' wages, which were conventionally determined based on the market? For instance, how have the shifts in the regional rates along with the rises in regional minimum wages affected the management of non-regular employees' wages? Addressing these questions is an important part of examining the wages of Japan's non-regular employees.

III. Issues examined in this paper

In the previous section we looked at the basic rules on the determination of wages for regular employees and non-regular employees. With these rules in mind, there are two following issues that need to be examined given the context of the trend toward wage increases in recent years. Firstly, light must be shed on the following aspect of the determination of wages of regular employees, which falls under Pattern 3 (the corporate organization is barely influenced by the labor market and determines wages according to its own rules):

Question 1: Given that basic wage increase has been revived, upon what grounds are such wage increases implemented?

Secondly, it is necessary to address the following question regarding the determination of wages of non-regular employees, under Pattern 1 (the corporate organization is significantly influenced by the labor market and essentially determines wages on the basis of the market rate):

Question 2: Given that the rules established by corporate organizations coexist with those of the labor market, surely increases in regional rates create issues for companies in their wage management?

This paper examines the issues set out above by drawing on the content of case studies on personnel and wage systems conducted by the JILPT (2022). The cases covered are major companies with 1,000 or more employees and are organized by labor union.⁸ That is, the studies focused on major companies with advanced levels of labor-management communication. The analysis regarding regular employees draws on case studies from 15 companies. Results regarding non-regular employees are drawn from case studies of five companies that are utilizing non-regular employees and adopted their own internal rules for determining non-regular employees' wages.⁹

There are several points to bear in mind regarding the analysis in this paper. Firstly, the analysis addresses the period prior to the COVID-19 pandemic. The current period of sharp price increases is therefore excluded from the analysis. Secondly, the employees addressed in the case studies are, in the case of regular employees, non-managerial level employees. This is due to the fact that reform to systems for treatment of non-managerial employees is the main subject of discussion at policy level. In the case of non-regular employees, analysis focuses on directly-hired non-regular employees, largely those working full-time or pursuing a similar style of working. Indirectly hired non-regular employees were excluded from the analysis.

IV. Analysis results

1. Annual wage increments and basic wage increases

(1) Distinctive features of wage tables for regular employees

The system of annual wage increments has typically been regarded as a distinctive feature of Japan's wage system. What kind of transformation has it been through? As discussed above, the formation of the seniority wage curve—another element of the wage system that is unique to Japan—was formed based on the annual wage increment system. Looking further in history, this stable wage increase system incorporating personnel rating has been highlighted as having come about under the *tsumiage-gata* (*gradual build-up type*) wage table based on the concept of the wage increases being built up upon each other (Nishimura 2017). According to Kusuda (2006), which summarizes the distinctive features of the *tsumiage-gata* wage table, annual wage increments were conducted based on two wage tables: the *shokyu hyo* (wage increase table) and the *dankai goho hyo* (evaluation-based wage step table).

The *shokyu hyo* is a table specifying amounts of wage increase according to personnel rating results for each grade (Figure 4). The amount of wage increase may differ from employee to employee according to their evaluation result. Taking Grade J-1 as an example, the amount of wage increase is 2,500 yen if the evaluation result is Rank B, and it is 2,800 yen in the case of Rank A. Wages are built upon with a determined amount of wage increase added each year.

An alternative form of wage table is the *dankai goho hyo* (Figure 5), by which employees accumulate wage increases on the basis of personnel ratings, in amounts within a range of predetermined lower and upper limits for each grade. Whether or not an employee is able to move up a step is determined on the basis of evaluation. The number of steps that employees are able to advance according to their evaluation is predetermined—for

(Unit: yen)

Grade \ Rank	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 4. *Shokyu hyo* (wage increase table)

(Unit: yen)

Grade \ Step	J - 1	J - 2	J - 3	S - 4	S - 5	S - 6	M - 7	M - 8	M - 9
1	31,700	44,800	58,600	77,800	98,200	127,000	175,100	230,100	294,100
2	32,200	45,300	59,200	78,500	99,000	127,900	176,100	230,900	294,700
3	32,700	45,800	59,800	79,200	99,800	128,800	177,100	231,700	295,300
4	33,200	46,400	60,400	79,900	100,600	129,700	178,100	232,500	295,900
5	33,700	47,000	61,000	80,600	101,400	130,600	179,100	233,300	296,500
⑥	34,200	47,600	61,800	81,400	102,200	131,500	180,100	234,100	297,100
7	34,700	48,100	62,400	82,100	103,000	132,400	181,100	234,900	297,700
8	35,200	48,600	63,000	82,800	103,800	133,300	182,100	235,700	298,300
9	35,700	49,200	63,600	83,500	104,600	134,200	183,100	236,500	298,900
10	36,200	49,800	64,300	84,200	105,400	135,100	184,100	237,300	299,500
⑩	36,700	50,400	65,000	85,000	106,200	136,000	185,100	238,100	300,100
12	37,200	50,900	65,600	85,700	107,000	136,900	186,100	238,900	300,700

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

Figure 5. *Dankai goho hyo* (evaluation-based wage step table)

instance, a standard evaluation result is assigned an increase of five steps, while a higher evaluation is assigned seven steps. In the example shown in this figure an employee who receives a standard evaluation advances five steps up the wage scale. If an employee who is at Step 1 of Grade J-1 receives a standard evaluation result, they will advance to Step 6 of Grade J-1, and their wages will therefore be increased from 31,700 yen to 34,200 yen. This is the same approach as the *shokyu hyo* in terms of the fact that wages differ according to the employee's evaluation result.

The distinctive feature of such *tsumiage-gata wage table* is that once an employee has entered a company their wages are increased according to a stable process. Employees were therefore able to ensure that their wages increased through their own work performance, without relying on labor union's collective voice. This in turn allowed employees to feel motivated toward their work and served as an incentive to improve their skills (e.g., Ishida 1990 and Koike 2015).

Every few years, the MHLW's "General Survey on Working Conditions" includes questions on revisions to the wage system in the previous three years. Table 2 shows the progress in 2004-2017 of revision among companies with 1,000 or more employees. In the 2004 Survey, 61.1% of companies responded that they had made revisions, indicating that the majority of companies had implemented some form of change. The percentage that implemented revisions subsequently declined over time, dropping to 30.3% in the 2014 Survey, and then increased again to 37.0% in 2017. As this shows, revisions to wage systems are being implemented regularly. How do these revisions to wage systems lead to changes in the wage tables?¹⁰ How have the forms of appraisal-based, *tsumiage-gata wage table* identified above changed at present? Alternatively, are such wage tables still mainstream even now?

Table 3 compiles the distinctive features of the major wage tables for regular employees' *kihonkyū* (base pay) base pay of the 15 case study companies. Firstly, all of the companies follow a simple wage structure for base pay. Base pay is made up of one category at eight of the 15 cases, and of three categories at most among other cases with multiple categories.

As shown in the table, there are various different terms for referring to base pay, such as *honkyū* (main pay), *yakuwari-kyū* (role-based pay), *shikaku-kyū* (qualification-based pay), and *shokuno-kyū* (ability pay). Even the same term may differ entirely in meaning from company to company. For instance, "main pay" may be age-based pay at one company but constitute a completely different type of pay at another. Wages may be referred to as "role-based pay" and yet also have the features of the gradual build-up approach. It is therefore difficult to surmise the particular features of each company's wages based on the terms used to describe them. It is necessary to examine the contents of the actual wage tables.

Let us identify the distinctive features of each of the companies. Firstly, the majority of the case study companies have already done away with wage systems by which wages are increased according to age. Only four of the 15 cases possess such a wage system (main pay of Machinery Manufacturer B, main pay of Textile Company E, age-based pay of Supermarket H, and age-based pay of Home Improvement Center O). Electronics

Table 2. Trends in the wage system revisions

(Unit: %)	
Year	Rate of companies that revised wage system
2004	61.1
2007	56.5
2010	37.0
2014	30.3
2017	37.0

Source: Created by the author based on the MHLW "General Survey on Working Conditions."

Note: The figures are for companies with 1,000 or more employees (total for job class and total for industry).

Table 3. Distinctive features of wage tables for regular employees' base pay (15 case study companies)

	Automobile Manufacturer A	Machinery Manufacturer B	Electronics Manufacturer C	Electronics Manufacturer D	Textile Company E	Electrical Equipment Manufacturer F	Telecommunications Company G	Supermarket H
Structure of base pay	Main pay	Main pay (age-based), Ability pay, Results-based pay	Main pay	Role-based pay	Main pay (age-based), Ability pay	Main pay	Qualification- based pay, Ability pay, Results-based pay (certain upper grades)	Job and ability based pay, age-based pay, region-based pay
Type of main wage table for base pay	<i>Zoned wage increase table</i>	<i>Single rate (Ability pay)</i>	<i>Zoned wage increase table</i>	<i>Reassessment</i>	<i>Gradual build up</i>	<i>Zoned wage increase table</i>	<i>Single rate</i>	<i>Gradual build up</i>
Percentage of <i>Zoned wage increase table, Single rate, or Reassessment</i> to base pay	100%	Approx. 40%	100%	100%	—	100%	Approx. 40-50%	—

	Supermarket I	Department Store J	Insurance Company K	Financial Services Company L	Electronics Retail Store M	Drugstore N	Home Improvement Center O
Structure of base pay	Qualification- based pay, Ability pay	Results-based pay	Job-related pay	Role-based pay	Job-related pay, qualification- based pay	Ability pay	Age-based pay, Ability pay (role-based pay for those at subsection chief level or above)
Type of main wage table for base pay	<i>Single rate</i>	<i>Zoned wage increase table</i>	<i>Zoned wage increase table</i>	<i>Gradual build up</i>	<i>Reassessment</i>	<i>Gradual build up</i>	<i>Gradual build up</i>
Percentage of <i>Zoned wage increase table, Single rate, or Reassessment</i> to base pay	Approx. 80-90%	100%	100%	—	Approx. 70-80%	—	—

Source: JILPT (2022).

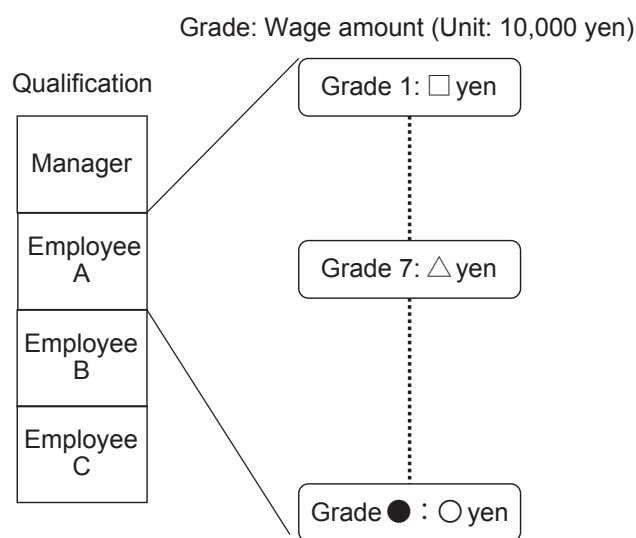
Retail Store M's wage structure similarly had a portion determined according to age (qualification-based pay). The decreasing portion of base pay reflecting age is a common trend across all industry types. Secondly, as for the wage tables, there are as many as 10 companies that have introduced the single rate or zoned wage increase tables, which are different from gradual build-up type tables. Looking at the wage tables introduced by the surveyed companies, the distinctive features of the major pay categories—the categories that occupy the highest proportion of base pay—can be grouped into four types: *tsumiage-gata* (*gradual build-up type*) wage table, *han-i araigae-gata* (*reassessment type*) wage table, *single rate* wage table, and *zoned wage increase table*.

(i) *Tsumiage-gata* (*gradual build-up type*) wage table

Five companies (Textile Company E, Supermarket H, Financial Services Company L, Drugstore N, and Home Improvement Center O) are utilizing *tsumiage-gata* wage table. These companies have adopted wage tables similar to the *shokyu hyo* and *dankai goho hyo* shown in Figures 4 and 5. It should also be noted that all five companies adopt the approach of assigning wages within a predetermined lower and upper limit for each grade. As this system is operated such that wage decreases are essentially not expected to occur, employees smoothly advance to the upper limit of the wage range for their grade. However, wage increases peak when they reach the upper limit.

(ii) *Han-i kyu araigae-gata* (*reassessment type*) wage table

Two companies (Electronics Manufacturer D and Electronics Retail Store M) have introduced *han-i kyu araigae-gata* wage table. Such tables set out definitive amounts of wage increase according to appraisal results for each grade.



Source: JILPT (2022).

Note: These are not the official terms used by Electronics Retail Store M to describe the qualification levels.

Figure 6. Wage table of job-related pay (Electronics Retail Store M)

Figure 6 presents the *shokumu-kyu* (job-related pay) for Electronics Retail Store M. It is a wage range salary with wage ranges determined for each qualification. The wage amounts are determined for each grade, such that, within the range, Grade 1 of the wage range receives a certain amount, while Grade 2 receives another, and so on.

An employee's grade is determined by a semiannual evaluation. The evaluation result determines the grade the employee falls under—for example, for an employee who receives a standard evaluation result (e.g., Evaluation score C), wages remain the same; an employee who receives high evaluation (e.g., Evaluation score A) advances one grade higher, while an employee who receives low evaluation (e.g., Evaluation score D) goes down one grade.

The results of these semiannual evaluations determine the amounts of job-related pay they will receive. As job-related pay is therefore determined according to the semiannual evaluations, provided they receive the same evaluation results, employees in the same qualification will receive the same amount of wages.

In the *han-i kyu arai-gata wage table* wage amounts change according to annual (or semiannual) evaluation, as opposed to wage increases that gradually build up on the basis of an employee's former wage level. An evaluation may not only result in wage increase, but also in wages remaining the same or being reduced. In contrast with the wage increases of *tsumiage-gata wage table* where employees' wages rise stably, this is a wage table in which the stable portion of the wage increase is curbed.

(iii) *Single rate wage table*

The single rate approach refers to wage tables in which a certain wage amount is fixed for each qualification grade. This means that an employee who remains in the same qualification grade will not receive an increase in base pay. Said employee needs to be promoted to the next qualification grade up in order to see an increase in their wages. Three of the case study companies used single rate as the major element for determining base pay (Machinery Manufacturer B, Telecommunications Company G, and Supermarket I).

Figure 7 shows the single rate approach used by Telecommunications Company G. In this wage table, each qualification grade is assigned a fixed wage amount, such that as long as an employee remains in the same grade,

Qualification grade	Wage amount (Unit: 10,000 yen)
Qualification 3	○○ yen
Qualification 2	△△ yen
Qualification 1	◇◇ yen

Source: JILPT (2022).

Note: These are not the official terms used by Telecommunications Company G to describe the qualification levels.

Figure 7. Wage table (Telecommunications Company G)

there will be no change in the amount of wages they receive. Promotion to a higher qualification grade also results in an increase in the amount of base pay. Under the single rate approach, the qualification grade in which the employee is currently ranked is the amount of base pay, and as long as the employee remains in that grade their wages neither increase nor decrease. In comparison with the *tsumiage-gata wage table*, this is a wage table in which the stable portion of wage increase is suppressed.

(iv) Zoned wage increase table

Zoned wage increase table is the newest form of wage table. Five of the 15 case study companies had introduced this type of wage table (Automobile Manufacturer A, Electronics Manufacturer C, Electrical Equipment Manufacturer F, Department store J, and Insurance Company K). A distinguishing feature of this table is that the wage range of each qualification grade is further divided into several zones, and a salary increase amount or salary decrease amount corresponding to evaluation result is assigned to each zone. At the same time, a wage level designed to serve as the standard level is defined for each grade, and wage increase amounts and wage decrease amounts are set such that employees' wages converge around the standard level.

Figure 8 shows the zoned wage increase table (table for performance-based pay) of Department Store J. There is a defined amount of pay for each rank, and the rank increases or decreases according to the evaluation result. The number of ranks by which an employee goes up or down the ranks is determined according to the evaluation, in such a way that the amounts converge around the standard level rank. The labor union of Department Store J noted the following during their interview:

“The shaded row in the middle [of the wage table; addition by the author], what we call the standard rank, is the rank where there is no increase if the employee receives standard results. The structure is essentially such that the wage amounts cluster around the center [of the wage range of each grade; addition by the author]. The concept follows the former approach of a certain wage for a certain job, while at the same time, given the inevitable demand for distinguishing between different evaluation results within the same job or job position grade, such a mechanism by which wages cluster around the middle was adopted.”¹¹

The intensity of such clustering differs from company to company. Among the cases, Automobile Manufacturer A and Electrical Equipment Manufacturer F have introduced systems with weak convergence of wage levels. In contrast, Insurance Company K, Electronics Manufacturer C, and Department Store J have adopted wage tables with strong convergence.

Another distinctive feature that should not be overlooked is the tendency for the standard level to be determined according to standards that differ from the labor market wage rates. Only Insurance Company K had

Rank	Wage amount (Units: 10,000 yen)	Evaluation				
		Highest	[Omitted]	Standard	[Omitted]	Lowest
39	* * yen	No rank change (stay)		5 ranks down		10 ranks down
38	* * yen	No rank change (stay)		5 ranks down		10 ranks down
37	* * yen	1 rank up		4 ranks down		9 ranks down
[Omitted]						
20	* * yen	5 ranks up		No rank change (stay)		5 ranks down ← Standard rank
[Omitted]						
3	* * yen	9 ranks up		4 ranks up		1 rank down
2	* * yen	10 ranks up		5 ranks up		No rank change (stay)
1	* * yen	10 ranks up		5 ranks up		No rank change (stay)

Source: JILPT (2022).

Note: Rank numbers and numbers for increase or decrease in rank are imaginary and differ from the actual figures.

Figure 8. Wage table for performance-based pay (Department Store J)

defined a standard level in accordance with the wage rates of the price of external labor market. This shows that even today the wage determination of regular employees fall under Pattern 3 as defined in Figure 2. This is clearly demonstrated by the following comment from the labor union of Electronics Manufacturer C:

“Try to see it as the format that labor and management have developed on the basis of our sense of which level corresponds with which rank, including the various approaches we have adopted up until now for assigning ranks and raising wages, given the lack [of price of external labor market; addition by the author]. Although it would be simpler if we could clearly define the level. . .”¹²

Zoned wage increase table is another form of table where, in comparison with those using the gradual build-up approach, the stable portion of wage increase is curbed. Rather than following market rates, the company defines a wage level it believes appropriate for each grade, taking into consideration the wage levels under the company’s past wage system at the same time. That is, the level tends to be determined according to the standards of that corporate organization.

In this section, we have established the current developments regarding the wage tables adopted by companies, as well as confirming the four types of wage table for the major categories that make up base pay. Ten of the 15 cases were utilizing a wage table other than the gradual build-up approach. Wage tables other than the gradual build-up approach are becoming more widely adopted. This indicates that wage systems are being revised in the direction of curbing the stable wage increase portion. Namely, there is less room for individual employees’ efforts to ensure wage increases.

(2) State of implementation and objectives of basic wage increases

Given that, as seen above, there is decreasing leeway for employees to secure wage increases through their own efforts, what methods are being pursued to bring about wage increases through labor-management negotiations? What are the objectives of implementing wage increases?

Of the 15 case study companies, as many as 12 companies had rewritten their wage tables and implemented basic wage increases. As this shows, the majority of companies are implementing basic wage increases. However, unlike the example shown in Section II-2, there are also companies that have not rewritten their wage tables (Automobile Manufacturer A, Supermarket H). Moreover, looking in detail at those that do rewrite their wage

tables, while some companies rewrite all qualification grades, there are also companies that rewrite specific qualification grades. For instance, at Telecommunications Company G and Supermarket I, there were regular employees who were not eligible for allocation of basic wage increases. This indicates growing diversity in the approaches to implementing basic wage increase.

With the increasing diversity of basic wage increase, its objectives are also changing. As noted in Section II-2, the principal aim of basic wage increase was originally to maintain and improve living standards. That objective has taken a backseat in the approaches to basic wage increases since its revival in 2014. Instead, basic wage increase tends to be implemented for the purposes of securing human resources and boosting employees' motivation. The labor union of Automobile Manufacturer A commented as follows:

“The point is that, to put it another way, it [the employee’s wage; addition by the author] is the value of their work, or the equivalent value of their labor, and therefore, in terms of our movement, the basic stance seems to be that if commodity prices and the value of wages remain unchanged, the wages assigned to each grade of role, which represent the value of work, should remain the same. The overriding principle is therefore to essentially avoid rewriting current wage table.”¹³

Amid such changes, companies have utilized basic wage increases as a means of increasing the wages of the lower grades in order to enhance their potential to recruit new employees, and raising wages for specific employees. For instance, Supermarket H provides an additional wage increase for those employees who receive evaluation result higher than a standard level (Evaluation A or above in this case) in their personnel appraisal, by allocating a portion of basic wage increases as a special additional amount. Basic wage increases is in some cases being implemented in this way as a wage increase for employees who are performing particularly well. Such an approach was introduced at Supermarket H on the request of the labor union.

It is also noteworthy that Textile Company E and Home Improvement Center O are implementing increases of age-based pay, which is a type of pay considered to be strongly linked with cost of living. This approach is, however, aimed at securing wage increases suited to the work performance of older employees, as opposed to seeking to raise wage levels to improve employees' standard of living. Automobile Manufacturer A also adopts the basic wage increase approach to increase wages as a secure means of encouraging employees to cooperate with the Continual Improvement (*Kaizen*).

As established in Section II-2, it has typically been annual wage increments that have been utilized as an incentive for employees to engage in their work in such a way that will contribute to competitiveness of companies. The examples we have looked at show that basic wage increase is also being utilized as such an incentive.

2. Increase in minimum wages and wage systems of non-regular employees

(1) Wage systems of non-regular employees

Regular employees' wages are determined according to the criteria of the corporate organization. Only Insurance Company K adopts an approach by which wage determination is adjusted according to the price of labor market. For *non*-regular employees, however, it is an entirely different world—their wages are influenced by the labor market. Let us therefore look at what forms of wage management are being conducted in the case of employees whose wages are influenced by shifts in market rate, or, in other words, the regional rates. Here the subjects are the five companies among the 15 case study companies that utilize *pāto taimā* (“part timers”), the typical type of non-regular employees in Japan. It should incidentally be noted that in Japan, the term “part-timers” is in some cases used to refer to non-regular employees in general, as opposed to specifically referring to the working hours. Some of those who are referred to as part-timers may therefore work full time. The subjects of the following analysis are employees who are referred to by their companies as part-timers. To avoid confusing

Table 4. Wage systems for non-regular employees (5 case study companies)

	Supermarket H	Supermarket I	Electronics Retail Store M	Drugstore N	Home Improvement Center O
Implementation of a grade system	3 grades	2 grades	4 grades	—	—
Method of promotion	Gradual build-up of evaluation	Written examination and interview	Evaluation of behavior	—	—
Implementation of promotion on the basis of evaluation	Yes	Yes	Yes	Yes	Yes
Method of reflecting evaluation results	Reflected upon promotions and wage increases	Reflected upon wage increases	Reflected upon promotions and wage increases	Reflected upon wage increases	Reflected upon wage increases

Source: JILPT (2022).

the terms, these employees are referred to below as non-regular employees (except in the comments quoted from the survey interviews to the labor unions).

Table 4 summarizes the wage systems applied to non-regular employees for the five companies. As the table shows, non-regular employees also undergo evaluations of their ability, the results of which are reflected upon promotions and wage increases.

All five companies conduct evaluations of ability for non-regular employees and reflect the results upon wage increases. Namely, the five companies implement systems by which non-regular employees in the same job title or with the same number of years of continuous service may receive different amounts of hourly pay in accordance with their ability or performance. For instance, Supermarket H reflects the results of personnel ratings on the determination of non-regular employees' hourly pay. This ensures that among non-regular employees in the same job title and with the same number of years of continuous service differing hourly pay may be applied to reflect ability or performance in accordance with wage revision rates in line with annual evaluation results. Wage revision rates reflecting five levels of evaluation result—A, AB, B, BC, and C—are assigned for each qualification grade. As this indicates, the distinctive features of regular employees' wages have spread to influence the approaches applied to non-regular employees.

(2) Impacts of minimum wage increases on personnel management

As noted in Section I, regional minimum wages are increased on an ongoing basis. The amounts by which they are increased are also higher in comparison with the early 2000s. The regional rates have consequently risen sharply. Such changes in the environment are prompting challenges with regard to the personnel management of non-regular employees.

For instance, Supermarket H, Electronics Retail Store M, and Drugstore N have faced the issue that the portion of wage increase that reflects wages for abilities evaluation results may be drowned out by the increase in regional minimum wages. Some of the non-regular employees with a number of years of continuous service are dissatisfied at the fact that non-regular employees new to the company are able to catch up to a wage level that they achieved by building up appraisal results. Identifying this as an issue, the labor unions of the three companies offered the following comments:

“While the slightly high rate of increase in minimum wages is a pretty good development from our point of view, the key issue is that there may, for instance, be little differences in the wages of a part-timer in their fifth year with the company and those of a first or second year. This has already presented itself as the greatest issue...As the increase [in the regional minimum wage;

addition by the author] in the Tokyo metropolitan area has been 20-yen, again 20-yen, year on year, the problem is that, even if wages are increased based on evaluations, the employees entering the next year will catch up with them.”¹⁴

“With the exponential increase in minimum wages, particularly in the last few years, part-timers who joined the company 10 years ago—and have built up their wages gradually with each performance evaluation—may have only increased their wages by around 10 or 20 yen on average, even if they have been rated higher each year. As the minimum wage has instantaneously exceeded this, there are now a great number of part-timers in the workplace complaining that the wages of those who joined the company 10 years ago are the same as those of new part-timers or barely even 10 yen higher...the portion of wage increases reflecting evaluations has been entirely overwritten.”¹⁵

“Part-timers are extremely uncompromising when it comes to money, more so than regular employees, so when they are directly faced with a subject for comparison, it’s inevitable that union members start to complain: ‘But they have only been at the company for one or two years, while we are seasoned employees with many years of experience—why are their wages rising, while ours [the wages of seasoned employees; addition by the author] are barely increasing?’”¹⁶

As this shows, the subject companies faced a situation in which their ordered structure by which wages were determined according to non-regular employees’ abilities and roles within their company has broken down as a result of rising regional rates. Companies were presented with a challenge coordinating the market rates with their internal wage systems.

Home Improvement Center O (Company O) also faced a different issue. Company O has implemented increases to the base portion of non-regular employees’ wages to correspond with the increase in regional rates. However, a trend developed by which, in order to reduce the burden of costs for wages, stores attempted to utilize personnel ratings to offset the wage increases implemented for non-regular employees. As Company O had a personnel evaluation system that allowed for employees’ wages to be reduced as a result of evaluation results, the stores sought to offset market rate-based wage increases with wage decreases on the grounds that they reflected personnel ratings. Some of the stores began to attempt to address the increase to the base portion of hourly pay by seeking to curb the wages to a level just above minimum wage.¹⁷

The problematic trend addressed above can be seen as a wage management issue that arises where there is an “absolute” level such as regional rates. It could be suggested that it is not an issue in the case of regular employees. It should, however, be noted that there is a company that has not encountered such a problem (Supermarket I). There are also companies that have faced such an issue but taken measures to address it. Below is a summary of the approaches that case study companies have adopted to respond to the issue.

(3) Approaches adopted in response

Table 5 summarizes the approaches adopted by labor and management to address the impact of the increase in minimum wage on personnel management. There are four types of approach. The first is to introduce wages in which there is a clear division between the portion that corresponds to market rates and the portion that reflects job duties and ability. This approach has been implemented by Supermarket H and Supermarket I (Figure 9). It entails reflecting the regional rates upon the basic hourly pay portion and defining a separate, ability-based portion. Making such a division to establish the portion that reflects abilities is a means of ensuring that the company’s internal ranking of job duties and ability is not affected by the shifts in the regional rates. For instance, in the case of wages at Supermarket I, which are largely made up of qualification-based pay, region-based pay, and ability-based pay, adjustments to accommodate regional rates are made to the qualification-based and region-

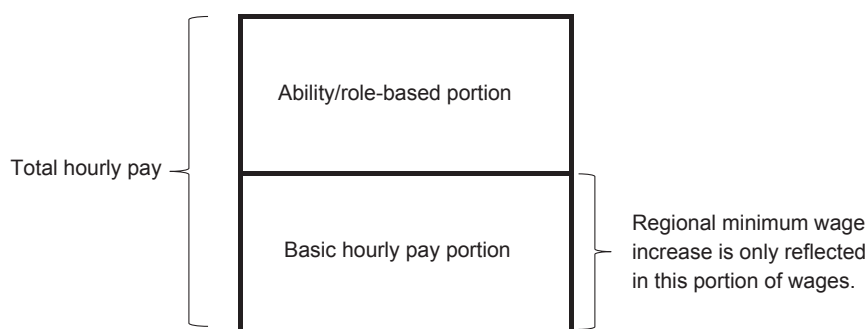
based pay. That is, the sum total of the qualification-based pay and region-based pay is what must exceed the statutory regional minimum wage level, and ability-based pay is not included in this total. As a result, the ability-based pay portion, which should reflect the performance of non-regular employees, is not affected by shifts in the regional rates. Such an approach is adopted by companies as a means of maintaining their internal ordered system for wages against the context of increasing market rates.

The second approach is postponing the timing at which the results of personnel ratings of ability are reflected upon wages, in order to avoid the impact of revision to the statutory regional minimum wage that is implemented in October. This method was implemented by Drugstore N (Figure 10). Drugstore N used to typically implement the increases in the evaluation-based portion of non-regular employees in April, as was the case for regular employees. While there is little issue with regard to regular employees, whose wages are not really connected with the regional rates, in the case of non-regular employees, whose wages are impacted by its rates, the issue had arisen that revision to regional minimum wage and the resulting increase in minimum wage cancelled out the amount of wage increase reflecting ability. Drugstore N’s labor union, which identified this as an issue, requested the employer to change the timing of the evaluation-based portion of wage increase from April to November in order to avoid increase in regional rates having an impact on wage increases to the ability-based portion. However, in the case of this method, it is still possible that the wage increase in the portion reflecting evaluation may be offset by the increase in the statutory regional minimum wage one year later. Even so, it plays an important role in maintaining and boosting motivation among non-regular employees as it ensures that the wage increase is maintained for one year, where it would typically have been gone in six months. The following

Table 5. Approaches by labor and management to address the impact of the minimum wage increase on personnel management

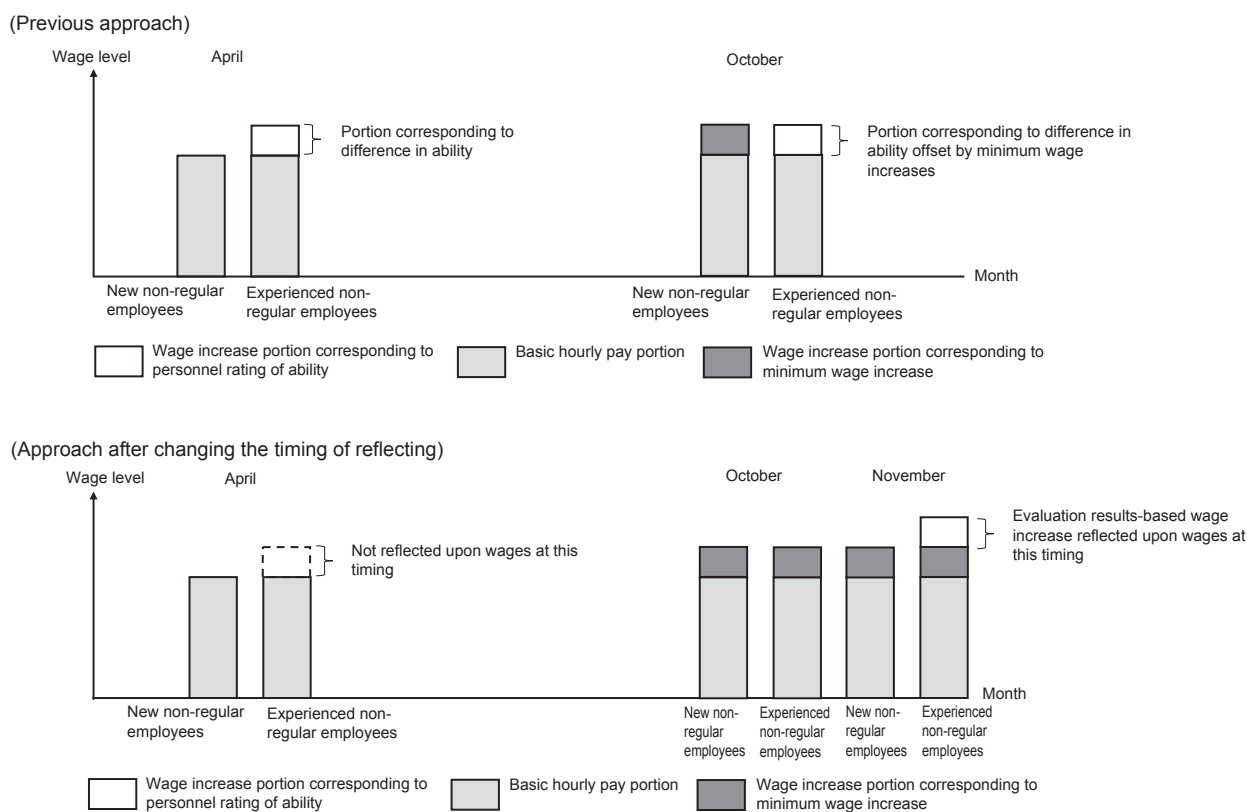
Approach	Relevant case study companies
Management that draws a clear distinction between the portion of wages that corresponds to regional market rates and the portion that reflects ability	Supermarket H, Supermarket I
Adjusting the timing at which the results of personnel ratings of ability are reflected	Drugstore N
Labor union check on the evaluation-based portion of wage increase based on performance	Home Improvement Center O
Approach corresponding to promotion	Electronics Retail Store M

Source: JILPT (2022).



Source: JILPT (2022).

Figure 9. Separating wages: portion corresponding to regional rates and portion that reflects ability (Supermarket H, Supermarket I)



Source: JILPT (2022).

Figure 10. Initiatives to avoid impact of revision to regional minimum wage increase (Drugstore N)

comment from the labor union indicates the importance of maintaining the company’s evaluation-based portion of wages for as long as possible:

“Wage revisions made in April may be engulfed by around five to six months later, and this has now been lengthened to a year. While it is still a game of catch up, in terms of part-timers’ motivation, the evaluation remains alive for one year.”¹⁸

The third approach is for the labor union to check the operation of the evaluation-based pay. This was implemented by Home Improvement Center O. By allowing the labor union to check the results of personnel ratings and confirm any potential issues with the store, it ensures that stores are not using the personnel system contrary to the goals of the system to reduce the burden of costs that arise along with increases in regional rates.

The fourth approach is to respond with the operation of promotions, as opposed to the wage system. This was implemented by Electronics Retail Store M. Facing the issue of the evaluation-based wage increase being overwritten by the shifts in regional rates Electronics Retail Store M sought to expand the potential for talented non-regular employees to secure promotions, by actively entrusting new tasks and roles to the non-regular employees with high evaluation results.

V. Conclusion and discussion

1. Conclusion

In Section III, we identified two questions to address in this paper. The case studies drawn on for analysis have provided insights that lead us to the following conclusions:

Question 1: Given that basic wage increases have been revived, upon what grounds are such wage increases implemented?

Examining the basic wage increase approach in more detail shows that it is being utilized as an incentive to encourage employees to behave in such a way that contributes to improving their company's ability to compete. The grounds for implementing basic wage increases can therefore be described as designing an appropriate incentive for employees, as opposed to seeking to maintain or improve living standards. That is, the objective with which basic wage increases are being implemented has moved away from the aim that it was originally established to pursue. At the same time as such a change in the function of basic wage increases, the approach to annual wage increments is also undergoing change. A shift from wage tables based on the gradual build-up of wage increases to other forms of wage table is causing a reduction in the stable portion of wage increases that has conventionally been an element of wages in Japan. Along with the changes in basic wage increases, annual wage increments are also undergoing change.

Question 2: Given that the rules established by corporate organizations coexist with those of the labor market, surely increases in regional rates create issues for companies in their wage management?

Increase in regional rates has led to a break down in the ordered ranking structure by which wages reflect employees' abilities and roles within their corporate organization. In this sense, increases in regional rates are generating problems for companies in their wage management. The case studies show that within companies, labor and management are engaged in eradicating these problems. Those involved within the organizations are responding to the way in which the market has destabilized their internal structures for wage management by pursuing efforts to restore order.

2. Discussion

The insights obtained from the case studies indicate an increase in the importance of labor-management negotiations regarding wage determination in both the world of regular employees, who fall under Pattern 3 (the corporate organization is barely influenced by the labor market and determines wages according to its own rules) and that of non-regular employees, who fall under Pattern 1 (the corporate organization is significantly influenced by the labor market and essentially determines wages on the basis of the market rate).

In the case of regular employees, while reduction in the stable portion of wage increase that was intrinsic to the wage system is prompting a decline in incentive, wage increases using the basic wage increase approach are utilized as wage hike reflecting an individual employee's performance and ability. That is, decline in the incentive that was formerly part of the wage system itself is being supplemented by wage increases brought about through labor-management negotiations. This is the early stages of development of a new relationship between annual wage increments and basic wage increase. It indicates the growing importance of wages determined by labor-management negotiation as a means of maintaining the function of providing an incentive for employees that wages have in the first place. In the case of non-regular employees, labor and management are also endeavoring to restore the internal wage order that has been shaken by shifts in market rates.

These developments highlight the increasing role of consultation and negotiation between the parties involved

in wage management within corporate organizations. At the same time, with labor unionization rates at around 16%, it would appear that few companies have the conditions that allow for consultation and negotiation within their organizations. It appears to have become even more important to examine the frameworks for labor-management communication within corporate organizations, if it is going to be possible to enable the determination of wages that are desirable for both labor and management. This is an area that needs to see more active debate in the future.

This paper is based on “*Kigyo no chingin kettei ni kansuru kenkyu*” [Research on Companies’ Wage Determination], JILPT Research Report no. 212 (February 2022).

Notes

1. The yen is the currency unit of Japan (US\$1.00=¥136 as of February 27, 2023).
2. This section is based on JILPT (2022), Introduction, Section 2.
3. An alternative approach to the development of inter-company restrictions such as those in the US are collective restrictions by labor-management organizations that transcend the company level. This is Pattern 2 (The corporate organization determines wages in accordance with a labor market controlled by labor-management organizations and other such entities). This pattern applies in Germany and other such continental European countries, and Scandinavian Countries.
4. Nitta (2003) regards the mid-1950s as the period in which the annual wage increment system became established, and argues that its establishment led to the development of the concept of seniority-based wages. Magota (1972) suggests that it was established prior to the Second World War, in the 1920s.
5. Nitta (2003) is one of those researches that consider that the annual wage increments as an institutional foundation for the seniority-based wage curve.
6. Honda (2007) points out the trend toward part-time workers (non-regular workers) becoming the core workforce (*kikanka*).
7. Hirano (2018) points out the changes in the personnel and wage systems of non-regular employees over time.
8. This consisted of the following companies: Automobile Manufacturer A (size of company: 5,000 employees or more), Machinery Manufacturer B (5,000 employees or more), Electronics Manufacturer C (5,000 employees or more), Electronics Manufacturer D (5,000 employees or more), Textile Company E (1,000 employees or more), Electrical Equipment Manufacturer F (1,000 employees or more), Telecommunications Company G (5,000 employees or more), Supermarket H (5,000 employees or more), Supermarket I (5,000 employees or more), Department Store J (1,000 employees or more), Insurance Company K (5,000 employees or more), Financial Services Company L (1,000 employees or more), Electronics Retail Store M (1,000 employees or more), Drugstore N (5,000 employees or more), Home Improvement Center O (1,000 employees or more).
9. Namely, Supermarket H, Supermarket I, Electronics Retail Store M, Drugstore N, and Home Improvement Store O.
10. The specific changes to wage tables or grading system are unknown as the “wage system revision” in the “General Survey on Working Conditions” includes a variety of elements.
11. Translation of an excerpt from the original Japanese transcript of the survey interview (hereafter, “translated excerpt from the interview”) with the labor union of Department Store J (July 8, 2020).
12. Translated excerpt from the interview with the labor union of Electronics Manufacturer C (June 29, 2020).
13. Translated excerpt from the interview with the labor union of Automobile Manufacturer A (August 27, 2018).
14. Translated excerpt from the interview with the labor union of Supermarket H (October 26, 2020).
15. Translated excerpt from the interview with the labor union of Electronics Retail Store M (September 4, 2020).
16. Translated excerpt from the interview with the labor union of Drugstore N (September 9, 2020).
17. For example, the stores would ensure that where an employee received a 20-yen increase to the base portion of their wages, the evaluation-based portion of the employee’s wage would be reduced by 20 yen, so that in practicality, the employee received a wage increase of 0 yen.
18. Translated excerpt from the interview with the labor union of Drugstore N (September 9, 2020).

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