

Minimum Wage Policy in Japan

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I. The Enactment of the Minimum Wage Act

The minimum wage system is a system under which the State establishes a legally enforceable limit for minimum wages, prohibiting the payment of wages below that limit. Within the area of legislation concerning working conditions, the development of the minimum wage system lagged behind that of regulations on occupational health and safety and working hours. However, starting with the law enacted in New Zealand in 1894, this system was established in succession in Western countries. In 1928, the International Labour Organization (ILO) adopted the Minimum Wage-Fixing Machinery Convention (No. 26) at the International Labour Conference.

In Japan, the establishment of a minimum wage system was first demanded in 1919 by the Dai-Nippon Rodo Sodomei Yuaikai (Greater Japan Federation of Labor, Friendly Society) and was since then adopted as a slogan by labor unions, but was not realized before World War II.

Japan's minimum wage system was launched as part of wartime economic controls. The First Wage Control Order of 1939 set minimum and maximum starting wages. The Second Wage Control Order of 1940 established regional and age-based minimum wages for general workers.

After Japan's defeat in the war, the Wage Control Orders were repealed, and in their place, the Labor Standards Act was enacted in 1947. This Act, a comprehensive regulation on working conditions, included a provision that minimum wages may be

established for workers in specific industries or occupations. For seven years from 1948 to 1955, Hisayoshi Miyajima, Director of the Wage Division of the Labour Standards Bureau of the Ministry of Labour, worked tirelessly to implement minimum wages under the Labor Standards Act, but his attempt did not come to realization due to the opposition from management and the Ministry of International Trade and Industry.

After failing to implement the minimum wage policy, Miyajima was transferred to become the Director of the Shizuoka Labour Standards Bureau. There, he persuaded the management executives of the member companies of the Shizuoka Kanzume Kyokai (Shizuoka Canned Food Association) into concluding an agreement between companies (employers) in this industry to set starting wages for cannery workers. He presented this achievement to the Ministry of Labour, which then instructed all Labour Standards Bureau Directors nationwide to follow Shizuoka's practice and promote the establishment of minimum wages through the conclusion of such inter-company agreements.

As this measure progressed smoothly, the Ministry of Labour aimed to enact legislation on a minimum wage based on the inter-company agreement method. In 1959, the Minimum Wage Act was enacted. An inter-company agreement is essentially the formation of a cartel regarding wages, and therefore it could have naturally been criticized from an antitrust perspective. However, at that time, the power of the Japan Fair Trade Commission was extremely weak, and there was no awareness of this issue within the government. Instead, labor unions

launched fierce criticism, arguing that this method violated ILO Convention No. 26, which stipulates that both labor and management should participate in the process of setting minimum wages on an equal footing.

The 1959 Minimum Wage Act did not solely prescribe the inter-company agreement method; it also stipulated that minimum wages may be established through collective agreements. Naturally, collective agreements involve equal participation by both labor and management. However, labor unions in Japan, of which the overwhelming majority comprised company-based unions, were unable to independently conclude collective agreements for minimum wages, with only one exception (the regional minimum wages for the cotton spinning industry established by the ZENSEN DOMEI). These weak labor unions criticized the minimum wages established through agreements between companies as “fake minimum wages” and even took legal action. The Ministry of Labour eventually accepted the criticism and decided to abolish the inter-company agreement method.

Thus, the Minimum Wage Act was amended in 1968, abolishing the inter-company agreement method and replacing it with the council method, where minimum wages are determined by a tripartite council composed of government, labor, and management representatives.

II. Industrial minimum wages and regional minimum wages

After the 1968 Minimum Wage Act was enacted, the Ministry of Labour replaced the minimum wages by industry (and by region) that had been established based on inter-company agreements, with the minimum wages by industry (and by region) established through the tripartite councils.

At that time, labor unions advocated a uniform national minimum wage as part of their political campaign. Management, however, opposed even regional minimum wages covering all industries and argued that industrial minimum wages should be maintained. To navigate this divide, the Ministry of

Labour adopted a strategy of establishing regional minimum wages for each prefecture one by one. By 1976, regional minimum wages had been set for all 47 prefectures.

The method for setting these regional minimum wages was also largely established during this late 1970s period, forming the basis for the current approach. Specifically, the Central Minimum Wage Council established within the Ministry of Labour first determined a guideline for minimum wage revision. Based on this guideline, the Prefectural Minimum Wage Council established in each prefecture then decided the specific amount of wage increase. There were four ranks of guidelines from A to D, and while there were slight variations, wages were generally increased according to these guidelines.

As mentioned above, minimum wages in Japan originated from those established by agreements between companies (employers) in the same industries, reflecting their nature as industrial minimum wages (by region), and management argued that this should remain the core of minimum wages. Labor unions, on the other hand, demanded that a single, uniform national minimum wage should be established. However, when regional minimum wages came to apply to all workers nationwide across all industries, management shifted its position, arguing that it was no longer necessary to maintain industrial minimum wages at a higher level than regional minimum wages. This was an extremely ironic turn of events.

Labor unions finally began strongly insisting on maintaining the industrial minimum wages that they had previously taken for granted. Discussions were repeatedly held in the Central Minimum Wage Council starting in 1978. As a result, a new industrial minimum wage system was established in 1986, and the requirement for making a request for setting industrial minimum wages was relaxed through the operational change, without legal amendment. Specifically, since it had been rare for a collective agreement to be concluded with two-thirds or more of the covered workers, this requirement was lowered to one-third. Kaneko Yoshio, then Chairman of the

Central Minimum Wage Council, considered that, given the situation where the unionization rate was below 30%, leaving two-thirds of all workers lacking a modern wage-fixing machinery, this system would be a mechanism to foster and support industry-based labor-management relations as a complementary approach in addition to collective bargaining and collective agreements.

III. The Emergence of minimum wages as a policy issue in the 2000s

In the 2000s, the minimum wage system gained prominent attention as a national political issue, as debates intersected between the aforementioned management-led arguments for abolishing industrial minimum wages and the discussions focusing on minimum wages as a countermeasure against social disparities.

Regarding the management-led arguments for abolishing industrial minimum wages, management consistently called for the abolition of industrial minimum wages even after the introduction of the new industrial minimum wage system. Around the start of the 21st century, the Council for Regulatory Reform established within the government (Cabinet Office) proposed the abolition of industrial minimum wages based on management's arguments, which was then approved by the Cabinet in 2004. Following this, the Ministry of Health, Labour and Welfare established a study group of academics. Its 2005 report presented arguments for both abolition and maintenance after a review of industrial minimum wages.

Some explanation may be needed regarding the background for the discussions focusing on minimum wages as a countermeasure against social disparities. In Japan, following the collapse of the bubble economy in the 1990s and the subsequent recession, many young people who graduated from school, particularly during the period from the late 1990s to the early 2000s, were unable to secure regular employment. They were forced into unstable and low-wage working lives as non-regular workers, such as part-time workers or temporary workers.

They were called the “employment ice-age generation,” and safety net measures against their poverty became imperative. While the prevailing mood in Japanese society had previously leaned strongly toward neoliberalism advocating structural reforms and deregulation, calls for correcting disparities grew rapidly in the mid-2000s.

Reflecting this mood in society, the 2005 study group report mentioned above addressed regional minimum wages, a topic scarcely discussed before. A frequently noted issue at the time was that the amount of wages earned from full-time work at the regional minimum wage was significantly lower than the amount of benefits received by relying solely on public assistance without working at all. In other words, if one acts rationally, it would be more advantageous to receive public assistance benefits without working than to earn full-time minimum wages by working earnestly. Considering this moral hazard, regional minimum wages should be set at a level that does not fall below the public assistance benefits for single people.

These two trends converged in the 2007 amendment to the Minimum Wage Act. This amendment explicitly stipulated that regional minimum wages must be established by taking into account the living expenses of workers, particularly the consistency between regional minimum wages and public assistance benefits. Meanwhile, while industrial minimum wages were officially abolished, the amendment instead introduced a new system for setting “specified minimum wages” by industry or occupation (with no penalty), thus, effectively allowing industrial minimum wages to survive.

IV. Regional minimum wages continuing to rise, and industrial minimum wages becoming less represented

Although the 2007 amendment to the Minimum Wage Act came into effect in 2008, increases in regional minimum wages based on this amendment had already begun in the tripartite Council in 2007. The first Abe administration at the time promoted the “Challenge Again” Initiative as a countermeasure

against social disparities, and within the context of this initiative, it proposed raising minimum wages. Consequently, the Minister of Health, Labour and Welfare expressed a call for substantial wage increases in its consultation to the Central Minimum Wages Council. Despite resistance from management, the Council proposed significantly higher guidelines for minimum wage increases than previous years: 19

yen for Rank A, 14 yen for Rank B, 9 to 10 yen for Rank C, and 6 to 7 yen for Rank D. The subsequent trends in regional minimum wages are shown in Table 1. By prefecture, since FY2002, Tokyo has consistently achieved the highest minimum wage, while the prefecture with the lowest minimum wage had been Okinawa until FY2022, and has changed yearly since then.

Table 1. Trends in regional minimum wages

(unit: yen)			
FY	Highest	Nationwide weighted average	Lowest
2002	708	664	604
2003	708	664	605
2004	710	665	606
2005	714	668	608
2006	719	673	610
2007 (Minimum wage system recognized as a national policy issue)	739	687	618
2008 (the Lehman Shock)	766	703	627
2009	791	713	629
2010	821	730	642
2011 (Great East Japan Earthquake)	837	737	645
2012	850	749	653
2013	869	764	664
2014	888	780	677
2015	907	798	693
2016	932	823	714
2017	958	848	737
2018	985	874	762
2019	1013	901	790
2020 (COVID-19 pandemic)	1013	902	792
2021	1041	930	820
2022	1072	961	853
2023	1113	1004	893
2024	1163	1055	951
2025	1226	1121	1023

Source: Created by the author based on data from the Ministry of Health, Labour and Welfare.

During this period, despite such headwinds as the Lehman Shock in 2008 and the Great East Japan Earthquake in 2011, regional minimum wages were raised significantly each year. In 2014, the phenomenon where minimum wages were lower than public assistance benefits was resolved, but

even after that, the government continued to advocate raising regional minimum wages. While increases were minimal in 2020 due to the COVID-19 pandemic, substantial hikes followed in 2021 and 2022. In 2023, driven by Prime Minister Fumio Kishida's strong commitment, the nationwide

weighted average exceeded 1,000 yen for the first time. Furthermore, in August 2023, Prime Minister Kishida stated at the meeting of the Council of New Form of Capitalism Realization that the government would aim at achieving the nationwide weighted average of 1,500 yen by the mid-2030s.

In contrast, industrial minimum wages managed to survive the 2007 legal amendment by resisting the call for their abolition, but they have been overshadowed by regional minimum wages, which have seen substantial increases over the nearly 20 years since 2007. In Tokyo and other metropolitan areas, the specified minimum wages have been overtaken by regional minimum wages, becoming meaningless. The system that Kaneko Yoshio positioned 40 years ago as a “mechanism to foster

and support industry-based labor-management relations” is increasingly losing its presence today, when the unionization rate has fallen even further than back then, standing at only 16%. In this respect, a Diet member of an opposition party recently proposed applying the specified minimum wages to what is generally called essential workers in healthcare, nursing care, childcare, transportation, and vital infrastructure services. Prime Minister Ishiba stated that the governing parties would consider this proposal, but no subsequent action has been seen. Furthermore, the Keizai Doyukai (Japan Association of Corporate Executives), a business organization, has also proposed introducing job-specific minimum wages for essential work sectors.

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