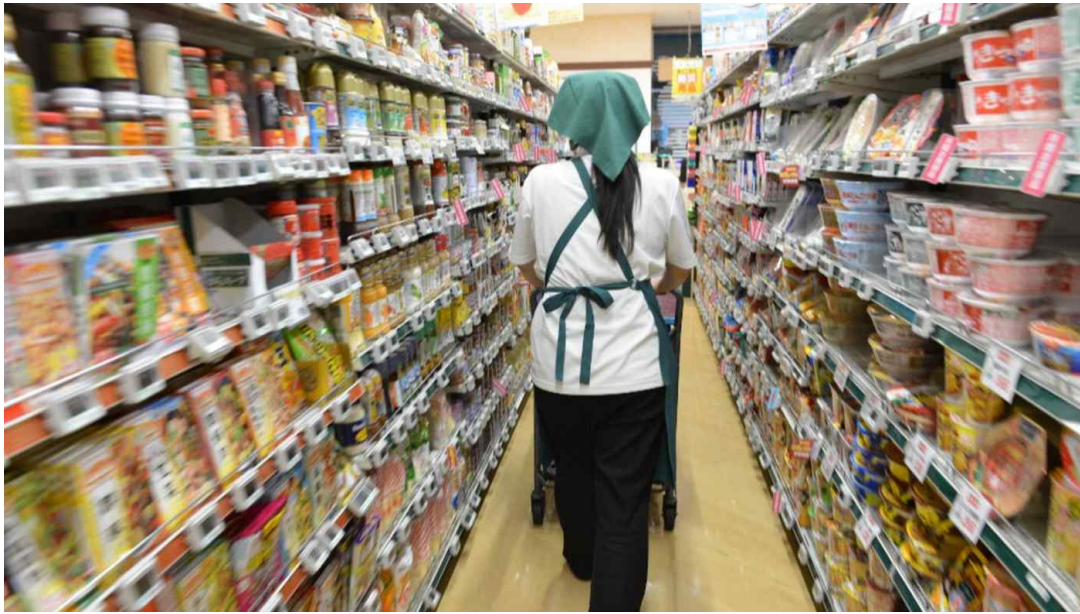


Japan minimum wage falls short by international standards

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Work

Pay floor is only 45% of full-time level, versus 60% in South Korea and France



Wages in Japan are rising, but broadening these gains remains a challenge. (Photo by Takaki Kashiwabara)

HIROFUMI KANAOKA, Nikkei staff writer March 19, 2024 04:38 JST

TOKYO -- Japan lags far behind other big economies in minimum wages, a government study shows, pointing to a challenge in sustaining the nation's newfound wage growth.

Japan's minimum wage came to 45.6% of median full-time wages in 2022, the Cabinet Office reports.

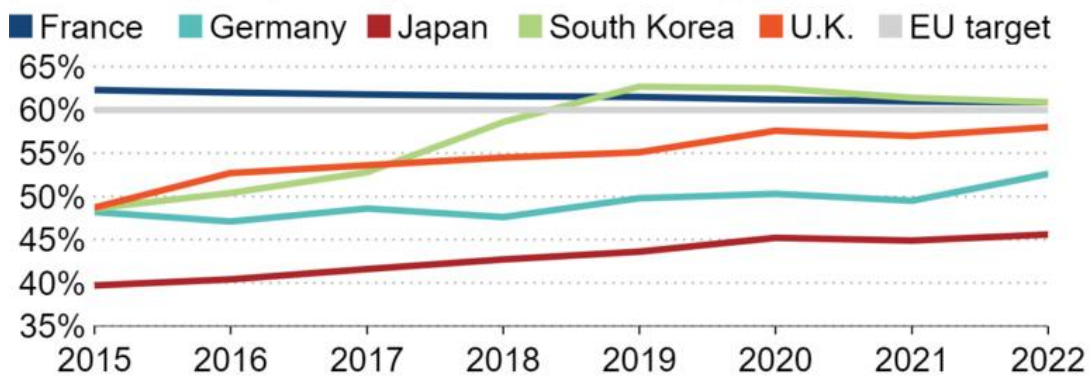
Among Japan's Organisation for Economic Co-operation and Development peers, France and South Korea measured higher at 60.9%, the U.K. at 58% and Germany at 52.6%. The ratio is used to make international comparisons of minimum-wage levels.

Workers' pay is moving higher in Japan as employers respond to rising inflation and labor shortages. In the results of the first round of 2024 wage negotiations announced Friday by the Japanese Trade Union Confederation, or Rengo, the average increase was 5.28% -- the most in 33 years.

How broadly this momentum spreads will depend in part on whether it reaches part-time and other low-paid workers.

Japan trails by one pay indicator

(Minimum wage as percentage of median full-time wage)



Sources: Cabinet Office of Japan, OECD

The percentage of workers in Japan whose income was below the new minimum-wage level when it was raised in fiscal 2022 came to 19.2%, up more than 10 percentage points from a decade earlier. This reflects an increase in part-time workers.

In the European Union, an October 2022 directive suggested 60% of median full-time pay as a standard for EU members when raising minimum wages.

The U.K. has announced plans to raise its minimum wage to two-thirds of the median wage by 2024.

Japanese minimum wages are determined through discussions at the Ministry of Health, Labor and Welfare. The country's ratio has gradually increased from 38.3% in 2012 to the 2022 figure of 45.6%.

Rengo announced in December 2023 that it would seek a gradual increase to 60% of the median wage, citing the EU directive. The government aims to achieve a national weighted average of 1,500 yen (\$10.06) an hour as the minimum wage in the mid-2030s.

Prime Minister Fumio Kishida announced at a government-labor-management meeting last Wednesday that the goal would be brought forward, but no guideline has been set in terms of the median wage.

In the U.S., where states can set their own minimum wages, a growing number are linking them to such factors as the consumer price index.

"If targets do not take into account wage increases due to productivity improvements and inflation, it is difficult to assess whether they are at appropriate levels in relation to macroeconomic conditions," said Keiji Kanda of the Daiwa Institute of Research.

Japanese minimum wages are low internationally not only in comparison to what full-time employees make, but also in absolute terms.

According to the OECD, the average nominal hourly minimum wage in 2022 came to 10.85 euros (\$11.80 at current rates) in France, 10.52 euros in Germany and 9.35 pounds (\$11.89 at current rates) in the U.K. Each converts to around 1,500 yen when using 2022 rates.

Japan's national weighted-average minimum wage increased to 1,004 yen in fiscal 2023 from 961 yen, but it was more than 30% lower than in France, Germany and the U.K.

"While raising the minimum wage, it is also necessary to review programs such as social insurance to ensure that women do not have to adjust their working time," said Yoko Takahashi of the Japan Institute for Labour Policy and Training.

Takahashi was referring to a common practice where homemakers and other women working part-time jobs intentionally limit their income so that they can still qualify for their spouses' insurance and other benefits.