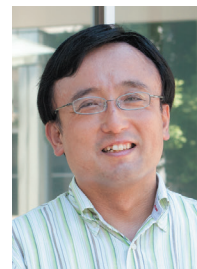


Has Momentum for Rise in Wages Weakened?



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The Monthly Labour Survey in Japan

One of the keys in ensuring that the Japanese economy completely overcomes deflation is said to be for wages to continue to rise stably. The Monthly Labour Survey is an indispensable statistic in capturing the monthly fluctuations in wages. This survey is conducted on establishments selected from among all private and public sector establishments normally employing five or more regular employees. In addition to wages, it also surveys the number of regular employees and labor hours.

Regular employees is a more narrow concept compared to the employees in the Labour Force Survey which this series picked up for the March/April 2017 issue. In other words, regular employees are workers who satisfy one of the following conditions: (1) persons hired for an indefinite period or for longer than one month, (2) persons hired by the day or for less than one month and who were hired for 18 days or more in each of the two preceding months. For example, for 2016 employees totaled 57.29 million people while regular employees were less at 48.76 million. Unstable employment such as so-called daily-hired workers are not included in the Monthly Labour Survey.

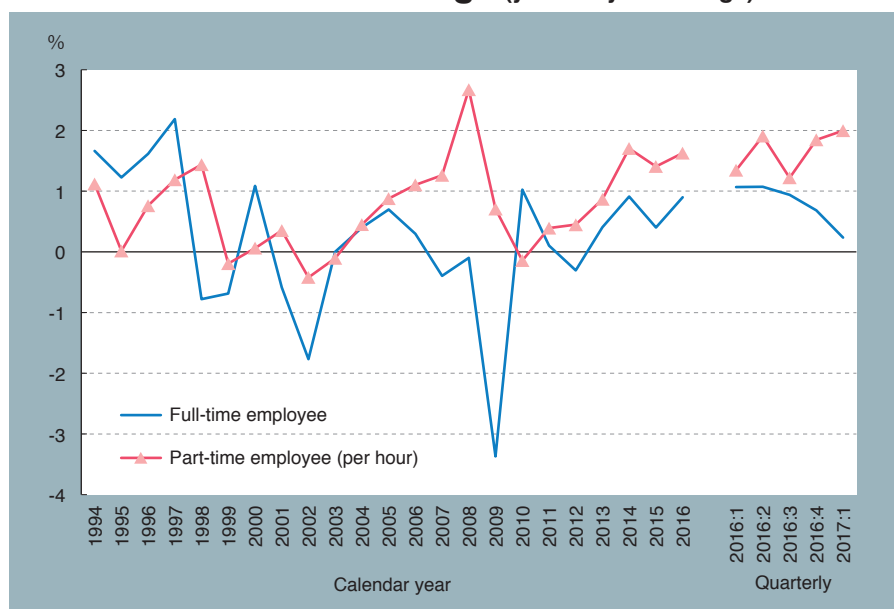
In addition, among regular employees, those workers who satisfy the following two categories are defined as part-time workers: (1) workers whose scheduled working hours per day are shorter than those of ordinary workers, and (2) workers whose scheduled working hours per day are the same as those of ordinary workers, but whose number of scheduled working days per week is fewer than that of ordinary workers. Regular employees who are not part-time workers are termed as full-time employees.

Various Factors Included in Wage Fluctuations

Part-time workers tend to have shorter working hours compared to full-time employees, and their wage standards are also lower. For example, the monthly average data for 2016 saw the total hours worked for full-time employees at 168.7, and total cash earnings of 412,174 yen. In comparison, total hours worked for part-time workers were 87.5 and their total cash earnings were 97,636 yen. The total cash earnings for regular employees is equal to the weighted average of the total cash earnings of full-time employees, using the rate of part-time workers, which was an average 30.71% for 2016. Therefore, even if wages for full-time employees and part-time workers remain stable, if the percentage of part-time workers increases, the total cash earnings for all regular employees falls.

CHART 1

Trend in total cash earnings (year-on-year change)



Source: "Monthly Labour Survey", Ministry of Health, Labour and Welfare

Moreover, many part-time workers work under hourly-wage contracts and their working hours are diverse. For example, if the number of short-term workers increases, the total hours worked for all part-time workers decreases, and thus even if hourly wages are increasing, the total cash earnings may decrease. For example, total cash earnings of part-time workers in 2016 fell by 0.1% compared to the previous year, but total working hours decreased by much more, at 1.6%. It is therefore misleading to have simplistic observations about wage fluctuations for part-time workers.

Chart 1 shows the fluctuations in total cash earnings of full-time employees versus part-time workers. The fluctuations for part-time workers are shown by plotting the hourly wages where total cash earnings are divided by the total working hours. Since 2013 when Japan entered an economic expansion, and most recently in particular, one can observe that there is an increasing trend in the rise of part-time workers' hourly wages on the back of a labor force shortage.

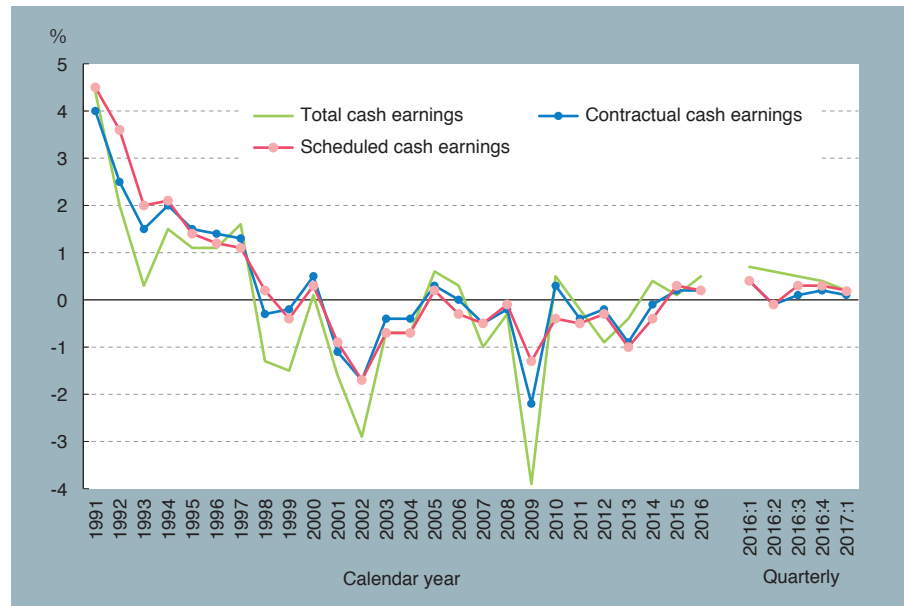
Growth in Scheduled Cash Earnings Expanding, but ...

In addition to total cash earnings, the Monthly Labour Survey also releases data for contractual cash earnings and scheduled cash earnings, which serve as the three noted indicators of wage fluctuations. Contractual cash earnings is total cash earnings minus special cash earnings. It can also be perceived as the sum of scheduled cash earnings and non-scheduled cash earnings, or more commonly known as overtime pay. Special cash earnings and non-scheduled cash earnings are affected by business fluctuations, and therefore the fluctuations in total cash earnings and contracted cash earnings are larger than that of scheduled cash earnings (Chart 2).

The recovery in total cash earnings since 2013 was more than the growth in contracted cash earnings and scheduled cash earnings for 2013 and 2014, showing that the growth in special cash earnings

CHART 2

Trends in cash earnings (year-on-year change)



Source: "Monthly Labour Survey", Ministry of Health, Labour and Welfare

has been the key driving force. For 2015 and 2016, growth in the three wage indicators have become close with the growth in scheduled cash earnings in the center. Looking at the trends since the beginning of 2016 on a quarterly basis, as total cash earnings continue to gradually slow, scheduled cash earnings have been moderately growing. For the period between January and March 2017, the growth in total cash earnings dropped further by 0.2%, and scheduled cash earnings was up by 0.2%, showing a reversal in trends. Future trends should be closely monitored to determine whether special cash earnings will recover for total cash earnings to once again grow, or whether scheduled cash earnings will also slow down.

Note: This article was written based on available information as of May 28, 2017. **JS**

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ECONOMIC INDICATORS FOR JAPAN

Calendar year, Quarter and Month	Real GDP		Nominal GDP		IIP rate of increase over previous year/term (month) (%)	CPI (All terms, less fresh food) rate of increase over previous year/the same term (month) of the previous year (%)
	Amount (trillion yen)	Rate of increase over previous year/term (%)	Amount (trillion yen)	Rate of increase over previous year/term (%)		
2008	499.3	-1.1	520.7	-2.1	-3.4	1.5
2009	472.2	-5.4	489.5	-6.0	-21.9	-1.3
2010	492.0	4.2	500.4	2.2	15.6	-1.0
2011	491.5	-0.1	491.4	-1.8	-2.8	-0.3
2012	498.8	1.5	495.0	0.7	0.6	-0.1
2013	508.8	2.0	503.2	1.7	-0.8	0.4
2014	510.5	0.3	513.7	2.1	2.1	2.6
2015	516.0	1.1	530.0	3.2	-1.2	0.5
2016	521.2	1.0	536.8	1.3	-0.1	-0.3
2016/2nd Qtr.	520.7	0.4	536.4	0.2	0.3	-0.4
3rd Qtr.	522.0	0.3	536.8	0.1	1.6	-0.5
4th Qtr.	523.8	0.3	539.0	0.4	1.8	-0.3
2017/1st Qtr.	525.2	0.3	537.4	-0.3	0.2	0.2
2016/Sep.	—	—	—	—	0.3	-0.5
Oct.	—	—	—	—	0.3	-0.4
Nov.	—	—	—	—	1.0	-0.4
Dec.	—	—	—	—	0.7	-0.2
2017/Jan.	—	—	—	—	-2.1	0.1
Feb.	—	—	—	—	3.2	0.2
Mar.	—	—	—	—	-1.9	0.2
Apr.	—	—	—	—	4.0	0.3
Sources	"SNA (National Accounts of Japan)", Cabinet Office				"Indices of Industrial Production", Ministry of Economy, Trade and Industry	"Consumer Price Index", Statistics Bureau, Ministry of Internal Affairs and Communications

Calendar year, Quarter and Month	Foreign Trade Statistics									
	Exports amount (trillion yen)	Exports rate of increase over previous year/ the same term (month) of the previous year (%)	Imports amount (trillion yen)	Imports rate of increase over previous year/ the same term (month) of the previous year (%)	Exports amount to US (trillion yen)	Exports to US rate of increase over previous year/ the same term (month) of the previous year (%)	Imports amount from US (trillion yen)	Imports from US rate of increase over previous year/ the same term (month) of the previous year (%)	Exports amount to EU (trillion yen)	Exports to EU rate of increase over previous year/ the same term (month) of the previous year (%)
2008	81.0	-3.5	79.0	8.0	14.2	-15.9	8.0	-3.7	11.4	-7.8
2009	54.2	-33.1	51.5	-34.8	8.7	-38.6	5.5	-31.4	6.7	-41.0
2010	67.4	24.4	60.8	18.0	10.4	18.8	5.9	7.2	7.6	12.8
2011	65.5	-2.7	68.1	12.1	10.0	-3.4	5.9	0.3	7.6	0.0
2012	63.7	-2.7	70.7	3.8	11.2	11.7	6.1	2.5	6.5	-14.7
2013	69.8	9.5	81.2	14.9	12.9	15.6	6.8	12.0	7.0	7.7
2014	73.1	4.8	85.9	5.7	13.6	5.6	7.5	10.7	7.6	8.4
2015	75.6	3.4	78.4	-8.7	15.2	11.5	8.1	6.9	8.0	5.3
2016	70.0	-7.4	66.0	-15.8	14.1	-7.1	7.3	-9.2	8.0	-0.0
2016/2nd Qtr.	17.0	-9.5	15.6	-18.7	3.4	-9.6	1.8	-14.5	1.9	1.9
3rd Qtr.	17.0	-10.2	16.1	-19.3	3.3	-11.6	1.8	-10.1	1.9	-2.3
4th Qtr.	18.5	-1.9	17.2	-9.3	3.8	-3.9	1.9	-2.2	2.0	-5.3
2017/1st Qtr.	19.0	8.5	18.7	8.6	3.6	-0.7	2.0	9.2	2.1	-0.1
2016/Sep.	6.0	-6.9	5.5	-16.1	1.2	-8.7	0.6	-6.0	0.7	0.7
Oct.	5.9	-10.3	5.4	-16.3	1.2	-11.2	0.6	-9.8	0.7	-9.5
Nov.	6.0	-0.4	5.8	-8.7	1.2	-1.8	0.6	-5.0	0.6	-2.2
Dec.	6.7	5.4	6.0	-2.5	1.4	1.4	0.7	9.7	0.7	-4.0
2017/Jan.	5.4	1.3	6.5	8.4	1.1	-6.6	0.7	11.9	0.6	-5.6
Feb.	6.3	11.3	5.5	1.3	1.2	0.4	0.6	-0.6	0.7	3.3
Mar.	7.2	12.0	6.6	15.9	1.4	3.5	0.7	16.4	0.8	1.4
Apr.	6.3	7.5	5.9	15.2	1.2	2.6	0.6	9.8	0.7	2.2
Sources	"Trade Statistics of Japan", Ministry of Finance									

Calendar year, Quarter and Month	Cash salary amount rate of increase over previous year/ the same term (month) of the previous year (%)	Active job openings-to-applicants ratio (time(s))	Unemployment rate (%)	M2 rate of increase over previous year/ the same term (month) of the previous year (%)	Balance of payments		Yen/\$ rate (averaged during the term)
					Trade balance (trillion yen)	Current balance (trillion yen)	
2008	-0.3	0.88	4.0	2.1	5.8	14.9	103.3
2009	-3.9	0.47	5.1	2.7	5.4	13.6	93.5
2010	0.5	0.52	5.1	2.8	9.5	19.4	87.8
2011	-0.2	0.65	4.6	2.7	-0.3	10.4	79.8
2012	-0.9	0.80	4.3	2.5	-4.3	4.8	79.8
2013	-0.4	0.93	4.0	3.6	-8.8	4.5	97.6
2014	0.4	1.09	3.6	3.4	-10.5	3.9	105.8
2015	0.1	1.20	3.4	3.7	-0.9	16.2	121.0
2016	0.5	1.36	3.1	3.5	5.5	20.3	108.8
2016/2nd Qtr.	0.6	1.35	3.2	3.4	1.5	4.6	108.1
3rd Qtr.	0.5	1.37	3.1	3.4	1.5	5.8	102.4
4th Qtr.	0.4	1.41	3.0	3.9	1.7	4.1	109.4
2017/1st Qtr.	0.2	1.44	2.9	4.1	1.1	5.8	113.6
Sep.	0.0	1.38	3.0	3.5	0.7	1.9	102.0
Oct.	0.1	1.40	3.0	3.7	0.6	1.5	103.8
Nov.	0.5	1.41	3.1	3.9	0.3	1.4	108.3
Dec.	0.5	1.43	3.1	4.0	0.8	1.1	116.0
2017/Jan.	0.3	1.43	3.0	4.0	-0.9	0.1	114.7
Feb.	0.4	1.43	2.8	4.2	1.1	2.8	113.1
Mar.	0.0	1.45	2.8	4.2	0.9	2.9	113.0
Apr.	0.5	1.48	2.8	4.3	0.6	2.0	110.1
Sources	"Monthly Labour Survey", Ministry of Health, Labour and Welfare	"Employment Referrals for General Workers", Ministry of Health, Labour and Welfare	"Labour Force Survey", Statistics Bureau, Ministry of Internal Affairs and Communications	"Money Stock", Bank of Japan	"Balance of Payments", Ministry of Finance		Bank of Japan

Calendar year, Quarter and Month	Foreign Trade Statistics									
	Imports amount from EU (trillion yen)	Imports from EU rate of increase over previous year/ the same term (month) of the previous year (%)	Exports amount to Asia (excluding China) (trillion yen)	Exports to Asia (excluding China) rate of increase over previous year/ the same term (month) of the previous year (%)	Imports amount from Asia (excluding China) (trillion yen)	Imports from Asia (excluding China) rate of increase over previous year/ the same term (month) of the previous year (%)	Exports amount to China (trillion yen)	Exports to China rate of increase over previous year/ the same term (month) of the previous year (%)	Imports amount from China (trillion yen)	Imports from China rate of increase over previous year/ the same term (month) of the previous year (%)
2008	7.3	-4.8	27.0	-2.0	17.2	4.1	12.9	0.9	14.8	-1.4
2009	5.5	-24.3	19.1	-29.3	11.6	-32.8	10.2	-21.0	11.4	-22.9
2010	5.8	5.5	24.7	29.5	14.1	22.0	13.1	27.8	13.4	17.3
2011	6.4	10.1	23.8	-3.9	15.7	11.7	12.9	-1.4	14.6	9.2
2012	6.6	3.6	23.3	-1.8	16.3	3.3	11.5	-10.8	15.0	2.7
2013	7.6	15.2	25.2	8.1	18.3	12.6	12.6	9.7	17.7	17.4
2014	8.2	6.8	26.1	3.5	19.4	6.2	13.4	6.0	19.2	8.6
2015	8.6	5.6	27.1	3.7	18.9	-2.6	13.2	-1.2	19.4	1.3
2016	8.2	-5.5	24.7	-8.7	16.2	-14.5	12.4	-6.5	17.0	-12.4
2016/2nd Qtr.	1.9	-5.3	6.0	-11.9	3.8	-17.1	3.0	-10.8	4.0	-13.0
3rd Qtr.	2.0	-10.9	6.1	-10.5	3.9	-17.4	3.0	-10.8	4.2	-17.8
4th Qtr.	2.1	-9.9	6.6	1.3	4.2	-9.1	3.5	2.4	4.4	-11.1
2017/1st Qtr.	2.1	-1.7	6.9	13.9	4.6	6.4	3.4	16.3	4.5	0.8
2016/Sep.	0.7	-3.7	2.1	-7.3	1.3	-15.6	1.0	-10.6	1.5	-16.6
Oct.	0.7	-11.3	2.0	-10.3	1.3	-16.7	1.1	-9.2	1.4	-17.9
Nov.	0.7	-13.2	2.1	2.8	1.4	-5.1	1.1	4.4	1.5	-9.8
Dec.	0.7	-4.8	2.4	11.8	1.4	-4.9	1.3	12.4	1.5	-4.9
2017/Jan.	0.7	-4.5	2.0	7.4	1.6	6.7	0.9	3.1	1.8	7.3
Feb.	0.7	-7.4	2.3	17.5	1.4	1.3	1.2	28.2	1.1	-17.9
Mar.	0.7	7.1	2.6	16.3	1.6	10.9	1.3	16.4	1.6	10.4
Apr.	0.7	5.5	2.3	10.9	1.4	13.1	1.2	14.8	1.4	7.5
Sources	"Trade Statistics of Japan", Ministry of Finance									