

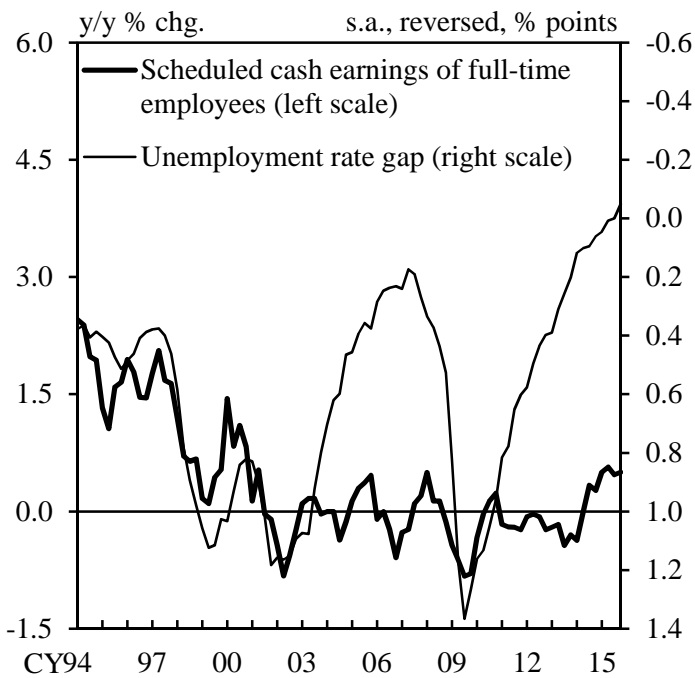
(Box 3) Labor Market Conditions and Wages of Part-Time Employees

Labor market conditions strongly affect the wages of part-time employees (or non-regular employees), as they are not employed on a long-term basis, unlike full-time employees (or regular employees). If the relationship between scheduled cash earnings and the unemployment rate gap (i.e., the unemployment rate minus the structural unemployment rate) is observed by differentiating full-time employees from part-time employees, the hourly cash earnings of part-time employees have been on a clear uptrend recently, compared with the scheduled cash earnings of full-time employees, reflecting the tightening of labor market conditions (Box Chart 4 [1] and [2]). The moves to raise minimum wages in the last few years also seem to have contributed to the rise in hourly wages of part-time employees. The proportion of employees whose wages in a particular year were below the new minimum wage levels set later in that year (i.e., the influence ratio) has been increasing steadily, reflecting the upward revisions to minimum wages in recent years, and thus the degree of influence at which minimum wages directly affect the level of wages has become greater than in the past (Box Chart 4 [3]). Moreover, raising minimum wages affect to a certain extent the level of hourly cash earnings of part-time employees whose wages are above the minimum, in addition to hourly cash earnings of those who work at around minimum wage levels. The estimation of the impact of the increase in minimum wages on wage distributions, using the data on the distribution of hourly cash earnings of part-time employees by prefecture, suggests that raising minimum wages can have the indirect impact of lifting hourly cash earnings up to around the lower 30th percentile wage level (Box Chart 4 [4]). Indeed, according to interviews with firms, some raised the wages of their part-time employees working at above minimum wage levels, so that they can maintain the spread between the actual wages paid and minimum wages.

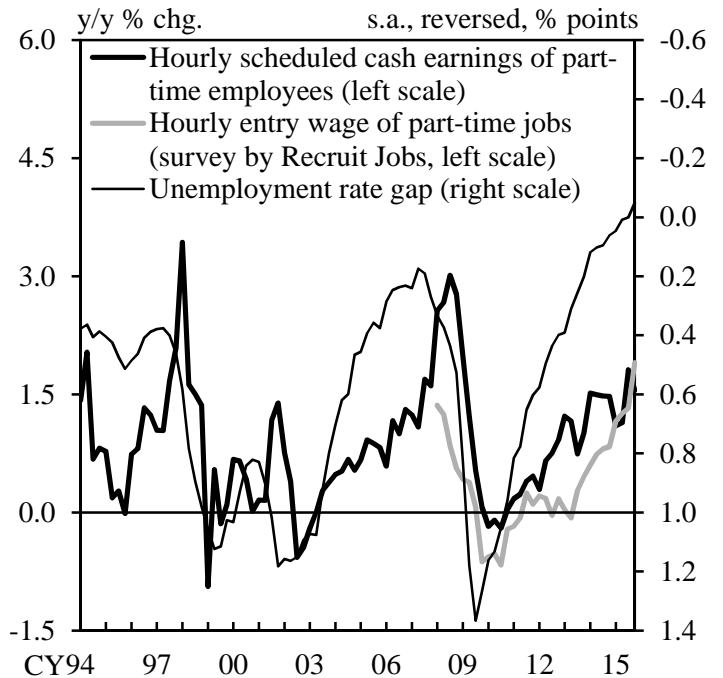
The increase in hourly cash earnings of part-time employees is expected to lead to upward pressure on prices through the increase in labor costs, particularly in the service sector, where the share of part-time employees is relatively high, such as for dining-out (i.e., "meals outside the home") services (Box Chart 5). Indeed, the correlation between hourly scheduled cash earnings of part-time employees and the CPI for general services less house rent has become higher than in the past, particularly in the service sector, such as dining-out, reflecting the uptrend in the share of part-time employees in recent years.

Labor Market Tightness and Wages

(1) Labor Market Tightness and Scheduled Cash Earnings of Full-Time Employees

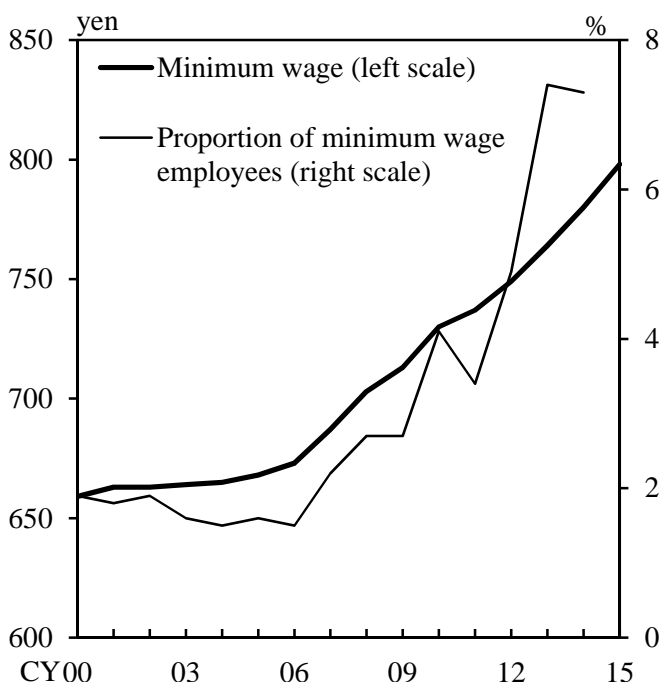


(2) Labor Market Tightness and Hourly Scheduled Cash Earnings of Part-Time Employees

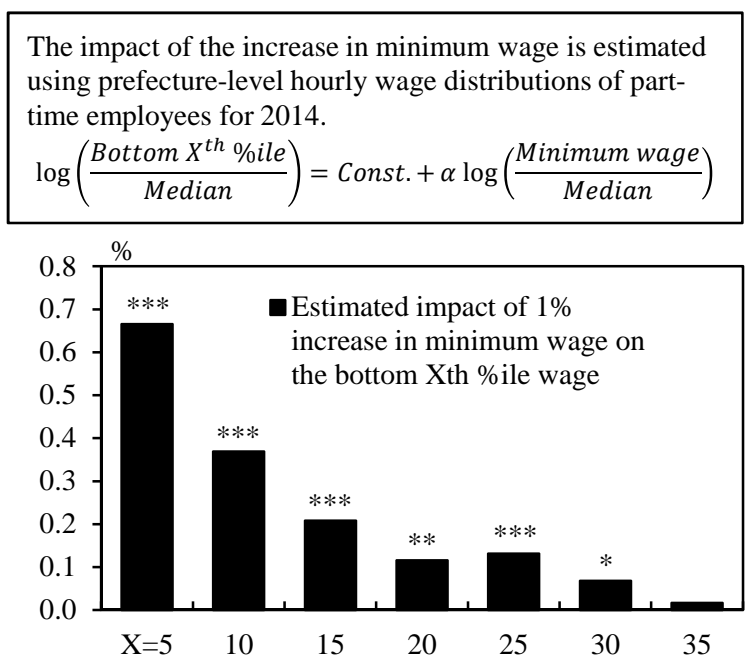


Notes: 1. Figures based on the Monthly Labour Survey for 2015/Q4 are October-November averages.
 2. The unemployment rate gap is estimated by the Research and Statistics Department, Bank of Japan.
 3. The hourly entry wage of part-time jobs (survey by Recruit Jobs) is for the three largest metropolitan areas.

(3) Minimum Wage and Proportion of Minimum Wage Employees



(4) Estimated Impact of a Minimum Wage Increase



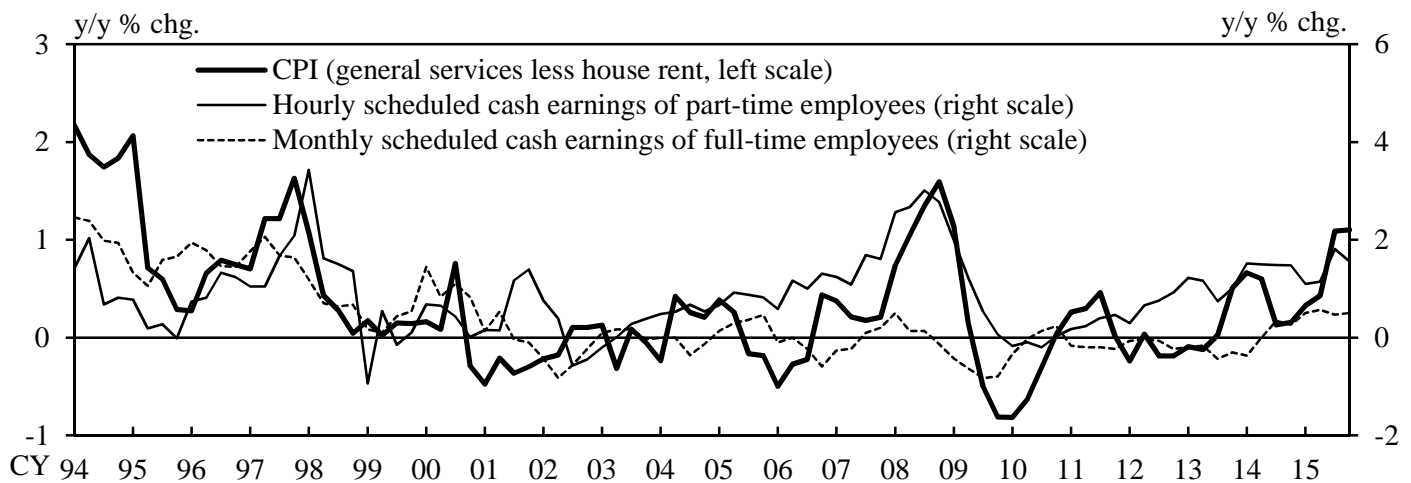
Notes: 1. The proportion of minimum wage employees is defined as the proportion of employees whose wages in a particular year were below the new minimum wage level set later in that year. Figures are based on (a) establishments with fewer than 30 employees for most industries, and (b) establishments with fewer than 100 employees for other industries, including manufacturing.

2. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.

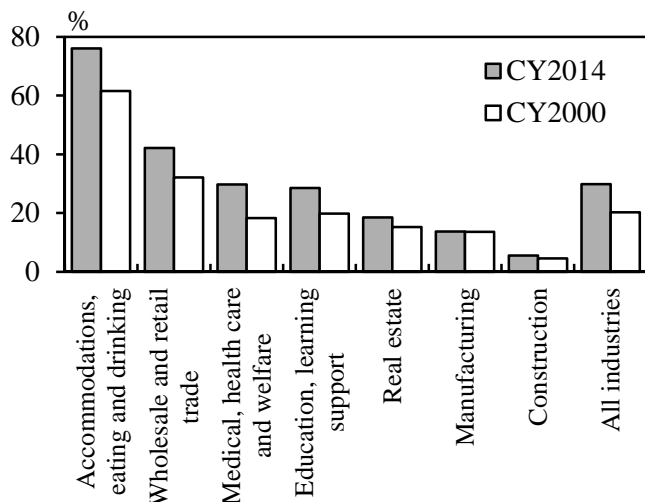
Sources: Ministry of Health, Labour and Welfare; Ministry of Internal Affairs and Communications; Recruit Jobs Co., Ltd., "Report of Average Hourly Wage for Part-Time Job When Recruiting."

Wages of Part-Time Employees and Service Prices

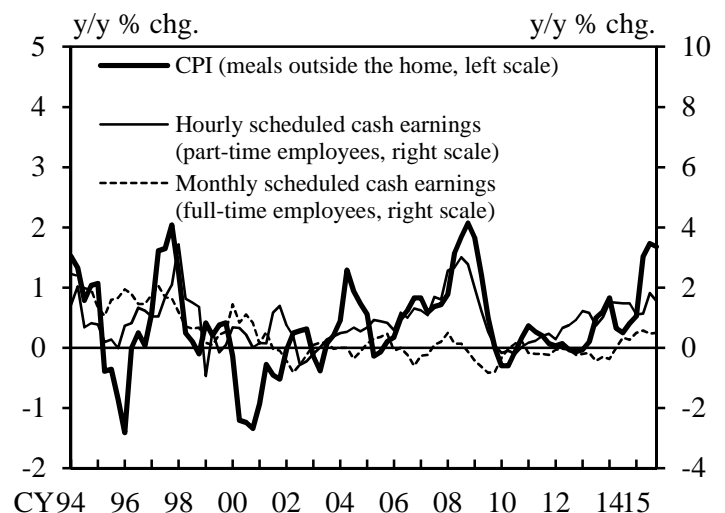
(1) Wages and Service Prices in the Private Sector



(2) Share of Part-Time Employees by Industry



(3) Wages and Food Service Prices



(4) Correlations Between Wages and Service Prices in the Private Sector

CPI general services subcategory	CPI weight (per 10,000)	Correlation coefficient (1994/Q1-2015/Q3)		Correlation coefficient (2004/Q1-2015/Q3)	
		Hourly scheduled cash earnings of part-time employees	Scheduled cash earnings of full-time employees	Hourly scheduled cash earnings of part-time employees	Scheduled cash earnings of full-time employees
Services related to clothing	27	0.71	0.18	0.86	0.11
Meals outside the home	532	0.59	0.04	0.72	0.05
Admission & game charges	138	0.42	0.35	0.41	0.13
Service charges for repairs & maintenance	185	0.35	0.64	0.62	0.25
Hotel charges	107	0.32	0.27	0.27	0.50
Lesson fees	106	0.25	0.64	0.79	0.08
Tutorial fees	97	0.13	0.56	0.38	0.12
Personal care services	118	0.12	0.86	0.17	0.16
General services (less house rent)	2,043	0.53	0.63	0.78	0.24

Notes: 1. The correlation coefficients in (4) are calculated using the year-on-year rates of change in the quarterly data for each service subcategory and scheduled cash earnings for part-time/full-time employees in all industries. Scheduled cash earnings for part-time employees are on an hourly basis.

2. Figures for the CPI are adjusted to exclude the estimated effects of changes in the consumption tax rate.

3. Figures for 2015/Q4 are October-November averages.

Sources: Ministry of Internal Affairs and Communications; Ministry of Health, Labour and Welfare.