

(Box 1) Developments in Spring Labor-Management Wage Negotiations

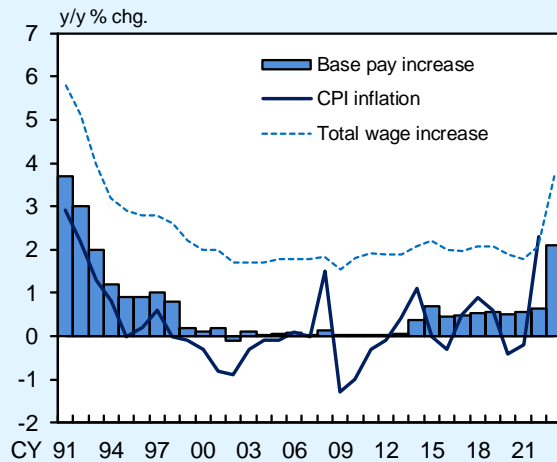
Developments in the annual spring labor-management wage negotiations this year show that, as labor market conditions have tightened, many firms -- with a view to recruiting and retaining employees -- agreed to relatively high wage increases in reflection of the recent rise in prices. The average rate of increase in wages for regular employees in labor unions that belong to the Japanese Trade Union Confederation (Rengo) -- which mainly consists of labor unions of large firms -- marked the highest level in about 30 years (Chart B1-1[1]). A breakdown of the negotiation results indicates that not only firms with more than 1,000 union members but also smaller firms saw high rates of wage increases (Chart B1-1[2]). In addition, compensation of not only regular employees but also part-time employees has clearly improved.

Many small and medium-sized firms (hereafter referred to as "SMEs"), which have low union membership rates, conduct their wage negotiations from April onward. Therefore, at this point, the full picture of wage revisions is not yet clear. The pace of improvement in corporate profits has been slower at SMEs than at large firms, and this may suppress the growth rate of wages at SMEs (Chart B1-2). On the other hand, wages of regular employees at SMEs tend to be more responsive to a tightening of labor market conditions than those at large firms.¹⁹ In this regard, it is worth noting that the job vacancy rate

¹⁹ See Box 3 in the January 2023 Outlook Report for differences in the determination of wages between large firms and SMEs.

Chart B1-1: Results of Spring Wage Negotiations

1. Developments over Time



Sources: Japanese Trade Union Confederation (Rengo); Central Labour Relations Commission; Ministry of Internal Affairs and Communications.

Notes: 1. Figures for CPI inflation are for all items less fresh food, excluding the effects of the consumption tax hikes, etc.
2. Figures for base pay and total wage increases from 1991 to 2013 are those published by the Central Labour Relations Commission, while those from 2014 to 2023 are figures released by Rengo (the figures for 2023 are from Rengo's fourth aggregation).

2. Results by Type of Employment and Firm Size

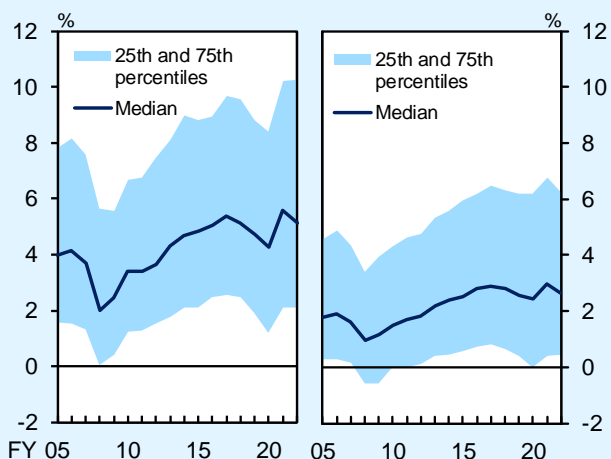
	total wage increase, %	
	CY 2022	CY 2023
Regular employees	2.1	3.7
1,000 or more	2.1	3.7
300 to 999	2.0	3.6
100 to 299	2.0	3.5
99 or less	1.9	3.0
Part-time employees	2.3	5.4

Source: Japanese Trade Union Confederation (Rengo).

Note: The figures for 2023 are from Rengo's fourth aggregation. The figures for the breakdown by the number of regular employees are aggregated values based on the number of union members. Part-time employees include fixed-term employees.

Chart B1-2: Ratio of Current Profits to Sales

1. Large Enterprises 2. Small Enterprises



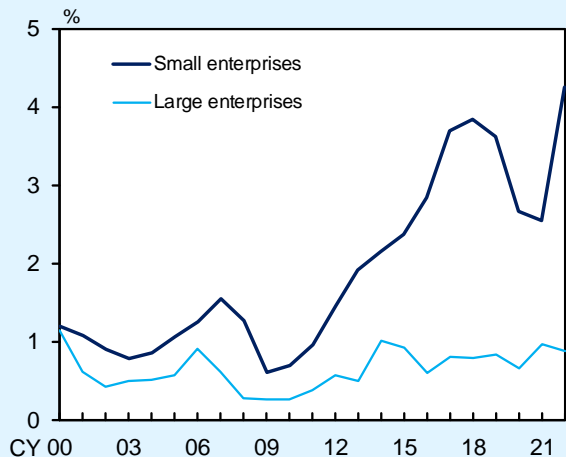
Source: Bank of Japan.

Note: Based on the *Tankan* (all industries). The figures for fiscal 2022 are forecasts from the March 2023 survey.

for SMEs has risen considerably, suggesting that the labor shortages they face have become more acute (Chart B1-3). These developments have been particularly pronounced in industries such as face-to-face services where demand has increased with the waning of the impact of COVID-19 (Chart B1-4). The tightening of labor market conditions is projected to push up wages at SMEs, particularly in these industries.

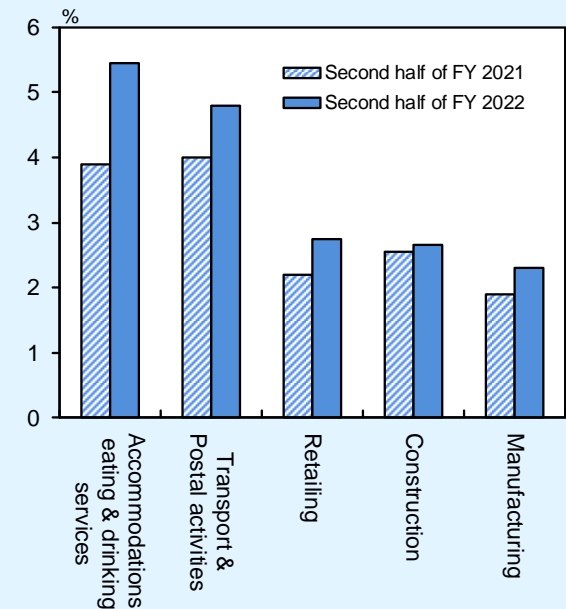
The results of wage negotiations will likely be reflected in actual wages through this summer (Chart B1-5). Although there remain uncertainties regarding factors such as the future course of wage revisions at SMEs, it is highly likely that the growth rate of scheduled cash earnings will increase clearly this year, and this is likely to underpin private consumption.

Chart B1-3: Vacancy Rates for Full-Time Positions



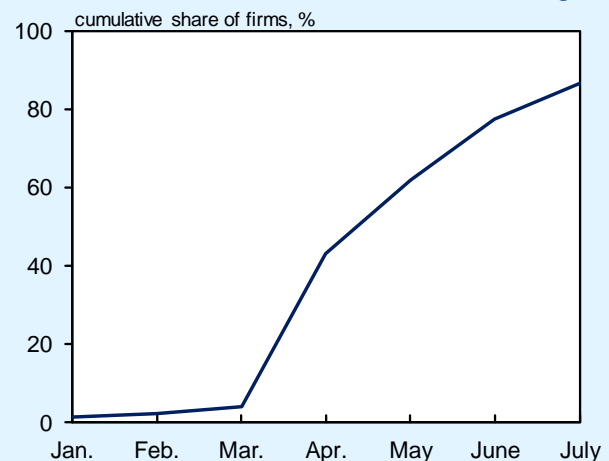
Source: Ministry of Health, Labour and Welfare.
 Note: Figures for 2022 are those for the first half of 2022. Large enterprises are enterprises with 1,000 or more employees. Small enterprises are enterprises with 5 to 99 employees.

Chart B1-4: Vacancy Rates (by Industry)



Source: Ministry of Health, Labour and Welfare.

Chart B1-5: Timing When Agreed Wage Revisions Are Reflected in Actual Wages



Source: Ministry of Health, Labour and Welfare.