

**(Box 2) Spring Labor-Management Wage Negotiations in 2024**

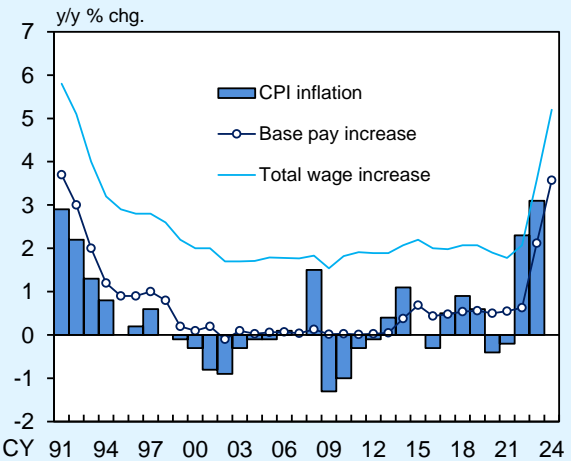
Developments in the annual spring labor-management wage negotiations this year show that moves to raise wages have been accelerating further, as many firms have agreed to higher wage increases than those last year, which already were relatively high.<sup>25</sup> The average rate of increase in wages 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 33 years since 1991 (Chart B2-1[1]).

By firm size, not only firms with 1,000 or more union members but also smaller firms have agreed to much higher rates of wage increases than last year (Chart B2-1[2]). Moreover, the rate of increase in wages of part-time employees, which were raised significantly last year, has accelerated as well. The labor market has continued to face structural changes, including intensifying labor shortages and growing job markets for workers looking for new jobs. Under such circumstances, given the price rises and further heightened social momentum for wage increases, large firms' stance has shifted more toward raising wages.

Small and medium-sized firms (hereafter referred to as "SMEs"), which have low union membership

**Chart B2-1: 2024 Spring Wage Negotiations (Aggregation by Rengo)**

**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 2024 are figures released by Rengo (the figures for 2024 are from Rengo's fourth aggregation).

**2. By Type of Employment and Firm Size**

	base pay increase, %		
	CY 2022	CY 2023	CY 2024
Regular employees	0.6	2.1	3.6
1,000 or more	0.6	2.2	3.6
300 to 999	0.7	2.1	3.6
100 to 299	0.7	2.0	3.4
99 or less	0.8	1.9	2.9
Part-time employees	2.3	5.1	6.1

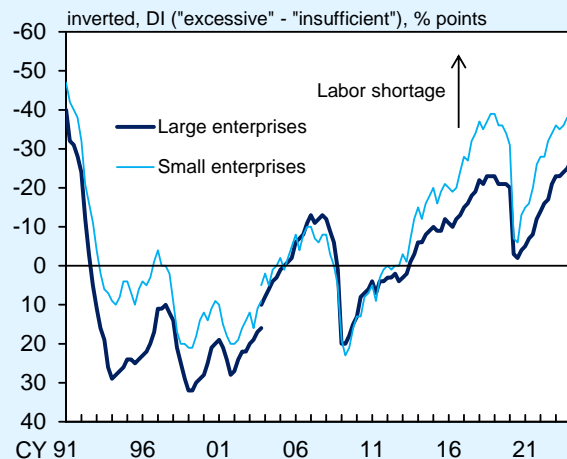
Source: Japanese Trade Union Confederation (Rengo).

Note: The figures for 2024 are from Rengo's fourth aggregation. The figures for the breakdown of regular employees are aggregated values based on the number of union members. Part-time employees include fixed-term employees.

<sup>25</sup> Regarding the spring labor-management wage negotiations in 2023, see Box 1 of the April 2023 Outlook Report and Box 1 of the October 2023 Outlook Report.

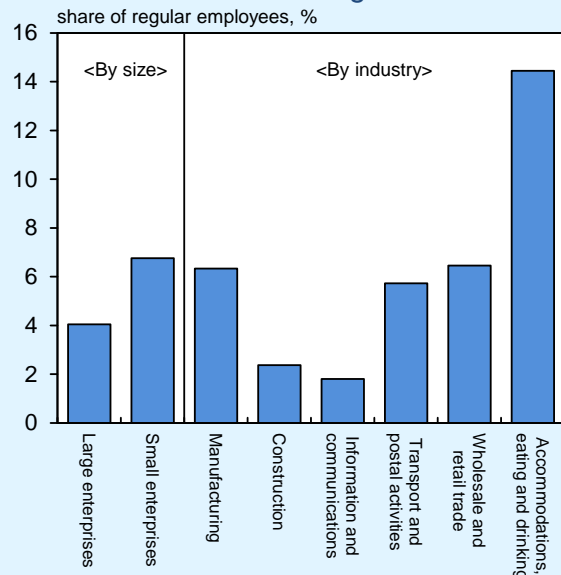
rates, often conduct their wage negotiations from April onward. Therefore, at this point, the full picture of their wage revisions is not yet clear. That said, SMEs face more intense labor shortages than large firms, and many of them are strongly aware of the need to raise wages (Chart B2-2). In addition, many SMEs have mentioned that they want to reference the rate of wage increases agreed in the wage negotiations of large firms for their own wage increases. Therefore, the positive results of the negotiations of large firms are likely to support SMEs' wage increases. Meanwhile, among SMEs and firms in the services sector, such as eating and drinking services, many have pointed to the minimum wage as one of the reasons why full-time employees' wages need to be raised, in addition to changes in the labor market. At these firms, the differential between wages of full-time and part-time employees is small and the increase in the minimum wage seems to have induced wage increases not only for part-time employees but also for full-time employees (Chart B2-3).<sup>26</sup> In addition, as described in Box 3, moves to pass labor cost increases on to selling prices have been spreading among firms, including SMEs, and this is likely to encourage wage increases. In this situation, several surveys on SMEs' stance toward wage increases, conducted ahead of the wage negotiations, suggest that there has been a shift toward wage increases (as seen in an increase in the number of firms planning to raise base pay and a rise in the rate of planned wage increases) (Chart B2-4).

**Chart B2-2: Employment Conditions DI**



Source: Bank of Japan.  
 Note: Based on the *Tankan*. All industries. There is a discontinuity in the data for December 2003 due to a change in the survey framework.

**Chart B2-3: Regular Employees Slightly above the Minimum Wage**



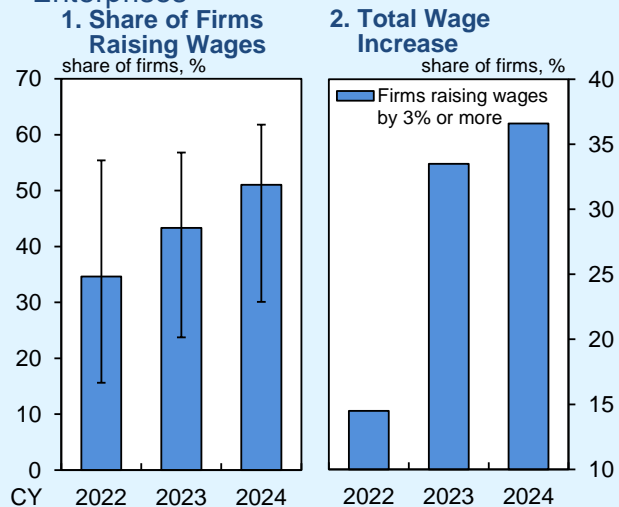
Source: Ministry of Health, Labour and Welfare.  
 Notes: 1. Figures show the share of regular employees with hourly scheduled cash earnings no more than 100 yen above the minimum wage, based on staff calculations using microdata from the 2023 *Basic Survey on Wage Structure*.  
 2. Large enterprises are enterprises with 1,000 or more employees. Small enterprises are enterprises with 5 to 99 employees.

<sup>26</sup> The government aims to raise the minimum wage (hourly wages, all Japan average) to 1,500 yen.

In this regard, at the April 2024 meeting of general managers of the Bank's branches, many branches reported that moves to raise wages -- at similar levels as in 2023 or more -- were expected even among regional SMEs, as labor market conditions have been tightening and firms have been faced with intensifying labor shortages. That said, there were also reports that a number of firms were (1) maintaining a cautious stance toward raising wages in view of the severe situation in their profits or (2) taking a wait-and-see stance to see the situation for their competitors regarding the degree of wage increases. Given such circumstances, the need to carefully monitor future developments was noted at the meeting.<sup>27</sup> Indeed, the pace of improvement in corporate profits and the pace of decline in labor share have been more moderate at SMEs than at large firms; also, both corporate profits and labor share vary among SMEs (Chart B2-5).<sup>28</sup> As this may suppress the growth rate of wages at SMEs, it warrants attention.

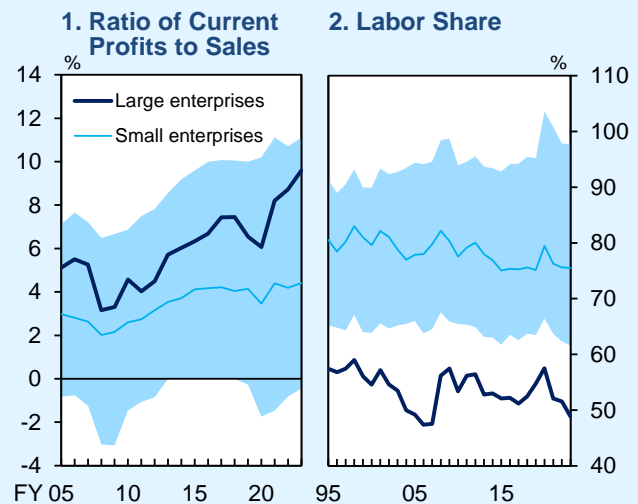
The results of wage negotiations will likely be reflected in actual wages through this summer. Although there remain uncertainties regarding factors such as the future course of wage revisions at SMEs, it is highly likely that the growth rate of scheduled cash earnings will

**Chart B2-4: Wage Developments in Small Enterprises**



Sources: Teikoku Databank, Ltd.; Tokyo Shoko Research, Ltd.; Japan/Tokyo Chamber of Commerce and Industry (JCCI and TCCI); Japan Finance Corporation.  
 Notes: 1. In the left-hand chart, figures show the average of several surveys of small enterprises regarding their plans on raising base pay. The bands indicate the highest and lowest survey results.  
 2. In the right-hand chart, figures show the share of firms in a JCCI-TCCI survey planning to raise total wages by 3 percent or more among firms planning to raise wages.

**Chart B2-5: Corporate Profits and Labor Share**



Source: Ministry of Finance.  
 Notes: 1. Figures for large/small enterprises are annual means. The shaded areas denote the 25th-75th percentile distributions for small enterprises, based on staff calculations using microdata from the *Financial Statements Statistics of Corporations by Industry, Quarterly*.  
 2. Large enterprises are enterprises with a capitalization of 1 billion yen or more, while small enterprises are enterprises with a capitalization of 10 million yen or more but less than 100 million yen. Figures exclude "finance and insurance" and those for fiscal 2009 onward also exclude pure holding companies.

<sup>27</sup> For details, see Bank of Japan, "Kaku chiiki kara mita keiki no genjō (2024 nen 4 gatsu shitenchō kaigi ni okeru hōkoku) [Current economic situation seen in each region (reports made at the April 2024 meeting of general managers of the Bank's branches)] (available only in Japanese).

<sup>28</sup> Box 2 of the January 2024 Outlook Report points out that it may not be easy for firms with a high level of labor share to increase distribution to employees through wage increases. However, it also points out that even such firms tend to carry out relatively high wage increases, reflecting intensifying labor shortages and an improvement in profits through rises in output prices.

increase further, and this is likely to underpin private consumption, as described in Box 1.