

Chapter 2 Trends in Wages and Hours Worked

Total cash earnings have declined four years in a row, but the seasonally-adjusted index for 2004 shows this trend leveling off overall. Breaking the figures down by employment pattern, total cash earnings increased for both full-time and part-time workers, but the increased percentage of part-time workers in the labour force contributed to an overall decline. While scheduled cash earnings and special cash earnings continued to decline, non-scheduled cash earnings increased for the second consecutive year.

Total hours worked started to rise because of the third straight year of an increase in non-scheduled hours worked on one hand, and a lower width of decline for the second consecutive years in scheduled hours worked on the other.

(Wage Trends)

During 2004, non-scheduled cash earnings increased by 4.8% over the previous year, the second consecutive annual increase and a faster rise than the year before, due to an increase in non-scheduled work hours. Scheduled cash earnings, however, were down 0.7% and special cash earnings dropped 1.8%, showing a continued downward trend. Total cash earnings declined 0.7%, the fourth consecutive annual decrease. Looking at the seasonally-adjusted index for the year, however, the overall trend was flat. By employment pattern, cash earnings increased from the previous year for both full-time and part-time workers, but the increasing ratio of part-time workers in the workforce contributed 1.1 percentage points to the overall decline. Real wages were down 0.7% from the previous year, the fourth straight annual decline (Table 7).

Scheduled cash earnings fell for the fourth consecutive year. Looking at the numbers by employment pattern, they were down 0.1% for full-time workers and up 0.7% for part-time workers. Overall, the decline in scheduled cash earnings was the same as in 2003. The increased ratio of part-time workers in the workforce contributed 0.7% percentage points to the overall decline.

The rate of spring time wage increases in major private-sector corporations in 2004 was 1.67%, the first increase over the previous year's rate in seven years. Although the level of wage increases remains low, favorable signs reflecting economic recovery are becoming visible.

Looking at bonuses, which account for the majority of special cash earnings, summer bonuses increased over the previous year for the first time in two years, by 1.2%, while winter bonuses were up by 2.7%, the first annual increase in eight years.

The movement of wages is closely related to corporate profits, but in recent years there has been a tendency for wages to decline even when profits are up. Now, however, wages are holding steady within a particular range (Figure 8).

(Trends in Hours Worked)

During 2004, non-scheduled hours worked increased by 3.3% from the previous year, while scheduled hours worked decreased by 0.2%. The decreased rate of decline led to an overall annual increase in hours worked of 0.2%.

Non-scheduled hours worked increased for the third consecutive year, but the rate of increase slowed. Seasonally-adjusted non-scheduled hours worked in the manufacturing industry showed an annual increase from the second quarter (April-June) of 2003 through the same quarter in 2004, but declined from the previous quarter during the second half of the year, reflecting production trends (Figure 9).

Breaking down the figures by employment pattern, scheduled hours worked increased for both full-time and part-time workers. However, the increased ratio of part-time workers in the workforce contributed a drop of 0.6% percentage points, leading to the fourth straight year of overall decline.

Table 7 Trends in Level of Contribution to Cash Earning Rise by Element

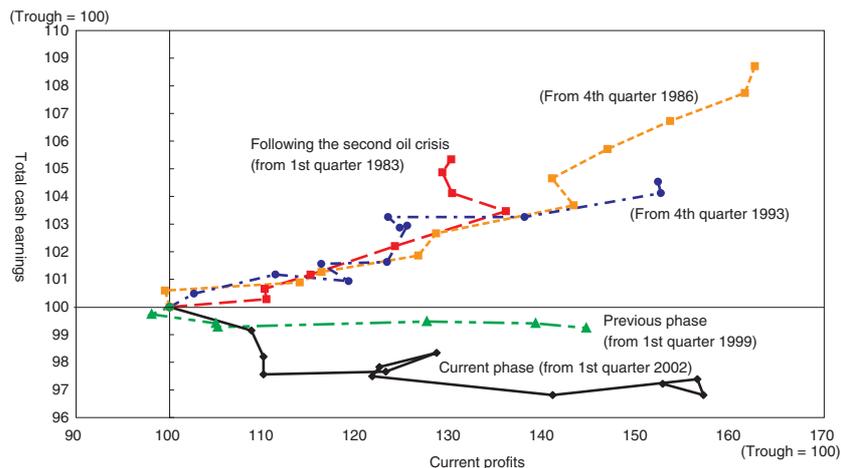
(Units: ¥, %)

Year/ Period	Total cash earnings							Special cash earnings	Real wages				
	(Full-time employees)	(Part-time employees)	Contractual cash earnings		Scheduled cash earnings	Non-scheduled cash earnings							
Amount													
2001	351,335	419,480	94,074	281,882	263,882	18,000	69,453						
2002	343,480	413,752	93,234	278,933	261,046	17,887	64,547						
2003	341,898	414,089	94,026	278,747	260,153	18,594	63,151						
2004	332,784	413,325	94,229	272,047	253,105	18,942	60,737						
Difference from the previous year													
2001	-1.6	-0.6	-0.2	-1.1	(-0.9)	-0.9	(-0.7)	-4.6	(-0.2)	-3.5	(-0.7)	-0.7	
2002	-2.9	-1.8	-3.0	-1.7	(-1.4)	-1.7	(-1.3)	-1.3	(-0.1)	-7.9	(-1.6)	-1.9	
2003	-0.7	0.1	0.8	-0.4	(-0.3)	-0.7	(-0.5)	3.5	(0.2)	-2.5	(-0.5)	-0.4	
2004	-0.7	0.3	0.6	-0.4	(-0.3)	-0.7	(-0.5)	4.8	(0.3)	-1.8	(-0.3)	-0.7	
Difference from the same period of the previous year													
2003 I	-1.0	[96.0]	-0.2	0.3	-0.4	(-0.4)	-0.6	(-0.5)	4.7	(0.3)	-12.8	(-0.7)	-0.6
II	0.8	[95.9]	1.4	1.1	-0.2	(-0.2)	-0.4	(-0.3)	2.8	(0.1)	4.6	(0.9)	1.0
III	-1.6	[93.5]	-0.7	0.6	-0.4	(-0.3)	-0.7	(-0.6)	3.6	(0.2)	-8.3	(-1.3)	-1.4
IV	-1.3	[94.4]	-0.3	1.0	-0.6	(-0.4)	-0.9	(-0.6)	3.1	(0.1)	-2.6	(-0.8)	-0.9
2004 I	-1.7	[94.3]	-1.0	2.6	-0.2	(-0.2)	-0.7	(-0.6)	5.0	(0.3)	-30.7	(-1.4)	-1.7
II	-1.0	[95.0]	0.3	0.8	-0.4	(-0.3)	-0.9	(-0.7)	5.5	(0.3)	-3.2	(-0.6)	-0.6
III	-0.4	[93.2]	0.5	0.5	-0.4	(-0.3)	-0.8	(-0.6)	5.0	(0.3)	0.5	(0.1)	-0.3
IV	0.0	[94.6]	1.2	-1.0	-0.5	(-0.4)	-0.7	(-0.5)	3.9	(0.2)	1.2	(0.4)	-0.6

Source: MHLW, "Monthly Labour Survey"

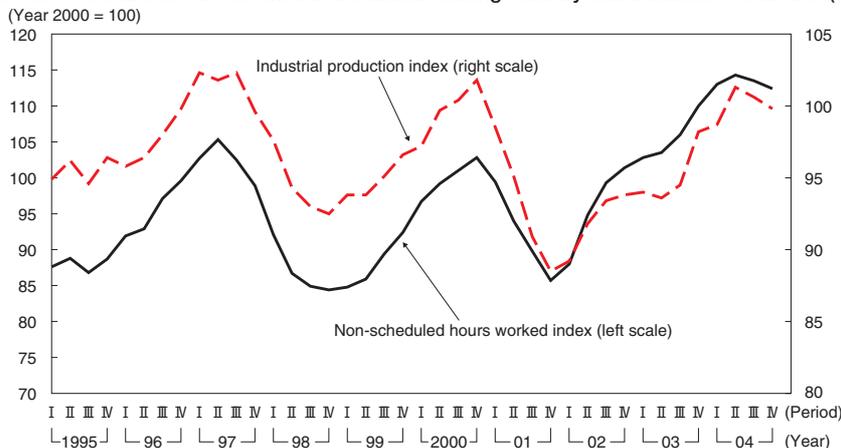
- Notes: 1) Figures in brackets "[]" are seasonally adjusted indices of total cash earnings. The seasonal adjustment method is the US Census Bureau method (X-11 default within X-12-ARIMA).
 2) Figures in parentheses "()" represent the level of contribution to a change in the total cash earnings from the previous year (or the same period in the previous year), calculated by the Office of Counselor for Labour Policy, MHLW. The total change from the previous year of wage types equals a change in the cash earnings for the previous year. (However, totals may not be exact due to rounding.)
 3) Figures are averages for whole industries, covering establishments with at least five regular employees.
 4) Rates of increase from the previous year are calculated using index figures by correcting gaps and others which are generated from the change in the extracted subject.

Figure 8 Comparison of Trends between Current Profits (per employee) and Wages (average cash earnings per employee) during Recovery Phases



- Source: MHLW, "Monthly Labour Survey" (total surveyed industries, establishments with at least 30 regular employees); Ministry of Finance, "Financial Statements Statistics of Corporations by Industries, Quarterly" (all industries, all sizes)
 Notes: 1) Changes following the troughs by using the troughs as bases (= 100). Figures are seasonally-adjusted average changes for the subsequent three quarters.
 2) Figure for 12 quarters following the troughs were examined for at 4th quarter 1986, 4th quarter 1993, and current (1st quarter 2002), but because there were not 12 quarters from economic trough to peak in the cases of 1st quarter 1983 and 1st quarter 1999, 9 and 7 quarters, respectively, were examined.

Figure 9 Indexes for Non-scheduled Hours Worked in the Manufacturing Industry and Industrial Production (seasonally adjusted)



- Sources: MHLW, "Monthly Labour Survey" (manufacturing industry); Ministry of Economy, Trade and Industry (METI), "Indices of Industrial Production" (manufacturing industry)
 Note: Establishments with at least five regular employees ("Monthly Labour Survey")