

Japan Watch

Wages update: Momentum building further for FY24 Shunto

November headline wage growth slows again

The preliminary Monthly Labor Survey (MLS) for November, released 10 January, showed growth in total monthly cash earnings per worker slowing again to +0.2% YoY, well below the +1.5% consensus and the October print (Exhibit 2). Growth in scheduled cash earnings was broadly in line with October at +1.2% YoY. But bonuses fell again after a one-time bounce in October, depressing overall wages. Negative base effects also dampened YoY growth versus October. As a result, real wages fell more sharply, by 3.0% YoY, falling for a 20th straight month (Exhibit 3).

Underlying wage growth + historic rise in part-time wages

Looking under the head, however, the November MLS points to a sustained uptrend in wages. We highlight the following points:

(1) Sustained uptrend in underlying wages: In contrast to the weakness in the unadjusted headline wage figure, per worker wage growth rose +2.0%YoY in the reference series of continuously-surveyed firms. This series excludes changes in employee composition and sampling bias, making it a much more reliable indicator of underlying momentum in wages.

In particular, scheduled cash earnings for full-time workers have sustained strong growth of around 2% since May 2023, reflecting the outcome of the FY23 Shunto spring labor negotiations, and rose another 1.9% in November (Exhibit 1).

(2) Historic pick-up in part-timers' wages: We also note the sustained, strong pick-up in hourly wages for part-time workers, which increased +4.6% YoY in November. Excluding the early stages of the COVID-19 pandemic, when working hours fell sharply, this represents the strongest growth nearly 26 years (Exhibit 5).

We think the strong pick-up in part-timers wages reflects both the direct impacts of deepening labor shortages as well as the major increase in minimum wages from October (Exhibit 6).

Roughly a year ago, we forecast growth in part-timers' hourly wages to accelerate to over 3% in 2023 as the economy reopened (see [Part-timers' wage hikes gathering pace 09 February 2023](#)). But wage growth is now outpacing our bullish forecasts. With the labor market set to remain tight and another increase in minimum wage expected in October, we think part-timers' pay is likely to continue rising rapidly in 2024.

Corporates bullish on wage hike plans ahead of FY24 Shunto

Late-Dec/early-Jan featured a further pickup in the spate of bullish wage hikes announced since mid-October ahead of the FY24 Shunto round (Exhibit 8). Major financial institutions and retailers were among the firms saying they would raise wages far more than in 2023. (continued overleaf)

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Economics
Japan

Takayasu Kudo
Japan and Asia Economist
BofAS Japan
+81 3 6225 8592
takayasu.kudo@bofa.com

Izumi Devalier
Japan and Asia Economist
BofAS Japan
+81 3 6225 6257
izumi.devalier@bofa.com

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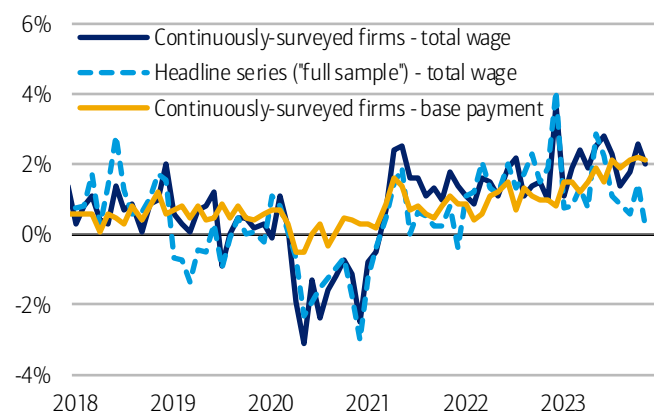
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The Japanese Electrical Electronic & Information Union (JEIU, around 600,000 members), an alliance of electrical machinery manufacturer trade unions, plans to demand at least a ¥13,000 increase in monthly base payment, more than 80% higher than its FY23 demand for at least ¥7,000. This is above both the Japanese Trade Union Confederation's (Rengo) demand for pay hikes to exceed 2023 and the figure of at least ¥10,000 (+66.7% YoY) requested by the Japan Council of Metalworkers' Unions (JCM, around 2mn members), and is the highest figure since the format for requesting pay hikes changed in 1998.

Following Keidanren's 17 January policy announcement for the FY24 Shunto round, actual negotiations are set to kick off in earnest from early February (Exhibit 8). We think major companies' announcements of plans to substantially raise wages, combined with public support and government encouragement for wage hikes, make it increasingly likely that other firms will also accept major pay increases. We maintain our baseline scenario for the FY24 Shunto base-up revision rate (excluding seniority-based wage increases) to improve to +2.5-3.0%.

Exhibit 1: Monthly cash payment per worker (yoy%)

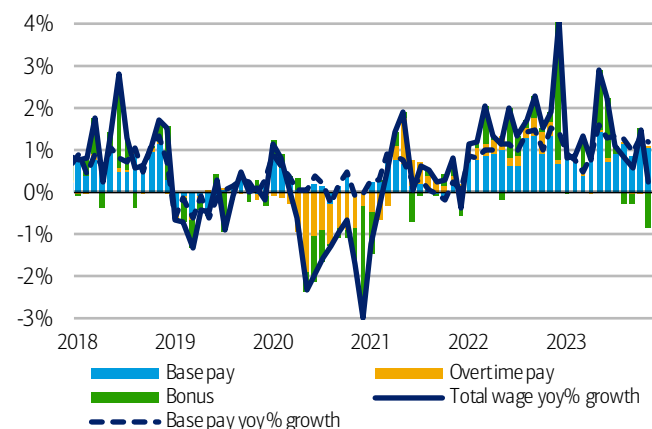
Headline growth has been volatile but upward momentum continues



Source: BofA Global Research, Ministry of Health Labour and Welfare (MHLW)
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Exhibit 2: Contribution to %YoY growth in nominal wages per worker

Another decline in volatile headline wages

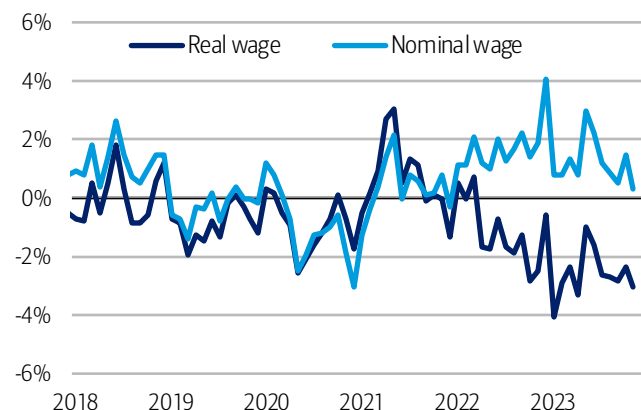


Source: BofA Global Research, MHLW

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Exhibit 3: YoY growth of nominal/real wage (yoy%, over 5ppl)

Real wages to fall 3.1% YoY, the 20th consecutive monthly decline

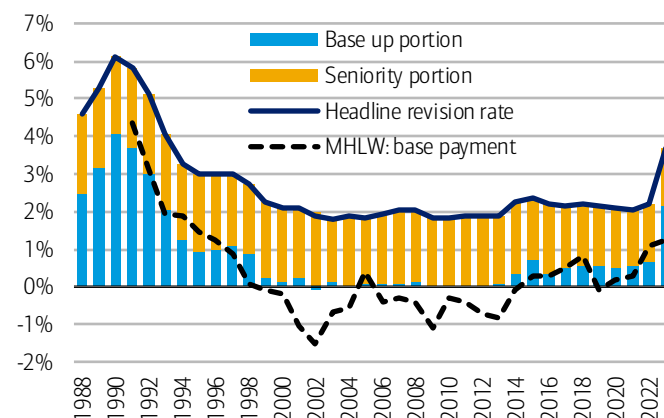


Source: BofA Global Research, MHLW

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Exhibit 4: Shunto revision rate and macro level base payment growth (FY basis yoy%)

FY23 Shunto wage negotiations marked very strong results

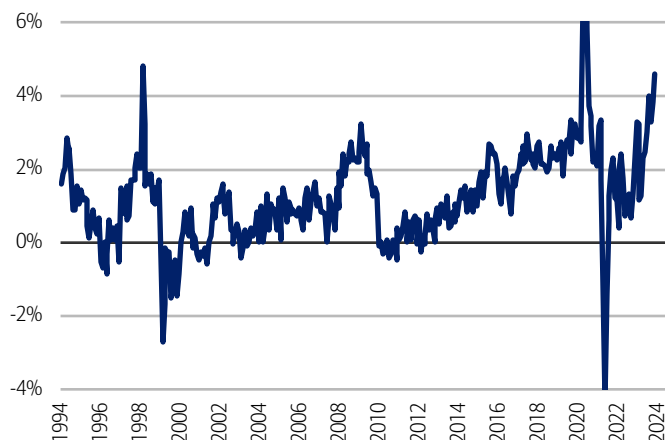


Source: BofA Global Research, MHLW, Rengo *Rengo base revision rate, data until 2014 are BofA estimates based on headline revision rate from Rengo and base-up portion from Central Labor Relations Commission

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Exhibit 5: Part-timers' hourly wages (yoy%)

Part-timers' hourly wages accelerated from the beginning of 2023

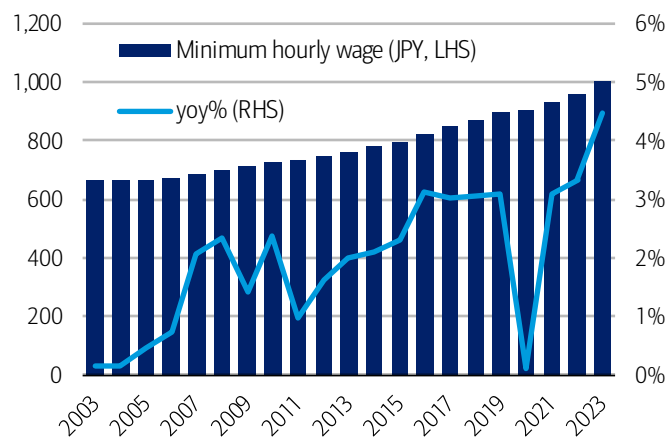


Source: BofA Global Research, MHLW

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Exhibit 6: Minimum hourly wage (nationwide weighted average)

The government raises minimum wages every year



Source: BofA Global Research, MHLW

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Exhibit 7: 2024 Shunto: Announcements from companies, industry bodies, trade unions

Leading unions are seeking significantly larger wage hikes in FY24 Shunto than last year

Entity/company name	Announced/media report date	FY23 negotiation stance	FY23 results	FY24 negotiation stance	Details
AGC	28-Jun	6.4%	6.4%	6.4%	6.36% wage hike including 3.35% increase in base pay; 4.2% increase in initial salary for career-track new university grads; will continue raising wages through 2030
Toppan Printing	28-Jun	4%	4.3%	4%	Will continue raising wages by 4% over next five years, including base pay hikes
JTUC	19-Oct	around 5% (base pay: around +3%)	3.6%	5% or above (base pay: 3% or above)	At least 5% wage hikes (base pay at least 3%, seniority-based pay +2%)
Bic Camera	19-Oct	-	-	7%	7%+ base pay hike for 4,600 regular employees; raising initial salaries by 13.5% for university grads, 16% for high-school grads
Meiji Yasuda Life	19-Oct	-	-	7%	7% increase in yearly salary (including 3% base pay hike) for 10,000 in-house staff.
Suntory	20-Oct	7%	7%	7.0%	Average 7% wage hike including 3% increase in base pay for all regular employees.
Kajima	5-Nov	around 5%	5%	-	Will raise starting salary for new grads by ¥30,000 to ¥280,000.
Keidanren	6-Nov	-	3.6%	-	Will negotiate more aggressively than in 2023 to achieve wage hikes that at least align with inflation
UA Zensen	6-Nov	around 6%	-	6% target	Targets 6% wage hike (base pay +4%, seniority-based pay +2%)
Panasonic Connect	10-Nov	5% (average)	5%	5% (average)	Average 5% increase in yearly salary for all domestic staff.
Dai-ichi Life Holdings	15-Nov	5% (average)	5%	7% (average)	Average 7% increase in yearly salary (including stock compensation) for 50,000 in-house staff.
WORKMAN	16-Nov	-	5.0%	5.1% (average)	Average 5.1% increase in yearly salary for full-time and part-time staff.
Sumitomo Life	18-Nov	-	5.0%	7% (average)	Average 7% increase in yearly salary for 32,000 sales staff.
JAM	21-Nov	¥9,000/month	-	¥12,000/month	¥12,000/month increase in base pay
Japan Council of Metalworkers' Unions (JCM)	6-Dec	¥6,000/month (+2%) or more	-	¥10,000/month (+3%) or more	¥10,000/month (+3%) increase in base pay
All Japan Federation of Transport Workers' Unions	6-Dec	¥13,700/month (base pay +4%)	-	¥15,000/month (base pay +4.5%)	Wage hike of +6.0%, including +4.5% for base pay, higher seniority-based pay
Japan Federation of Basic Industry Worker's Union (JBU)	7-Dec	¥3,500/month (base pay +1%)	-	¥12,000/month (base pay +4.0%)	Wage hike of +6.0%, including +4.0% for base pay, higher seniority-based pay; first-ever single-year request
Mitsui Fudosan	8-Dec	-	5%	10% (average) or more	Average 10% increase in yearly salary (including base pay, seniority-based pay and bonus)
Matsuya Foods	12-Dec	-	8%	10.9%	10.9% wage hike (incl. base up/teisho)
Nippon Life	19-Dec	Avg. 7%	Avg. 7%	Avg. 7%	Avg. 7% wage hike for 50,000 salespeople
Daiwa Securities	22-Dec	-	Avg. 4%	At least 7%	At least 7% wage hike
Taiyo Life	26-Dec	-	c.5% avg.	c.7% avg.	c.7% avg. wage hike for 9,000 salespeople
Asahi Breweries	28-Dec	-	5%	c.6% avg.	c.6% avg. wage hike (including c.3% base up)
Aeon	1-Jan	-	Avg. 4.85%	4.85%-7%	4.85-7.00% wage hike for full-timers, 7% for part-timers

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Entity/company name	Announced/media report date	FY23 negotiation stance	FY23 results	FY24 negotiation stance	Details
Nomura Securities	4-Jan	-	-	c.3% avg.	Avg. wage hikes of 16% for junior (<3yrs) employees, 7-8% for non-managers, 3% for domestic workforce incl. managers
Mizuho Financial Group	6-Jan	-	6%	c.7%	c.7% wage hike incl. base up
Itochu	6-Jan	-	-	Avg. 6%	Avg. 6% wage hike for all employees
Lawson	6-Jan	-	5%	At least 5%	At least 5% including base up
JEIU	6-Jan	At least ¥7,000 base pay hike	-	At least ¥13,000 base pay hike	At least ¥20,000 per month, teisho ¥7,000, base up at least ¥13,000
Iris Ohyama	8-Jan	c.5% avg.	c.5% avg.	c.5%	c.5% wage hike (incl. c.3.5% base up) for c.4,400 employees (70% of workforce), excluding those subject to annual pay scheme

Source: BofA Global Research, news reports

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Exhibit 8: Shunto timeline for FY23 and FY24

Shunto negotiations will ramp up in earnest from late January

FY23 Shunto	Organization	Event
6-Feb-23	Rengo	Rengo kickoff assembly (<i>Shunto</i> start)
3-Mar-23	Rengo	Tabulation of wage demands from member unions
17-Mar-23	Rengo	First response of <i>Shunto</i> results
24-Mar-23	Rengo	Second response of <i>Shunto</i> results
5-Apr-23	Rengo	Third response of <i>Shunto</i> results
13-Apr-23	Rengo	Fourth response of <i>Shunto</i> results
10-May-23	Rengo	Fifth response of <i>Shunto</i> results
28-Apr-23	Central Labor Relations Commission (MHLW)	"Basic Survey on Wage Structure" covers base pay and bonus developments of preceding fiscal year
19-May-23	Keidanren	First response for large firms
5-Jun-23	Rengo	Sixth response of <i>Shunto</i> results
23-Jun-23	Keidanren	First response for SMEs
5-Jul-23	Rengo	Seventh (final) response of <i>Shunto</i> results
4-Aug-23	Keidanren	Final response for large firms
10-Aug-23	Keidanren	Final response for SMEs
4-Aug-23	Ministry of Health Labour and Welfare	Results of spring wage increases in major private companies (results of FY23 <i>Shunto</i>)
FY24 Shunto	Organization	Event
19-Oct-23	Rengo	Rengo announces "Basic concept of 2024 <i>Shunto</i> " (outlining general negotiating stance)
17-Jan-24	Keidanren	"Stance on FY24 <i>Shunto</i> " (outlining general negotiating stance)
Late Jan '24 - early Feb '24	Institute for Labor Administration	FY24 Survey on wage increases" with answers from 1) labor unions, 2) management, and 3) experts in the labor market field
Early Feb '24	Rengo	Rengo kickoff assembly (<i>Shunto</i> start)
Early Mar '24	Rengo	Tabulation of wage demands from member unions
15-Mar-24?	Rengo	First response of <i>Shunto</i> results
Late Mar '24	Rengo	Second response of <i>Shunto</i> results

Source: BofA Global Research

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