

Japan to raise minimum wage by 3% to boost consumption

By Stanley White

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Japan will raise the minimum wage by 3 per cent each year from next fiscal year as part of a package of policies aimed at strengthening consumer spending and stoking economic growth.

The government will also strengthen policies to get more women into the work force and ease regulations to encourage corporate investment and breathe new life into an economy that has struggled with patchy domestic demand.

The policies are also a positive development for the Bank of Japan, because it could lead to move private consumption and make it easier to guide inflation to its 2 per cent price target.

“We need to ensure continuous economic growth supported by rising wages and the minimum wage must be included in this process,” Prime Minister Shinzo Abe said.

Raising wages is an urgent task for policy makers as Tokyo is keen to ramp up consumer spending, which is seen as crucial to boosting domestic demand and pulling the economy out of 15 years of deflation.

The economy has fallen into recession twice since Abe took office in late 2012, and his government is under pressure to show that it can improve the economy.

The national average of Japan’s minimum wage was 780 yen (\$6.36 U.S.) per hour last

fiscal year, so a 3 per cent increase would still not buy more than a bowl of ramen noodles – an illustration of the difficulty policy makers face in boosting consumption.

Abe told cabinet ministers he eventually wants to raise the weighted national average minimum wage to 1,000 yen per hour.

Minimum wage increases will start from next fiscal year, and the decision does not need to be approved by parliament, a Cabinet Office official said.

Cabinet ministers and the government’s top advisers also agreed on Tuesday to ease regulations to encourage more capital expenditure and investment in cutting-edge technologies.

The government reiterated an earlier plan to bring forward corporate tax cuts to improve competitiveness.

The government will also consider ways to change parts of the tax code that actually discourage female part-time workers from working longer hours as a way to keep more women in the work force.

Abe’s administration is also expected this week to present steps intended to slow the decline in the population as the government tries to bring new energy to its economic agenda.