

29 October 2025 (No. of pages: 1)

Japanese report: 14 October 2025

Summary of FY2025 Minimum Wage Revision and Future Focus

The new administration should reconsider minimum wage policies, including the introduction of European-style targets.

Economic Research Dept. **Munehisa Tamura**

Summary

- The FY2025 minimum wage increase rate reached 6.3% on a national weighted average, the second-highest level since the guideline system began. However, it fell short of the 7.3% annual increase needed to achieve the Shigeru Ishiba administration's goal of “a national average of 1,500 yen in the 2020s.” Considering that negotiations in both central and local minimum wage councils proved difficult even for an increase in the low 6% range, and given the expected future decline in the inflation rate, achieving the government's target appears increasingly difficult following the FY2025 revision.
- One option is to reconsider the minimum wage target under the new administration expected to take office in late October. A useful reference is Europe's approach of setting targets based on relative levels (reference wages) compared to macro wages. For example, the EU requires member states to aim for targets such as 60% of the median wage or 50% of the average wage. While less straightforward than absolute amount targets like Japan's, this method better reflects economic realities and offers greater predictability for annual increase amounts.
- The method for setting the reference wage should be determined based on each country's labor market conditions. Considering Japan's characteristics – where special payments constitute a large proportion of total wages and wage disparities between employment types are significant – a desirable reference wage level would likely be 60% or two-thirds of the median wage (including special payments) for all workers. However, Japan's minimum wage already largely achieves this level. The new administration is expected to discuss the desirable form of minimum wage policy, including whether an active increase is necessary.