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Key to Real Wage Growth Under Takaichi Administration

Through policy and reform initiatives, real wages are projected to grow at an annual rate of approximately 1.2% - 1.6% through FY2040.

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Summary

- Over the past 20 years, Japan's real wage growth rate has lagged behind that of the US by 1.2%pt annually. This is primarily due to low productivity growth and a decrease in average working hours.

- A common factor across all industries contributing to low productivity is weak ICT capital. Breaking down challenges by industry: For personal services, restoring consumer confidence and investing in labor-saving measures are crucial. For information and communication activities, and professional, scientific, and technical activities, investment must be linked to growth through a dual approach: expanding capital investment and capturing the globally increasing demand.

- Average working hours have been trending downward in recent years due to progress in work-style reform. While this change is viewed positively in some respects, a certain number of workers still wish to work longer hours. If additional work opportunities for those desiring them become more accessible – through accelerated support for balancing work with childcare, eldercare, and other responsibilities – macro-level average working hours could potentially increase by 1.3% - 3.6%.

- Real wages through FY2040 are projected to grow at an annual rate of +0.7% under a scenario that projects recent economic conditions forward into the future. Furthermore, if various policies significantly alter corporate investment behavior and progress is made on labor market reforms and social security reforms, it may be possible to raise the real wage growth rate to around +1.2% to +1.6%.