

The Japanese economy: topic of the month

The decline in the share of part-time workers: a change in trend?

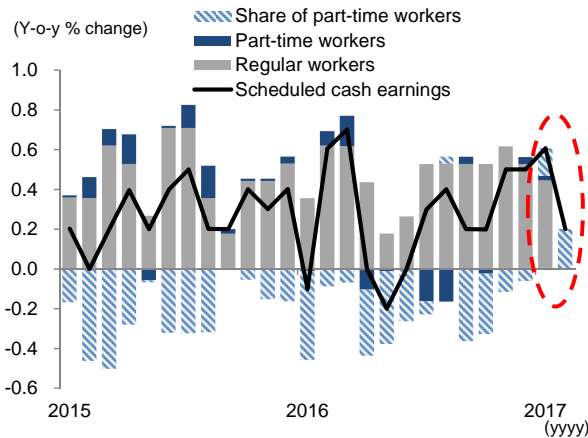
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Note a decline in the share of part-time workers in the *Monthly Labour Survey*

Japan's wage growth is continuing to lack strength, trending around the lower half of the 0%-level, despite the ongoing shortage of labor as indicated by the unemployment rate falling to the 2%-level in February. However, a closer look reveals signs that Japan's wage trends might be changing. Whereas the share of part-time workers has continued to follow an uninterrupted rise thus far, it has recently taken a slight dip. The share of part-time workers is shifting from serving as a negative factor to a positive factor upon wages (**Chart 1**).

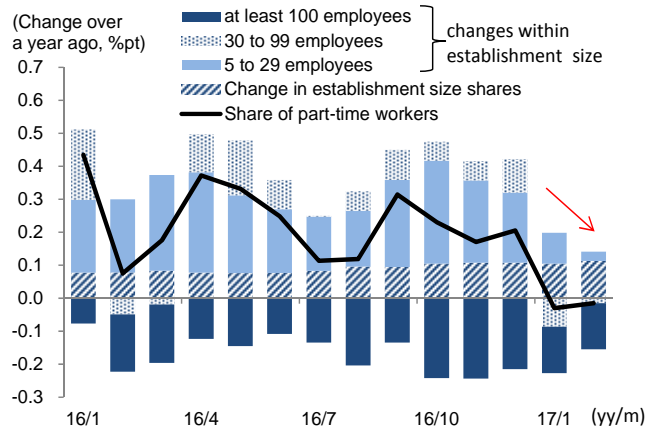
A look at the change in the share of part-time workers according to the size of establishment (**Chart 2**) shows (1) a decline among large establishments (with at least 100 employees), (2) a downturn among medium-sized establishments (with 30 to 99 employees), and (3) a slowdown of the pace of increase among small establishments (with 5 to 29 employees). The change in (2) should be discounted to some extent considering the possibility that it may stem from a sample replacement (regarding establishments with 30 or more employees in the *Monthly Labour Survey*, establishments which are growing in size are newly selected in the sample in January every year). However, it is worth noting that the shift to part-time workers is slowing down even among small companies whose price bargaining power tends to be weaker than large companies, and are said to have difficulties in increasing labor costs. In such context, it appears that steps taken by companies to address the labor shortage such as upgrading the status of non-regular employees to regular employees and shifting from fixed-term employment to indefinite-term employment are starting to be reflected in statistical data. The sustainability of these trends will be the key to the stable rise of wages and prices.

[Chart 1: Decomposition analysis of scheduled cash earnings]



Note: The rise of the share of part-time workers serves as a negative factor for wage growth.
 Source: Made by MHRI based upon the Ministry of Health, Labour and Welfare, *Monthly Labour Survey*

[Chart 2: Decomposition analysis of the share of part-time workers]



Note: Decomposition analysis based upon actual values. The "change in establishment size share" shows that the rise (decline) of the labor share of small establishments (whose part-time ratio is high) leads to the rise (decline) of the overall share of part-time workers.
 Source: Made by MHRI based upon the Ministry of Health, Labour and Welfare, *Monthly Labour Survey*

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