

Comments on “Reload, Reset, or Relaunch? Japan’s Policy Options”

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Incomes Policy in Japan

- Incomes policy can be defined as “a set of informal controls to achieve non-deflationary wage behavior”.
- In a sense, the Japanese Government is already engaged in such a policy.
 - Moral suasion
 - Tax incentive
 - Minimum wages

IMF's Proposal

- However, IMF goes further by proposing to
 - Set a guideline for the wage increase for three percent,
 - Achieve that by “comply or explain” approach,
 - Back this up by stronger tax incentives or penalties,
 - Raise administratively controlled wages, and
 - Call for supplementary wage rounds.
- Furthermore, IMF advocates for a reinforcement of incomes policy by introducing contract reform that
 - Promotes “intermediate” contracts, and
 - Accelerate the introduction of “equal-pay for equal work” program.

Comments on Incomes Policy

- Doesn't specific guideline have side-effects?
 - Firms (Industries) differ in productivity. By requesting a uniform wage increase, profitability of some may be seriously affected.
 - “A mechanical and uniform enforcement of the guideline target --- would freeze the pattern of relative wages (wage structure) with progressively deleterious consequences.” (Harberler, 1972)
- Are you also aiming for a increase in exits?
 - As a consequence of the above, unprofitable firms may have to exit. On the other hand, it could raise the productivity of the economy as a whole.

Comments on Contract Reform

- Is promoting “intermediate” contracts feasible?
 - They are also under lifetime employment system. Firms would be reluctant to engage in long-term commitment when long-term uncertainty is intense.
- Do you consider “equal-pay for equal work” feasible under lifetime employment system?
 - It is difficult to achieve because current system lacks job-description.
 - To achieve EPEW, the Japanese employment system needs to be changed to one that is job-description based and that allows more mobility.

Thank you for listening!

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