ABSTRACT: Stagnant income growth has limited Japan’s growth potential and reflation efforts. This paper dissects the wage dynamics of different labor groups and identifies the structural barriers to income growth. Although average income growth has been weak due to the rise of part-time workers and their declining hours, real wages per hour have risen across all labor groups, with the most gain seen among part-time and female workers. The weak income growth is largely driven by structural factors, including disincentives for second earners in the social security system, pension policies, and more broadly the dual labor market structure. Policies to address these structural barriers are key to boost income growth in Japan.

Structural Barriers to Wage Income Growth in Japan

Japan

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