

An International Comparison of Hourly Earnings and Labor Costs

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Preface

In this report, the first purpose is to explain the necessity for estimation and reformulation of statistical tables on international comparisons of wages, and the next is to make it clear whether or not it is true that the wage-level in Japan is the highest one among the other industrialized countries as it is generally said by referring original statistical tables of comparisons that are prepared from my own estimation.

Main problem in studies on international comparison

One of the most fatal problems is that there are scarcely any statistical tables to use for the study on international comparisons of wages without any effort though many countries have a good deal of statistics on wages for domestic use. In other words, there are no statistical tables for referring as materials that satisfy the unifications on data of the same quality in comparative studies. For example, Yearbook of Labour Statistics published by ILO makes us easy to get enormous data on various countries but those data are just same as what each country publishes for domestic use. Of course each countries has each definitions of wages or other factors (e.g. coverage, status of workers as subjects) in investigations or statistics on wages, so it isn't effective at all to compare those nation-data each other without any modification. Almost all of the other existing statistical tables have same matter, too. Therefore, it is really needed to make well comparable, well keeping the unification on definitions of wages and on standard of comparisons, statistical tables to study.

“Wages” concepts

There are many concepts that may indicate “wages”. This is because wages consist of many factors and those concepts differ each other definitely by their contents. In this report, “Earnings” and “Labor costs” are estimated as measures of wages, and shown in tables of international comparisons. The former is the concept that contains basic pay, so called pay for time worked, pay for time not worked (vacations, holidays, and other leave) and other seasonal or irregular bonuses. The latter is the concept that contains all of payments to hire employee (e.g. expenditures for social insurance, pension for retirement, training cost for employee, and taxes). Each of them is the concept that had been argued and declared by ILO that it should be used as an

international standard concept in statistics on wages.

Other distinctions

Tables in this report show international comparisons of hourly Earnings and Labor Costs for production workers in manufacturing.

Data for some countries, especially for Japan, need to be modified in considering effects from unpaid overtime work. Japanese companies are notorious for the fact that they force considerable long-time work on their employee and this matter has become a kind of social problems. There are no official surveys on unpaid overtime work in Japan, and so are most of the other countries. For those countries, data on unpaid work are estimated by other surveys when it is possible in some way.

Data are converted by a rate of foreign exchange and the Consumers Purchasing Power Parities (CPPP) that is prepared by OECD. Tables that are made by the latter way show comparisons of real measure on Earnings and Labor Costs; these tables can eliminate influences from fluctuations in a rate of foreign exchange, so called the power of currency, and influences from the difference of price among these selected countries.

Results and Conclusion

According to tables in this report, the level of nominal hourly Earnings in Japan is relatively higher among the other countries. But when using data on working time, which must be including unpaid overtime work, modifies those tables, it changes conversely to the lower classes of these countries. Moreover, according to tables that show the level of real hourly Earnings, obviously the level of that is one of the lowest one, which has great differentials from what is in the highest country. Though the level of Labor Costs in Japan has been getting higher constantly, it is never prominent one to be called the top-level. Of course it goes down to the lowest level when same modification as mentioned above is given.

In the case of referring statistical tables of international comparisons of “hourly” “nominal” Earnings, it is possible to regard the level of wages in Japan as one of the highest level among the relatively industrialized countries. But in the case of comparing levels of wage among these countries by the level of Labor Costs, it is hardly to say the same thing. Especially in the comparison of real measure, it may be said that the level of wages in Japan is not a highest level but one of the lowest levels within the industrialized countries.

From these results, it become clear that there is a necessity to refer statistical tables of international comparison of wages that show not only nominal measures but also real measure in order not to over look the difference between them and not to discern this result without concerning about the actual situation in societies.

Further details on this report, numerical results, and estimation procedures are shown in the full paper that is distributed at the arranged room on the day.