

“Summer Bonus” - Big Jump after 3 Years

1. What is “Summer Bonus”?

In Japan, it is quite common that the corporations pay out bonus both in summer and winter every year. Summer bonus is the bonus paid out in summer around June and July. In the past, bonus was treated as a part of salary, however, nowadays we see an increase in number of corporations paying bonus according to the result which both corporation and employee achieved. There is a growing tendency that the Japanese corporations treat bonus as a “incentive fee” or a “reward money” just like European and US corporations.

2. Latest Trend

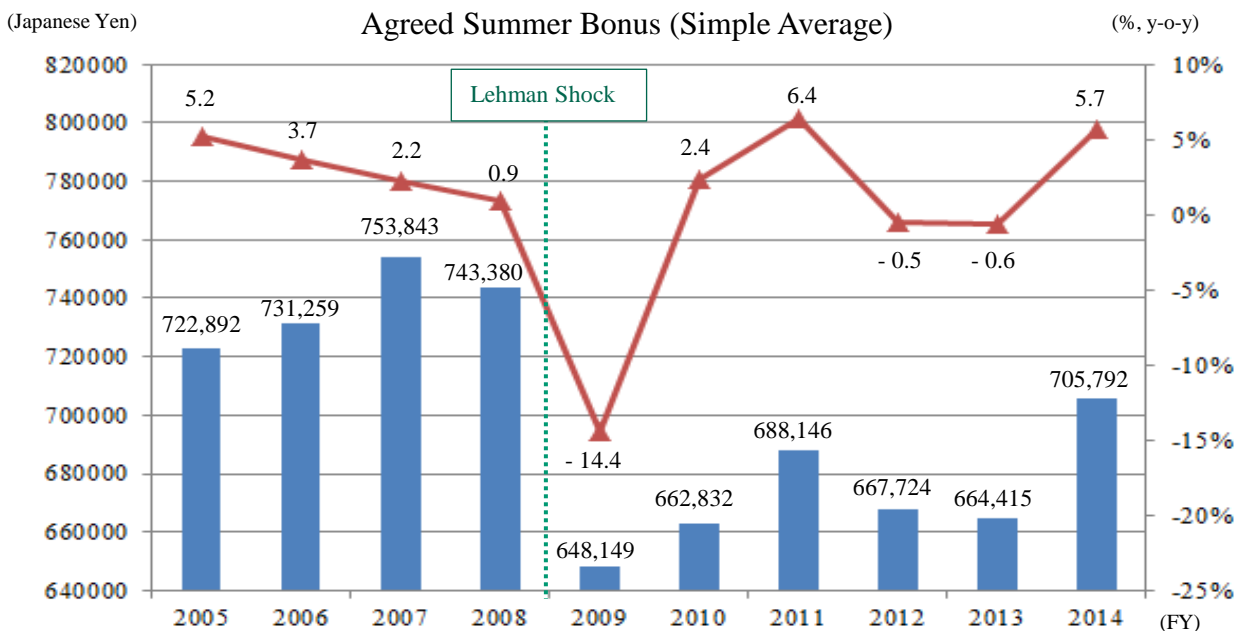
On May 8, the Institute of Labor Administration announced “Survey on 2014 Agreed Summer Bonus of TSE 1st Section Listed Corporations”. According to the survey, the amount of the bonus (simple average of 125 TSE 1st Section Listed Corporations) for this summer was Japanese yen 705,792 (all industry average). This is an increase of 5.7% y-o-y which was a substantial rise after 3 years.

Taking a look into industry sector breakdown, the rate of bonus increase of manufacturing sector (+6.6% y-o-y) was higher compared to that of non-manufacturing sector (+2.6% y-o-y). Especially, the electrical appliances and auto manufacturers enjoyed double digit increase which were +10.1% and +10.6% y-o-y, respectively.

3. Future Outlook

“Summer Bonus” has been falling slightly in year 2012 and 2013 and finally turned positive this year. It is hoped that further increase should be seen as its level has not reached to that before the Lehman Shock. In order to maintain sustainable consumer expenditure, it is anticipated that the monthly salary should increase in addition to the bonus which depends on economic performance.

Latest March “total cash & salary payment amount” rose 0.7% y-o-y after 3 months. However, scheduled wages (basic salary etc.) excluding overtime allowance fell 0.4% y-o-y which has been declining since June 2012. Meanwhile, the consumer price index (excluding fresh food) turned to rise since June 2013 supported by the quantitative & qualitative monetary easing by the BOJ continuing from April last year aiming to end deflation. As the increase of wage is not catching up with the rise of inflation, people could not realize the wage increase despite the rise of their bonus. As to the employment environment, active job openings-to-applicants ratio was 1.7 times in March and new job openings-to-applicants ratio was 1.66 times which indicate the tightening of labor market today and also in future. The hope is that these positive news will trigger the improvement of employment conditions such as increase of permanent employees, increase of wages and finally build “confidence” in the income growth.



(Notes) 1. Agreed summer bonus is defined as aggregation of summer bonus and annual bonus agreed at spring wage negotiation
 2. Y-o-y change is calculated using only those corporations who can provide comparable bonus amount in the past years
 (Source) SMAM, based on the Institute of Labor Administration data

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