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JAPAN ADOPTS WORK-STYLE LABOR REFORMS

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29 Jan 2019

Measures aimed at modernizing Japan's labor law — including reducing excessive working hours and increasing flexibility — will be phased in from 1 Apr 2019, and provisions concerning differences in working conditions for regular and nonregular employees will be phased in from April 2020. The measures — a comprehensive [work-style reform package \(Japanese\)](#) amending eight labor laws — were enacted 6 Jul 2018.

Highlights of the law include the following:

- *Overtime hours.* Employees can't be required to perform overtime exceeding 100 hours in any one month, or 80 hours or more averaged over a reference period of two to six months, or 720 hours a year. The cap takes effect 1 Apr 2019 for larger employers, and 1 Apr 2020 for small and medium-sized companies. Criminal penalties will apply to employers who breach the rules. The prior law capped overtime at 45 hours a month or 360 hours a year, but labor-management agreements could exceed the maximum hours in extraordinary circumstances.
- *Extension of overtime premium rule to small and medium-sized employers.* From 1 Apr 2023, all employers will have to pay a 150% premium to employees whose overtime hours exceed 60 hours a month.
- *Working time.* Effective 1 Apr 2019, employers must record employees' working hours. A ministerial ordinance will set out further details.
- *Minimum daily rest period.* Effective 1 Apr 2019, employers are encouraged to set a minimum daily rest period.
- *Exemption from overtime.* From 1 Apr 2019, employers will be exempt from paying overtime premiums to certain specialists who work during their vacation or perform overtime or night work (defined as working between 10 pm and 5 am). A labor-management committee must agree on health-related measures for these employees — including rest periods, health checks, and holiday entitlement — and a ministerial ordinance will set out further details. Certain employees — including those in the finance sector and in research and development functions — will have to consent in writing to their exemption.
- *Monitoring of statutory paid time off.* From 1 Apr 2019, employers must monitor employees' uptake of paid annual leave and will have to designate five days of leave for employees with at least 10 days'

unused annual leave. A ministerial ordinance will set out more details, and employers could face penalties of up to JPY 300,000 for breaching the rule.

- *Increased authority for company physicians.* Effective 1 Apr 2019, company-appointed physicians will have more authority to manage employees' health.
- *Expanded flex-time procedures for calculating overtime.* From 1 Apr 2019, the reference period for calculating employees' aggregated working and overtime hours will increase to three months, up from one month, subject to certain criteria.
- *Alternative dispute resolution (ADR).* From 1 Apr 2020, fixed-term employees and dispatched workers at large companies will be able to use ADR to enforce equal treatment provisions — the measure extends to small and medium-sized companies from 1 Apr 2021.
- *Working conditions.* Changes that aim to reduce the differences in working conditions for regular and nonregular workers include the following:
 - Unreasonable differences in working conditions (including base salary, bonus payments and other allowances) for permanent regular employees, fixed-term and irregular employees will be prohibited.
 - Regular and irregular employees will be able to ask an employer to explain differences in their working conditions.
 - Dispatched (or temporary) workers will be able to ask an employer to explain how the terms and conditions of their work differ from those of employees doing comparable work.

The provisions take effect on 1 Apr 2020 for large companies and extend from 1 Apr 2021 to small and medium-sized firms capitalized up to JPY 300 million, or employing 300 or more regular workers.

RELATED RESOURCES

- [Information on work-style reform bill](#) (Japanese) (Japanese government)

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