



JAPAN

Japan Reforms Work Style Regulations

Japan is known for its pressurised work environment and unforgiving long work hours. According to a recent survey, nearly one quarter of Japanese companies require employees to work beyond 80 hours of overtime a month, which is often unpaid.

On 29 June 2018, Japan's government passed a package of work reform bills which aims to improve Japan's work styles with regulations limiting overtime and raising the income of non-regular workers in temporary or part-time jobs who may not have the job security of full-time permanent employees. These provisions will come into force between April 2019 and April 2021. The four pillars of the reform are as follows:

- Setting a legal cap on overtime work
- Promoting a work interval system
- Ensuring equal pay for equal work for regular and non-regular workers
- Exempting skilled professional workers with high wages from the regulations

Legal Cap on Overtime

Currently, an employer is allowed to extend the working hours of the employees or have employees work on rest days by executing a specific labour management agreement to permit overtime work, pursuant to Article 36 of the Labour Standards Act. Generally, overtime is capped at 45 hours per month and 360 hours a year. As an exception to this

restriction, an employer may have employees work in excess of this limit particularly during busy season (up to 6 months per year) by agreeing to a special clause in their Article 35 Agreement.

The new legislation now limits overtime work to:

- 720 hours per year;
- Less than 100 hours per month (including holiday work); and
- 80 hours per month, on average for a period of consecutive 2, 3, 4, 5 and 6 months.

This cap will come into force for most companies in April 2019, with smaller firms to comply following a year later. There are also 5-year moratoriums for certain businesses, including building and construction, car drivers and doctors. The new rule will carry legal penalties such as imprisonment up to six months or a fine of up to ¥300,000 for companies that violate the limits.

Promotion of a Work Interval System

To ensure employees get enough rest and strike a good work-life balance, the new legislation will amend the Act on Special Measures for Improvement of Working Hours Arrangements. A work interval system will be introduced from April 2019 to ensure enough time spans between two working days. Employees entitled to at least 10 days of paid annual leave will have to take at least five days' leave a year.

Equal Pay for Equal Work

The equal pay, equal work principle aims to promote wage equality and other work conditions between regular and part-time workers. The principle rules of equal pay for work of equal value include:

- The basic salary should be same between regular and non-regular workers if the length of their employment, capabilities and their outputs are of the same level.
- Transportation cost should be equally paid between them.
- For those who work late at night or on holiday, the overtime payment ratio should be the same.

Under the amended law, there should not be any irrational disparities in the working conditions of regular full-time employees and non-regular employees such as part-timers, contract workers and temporary dispatch staff, considering the respective job duties and positions of the respective employees, and any other circumstances surrounding the respective employees.

The changes will apply from 1 April 2020 onwards, with a partial one-year moratorium for smaller businesses.

Exempting Skilled Workers

The fourth pillar of the bill allows for the exemption of highly paid, white-collar workers from overtime allowance, holiday work and late-night work (work between 10.00pm to 5.00am) compensation requirements. Employees with annual

incomes of more than ¥10.75 million and are engaged in clearly defined work requiring specific skills such as financial dealers, market analysts and management consultants are subject to this exemption.

To ensure the health and well-being of the relevant employees, companies are obliged to take the following measures, in addition to providing at least four days off every four weeks and holidays of not less than 104 days in a year:

- Implementing a work interval system and limit late night overtime work;
- Limit the hours spent at work per month or per three months;
- Giving at least a holiday of two consecutive weeks per year; or
- Conducting health checks for those working in excess of certain working hours.

What Does All These Changes Mean for Your Business in Japan?

With these new legislative changes, the employment practices will be significantly affected. Businesses with non-regular workers may need to relook at the employment packages offered to their staff. With its expertise and experience in the Japan labour market, BIPO can help companies review and optimise their HR policies as well as employee benefits programs.

About BIPO



BIPO is a leading one-stop human resources provider in Asia Pacific, focused on providing organisations with innovative ways to manage complex end-to-end HR processes. Through our cloud and mobile-based Human Resources Management system as well as industry-leading solutions such as Payroll Outsourcing, Attendance Automation, Business Intelligence, HR Consulting, Recruitment & Business Process Outsourcing and Flexible Employee Management, we help companies transform their HR operations to and beyond their expectations, while achieving business goals related to cost and profitability.

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