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Japan's Labour Laws and Employment Regulations

Overview

Japan, the world's third largest economy, is an island nation surrounded by the sea, and about 75% of its land is mountainous. It has four distinct seasons, and beautiful nature can be enjoyed throughout the year. It is also known throughout the world for its technological advances and economic strength too.

Similar to other developed countries, the service sector in Japan is the largest contributor to its economy, characterised by many long-established businesses (called "Shinise"). Exports accounted for 18% of GDP in 2022.

The unemployment rate is relatively low at 2.4%, which also indicates a low rate of company-initiated dismissal in Japanese business organisations. Japan's labour workforce comprises 124.9 million people as of 2022.

Basic Country Facts



Capital
Tokyo



Population
124.9 million
MIC



Currency
Japan Yen (¥)



GDP per Capita
USD 33,911 (as of 2022)
IMF

Introduction to Japan

Business Culture in Japan

Japan is a country that attaches great importance to observing the rules, cooperation/sympathy, and trust/credibility. In business, we also place greater importance on compliance and integrity, quality/service accuracy, and above. In addition, Japan is a country of high-context communication, so cooperation/synchronisation is essential within the organisation and in human relationships.

However, in recent years, there have been occasions where direct communication is required due to the shift of generations, globalisation of business, the Internet, and diversity.

Furthermore, a post-retirement continuous employment system is currently adopted in all companies. As the senior population grows, the retirement age also rises. In 2025, the retirement age will be legislated to 65 years old.

Business Culture Difference Eastern and Western Countries

Type	Features	Countries
High context culture (Culture with low language dependence and mutual understanding)	Work: Focus on teamwork and relationships. Communication: Prefer not direct expressions. Responding to change: Respecting tradition, small changes (focusing on the past)	Mainly Japan and Asian countries
Low context culture (Culture that is highly language-dependent and requires explanation)	Work: Task-oriented, achieving individual goals. Communication: Many direct expressions. Responding to change: Major changes (focusing on the present and future)	Mainly Western countries

How to Establish New Legal Entity in Japan

If establishing a company through self-procedures is challenging, it is advisable to seek assistance from qualified specialists for each step.

Furthermore, to open a corporate bank account for a newly formed company, it is mandatory for the registered representative director to have a residence address registered in Japan. As of March 2019, there has been a change in banking regulations, prohibiting overseas resident representative directors from opening a corporate bank account in Japan.

	Preparations	Contents	Submission	Agency
1	Preparation for new legal entity	Company name, Business purpose, Head office location, Capital, etc.	Advance preparation	
2	Create articles of incorporation and be certified	Created the articles of incorporation with the contents decided in 1 and receive certification	Notary public office	Lawyer/Qualified administrative scrivener

	Preparations	Contents	Submission	Agency
3	Company establishment registration	Articles of incorporation and other documents prepared in 2	Legal Affairs Bureau (registration)	Lawyer/Qualified administrative scrivener
4	Tax related procedures	Notification of company establishment related documents, and first tax return document	Tax office (local tax, corporate tax, income tax)	Tax consultant
5	Labour insurance/Social security insurance	Procedures after hiring one employee	Labour Standards Inspection office, Pension office, Health Insurance office	Qualified social insurance labour consultant

Labour Law & Employment Regulations

What is Labour Standard Law in Japan

The Labour Standards Law is a Japanese law that sets the minimum standards for working conditions and was enacted in 1947 based on Article 27, Paragraph 2 of the Japanese Constitution. This law is a unified worker protection law.

Therefore, even if there is an agreement between the employer and the worker, working conditions below the contents of the Labour Standards Law will be invalid. In addition, the following major laws must be stipulated in the company's work regulations.

Major Labour Laws	Specifications
Labour Standards Act	It was enacted in 1947 based on the Constitution of Japan and has been revised many times. To protect the rights of employees, it is a law that sets the minimum standards for working conditions of employees such as labour contracts, wages, working hours, holidays and annual paid leave, accident compensation, and work regulations.
Labour Contract Act	This law is relatively new and was passed in 2007. In this, basic rules are stipulated regarding the labour contract concluded between the company and the employee when the company hires the employee.
Industrial Safety and Health Act	It is a law concerning employee's safety and hygiene that ensures the well-being and health of employees, to promote a comfortable working environment. Furthermore, health examinations for employees are legally stipulated, and companies are required to conduct annual health examinations for employees.
Equal Employment Act	It is a law concerning ensuring equal opportunities and treatment for men and women in the field of employment. It is stipulated that you must not be treated unfavourably in the place of employment depending on your gender.
Part-time Labour Act	This is a law concerning the improvement of employment management for part-time workers. Appropriate working conditions and conversion to full-time workers are stipulated even for part-time workers.

Major Labour Laws	Specifications
Childcare/Nursing Care Leave Act	It is a law to promote the welfare of employees to balance childcare/nursing care with work. Restrictions on overtime work, implementation of short working hours, and disadvantageous treatment of employees such as dismissal and demotion are prohibited. In October 2022, a major revision was made, creating the “Postpartum Papa Leave” and making it possible to take childcare leave in instalments. Both of these changes, will encourage men to take childcare leave, and companies must strive to create an environment that makes it easier for both parents to take childcare leave.
Minimum Wage Act	The minimum wage that businesses pay to employees is set by region. There are penalties for salaries below the minimum wage (fine of 500,000 yen or less). The law aims to stabilise workers’ livelihoods and improve the labour force.
About Fines for Penalties	Penalties are stipulated in each article, but the heaviest punishment is “imprisonment of 1 to 10 years, or a fine of 200,000 to 3,000,000 yen”.

Dispatch Law for EOR in Japan

Japan’s EOR (Employer of Record) is governed by the Temporary Staffing Labour Law, which regulates the dispatch of temporary workers to companies. This law applies to staffing agencies that temporarily provide temporary workers to other companies. Temporary staffing agencies must obtain a license from the Ministry of Health, Labour and Welfare to legally dispatch workers.

Dispatch Law Attention Notes	
Daily dispatch	Contract period should be at least 31 days is required.
Dual dispatch	Dispatching dispatched staff to another company is not allowed by law.
Limitations on the duration of dispatch contracts	Up to 3 years, over 3 years requires switching to direct employment.
Prohibition of identifying dispatched workers at the time of acceptance of dispatch	Basically, the company accepting the dispatched worker cannot choose the dispatched worker. However, it is possible with Temp-to-Perm (converted to permanent employment), but only for a period of six months.
Prohibition on accepting dispatched workers within one year of leaving employment	Employees who left the company within a year cannot be accepted as temporary employees and must be hired directly by a PT or other company.

Prohibited Dispatching Work	
Construction work related/ forestry work related	Construction, Civil engineering work, or dangerous work.
Port transport work	Regular dispatching is prohibited because there is a dedicated system for only port transport work by port transport association.
Security work	Security-related work is regulated by the Security Law, so normal dispatching is prohibited.
Hospital and medical-related work	Regular dispatching is prohibited for doctors, nurses, and other full-time medical services.
Professional services (National certified)	Dispatching lawyers, Certified tax accountants, Certified labour and social security attorneys, Certified administrative scriveners, and other professional national certified services is prohibited.

Company Regulations – Working Hours

The Labour Standards Law stipulates rules such as regular work, breaks, and holidays (legal holidays), and even if overtime pay is paid, it is necessary to conclude a labour-management agreement (36 agreements) in advance. If you do not have 36 agreements, you are prohibited from working more than the legal working hours or working on holidays.

Type	Definition
Working Hours	An employer shall not have a worker work more than 8 hours per day and 40 hours per week. Excluding rest periods.
Break	An employer shall provide workers with at least 45 minutes of rest periods during working hours exceed 6 hours, and at least 1 hours during working hours exceed 8 hours.
Days Off	A day off means a day that includes no working duty, as stipulated in the working contract. An employer shall provide workers with at least one day off per week or 4 days off in 4 weeks.

Company Regulations – Flex Time & WFH

Flex time, also known as flexible working hours, is becoming increasingly popular in Japan. Flex time allows employees to adjust their work schedules to better fit their personal needs while still meeting their job responsibilities.

Working from home in Japan has become increasingly common, especially since the COVID-19 pandemic. But even when working from home, it's important to follow company regulations. This includes being punctual, communicating clearly, and maintaining a professional attitude.

Type	Definition
Flex Time	Company need to specify the Flex Time working rule in the company regulations. For example: Working hour from 9am to 6pm, 1 hr break, total 8 hrs per day (160 hrs per month) Flex time rule - Core time 11am to 3pm *Employees must be working during this time. Employees must adjust their own work hours so that the actual number of hours worked per month is 160 hours.
WFH (Working from Home)	Company need to specify the WFH working rule in the company regulations. For example, have them apply in advance through an attendance management system. Also, the rules for commuting and transportation expenses should be clarified.

Company Regulations – Over Time

Should the company require the employee to work overtime or work on a holiday, the company must submit the 36 agreement to the relevant Labour Standards Inspection Office prior in advance. The 36 Agreement, which stipulates overtime hours and working on holidays, must be concluded between the company and the employee, regardless of the number of employees, and all companies must be submitted to the Labour Standards Inspection Office.

Without a 36 Agreement, companies cannot require employees to work overtime or on holidays.

*36 Agreement is a law concerning “overtime and holiday work” stipulated in Article 36 of the Labour Standards Law, and the labour-management agreement regarding overtime is called 36 agreement.

Types of Overtime Payment Rates

	Overtime Type	Overtime Definition	Increase Rate
1	Overtime work	8 hours or more per day or 40 hours or more per week	25%
2	Legal holiday work	Legal holidays set by the company (e.g. Sunday)	35%
3	Midnight work	Between 10pm and 5am and the next morning	25%
4	Overtime work + Midnight work	① + ③	25% + 25% = 50%
5	Legal holiday work + Midnight work	② + ③	35% + 25% = 60%
6	Non-legal holiday work	Non-legal holiday work (e.g. Saturday)	0%
7	Non-legal holiday work + Overtime work	⑥ + ①	0% + 25% = 25%
8	Overtime more than 60 hours per month	Hours more than 60 hours	50%

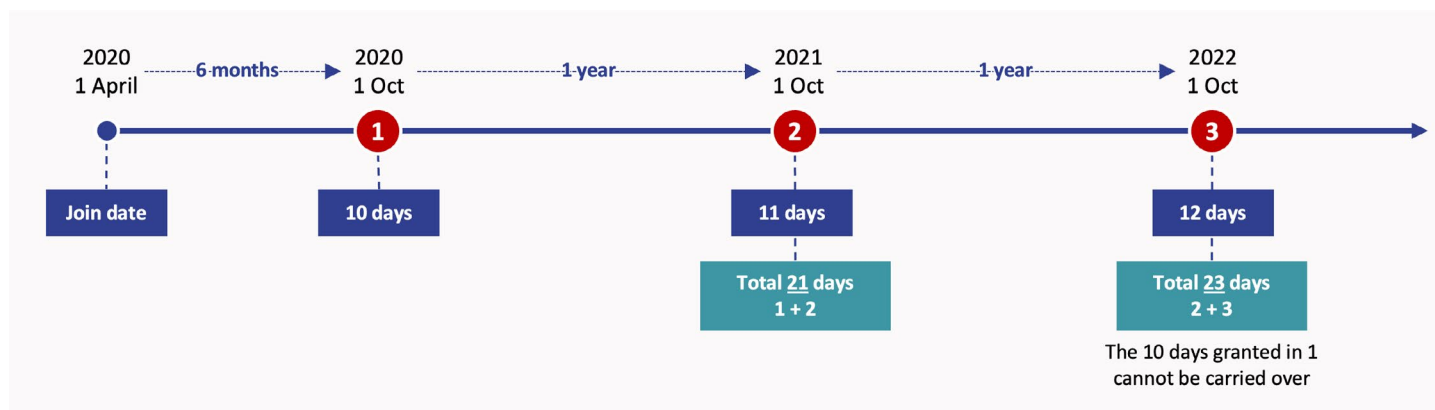
- If there are two days off a week (Saturdays and Sundays), one will be a legal holiday and one will be a non-legal holiday.
- Not eligible for overtime:
 1. All persons registers in the company's registered copy, such as the president and officers.
 2. Positions of manager/supervisor (in a position of Management or higher, role and responsibility that exceeds regulations such as working hours, breaks, holidays, etc). However, midnight work allowance is applicable.

Company Regulations – Leave Types 1

The legally required annual paid leave must be granted to all full-time workers who have been employed for 6 months after hiring + 80% or more attendance. In addition, the Labour Standards Law was amended in April 2019, and employers are obliged to take paid leave for 5 days a year for workers who are granted 10 days or more of paid leave a year. The following are the minimum legal requirements. There is no problem in granting more days than the following.

Service Years	Granted
6 months	10 days
1 year 6 months	11 days
2 years 6 months	12 days
3 years 6 months	14 days
4 years 6 months	16 days
5 years 6 months	18 days
6 years 6 months	20 days

The annual paid statute of limitations is set at 2 years, and annual paid leave that was not taken in the previous year can be carried over to the next year. The 10 days granted on October 1, 2020, will expire as of October 1, 2022, assuming no paid holidays were used. In addition, the maximum number of days that can be carried over is legally set at 20 days, so the maximum number of days that can be held on paid leave is 40 days. However, it is also possible to switch the extinguished paid leave to “special leave” as a company rule.



*Part-time workers who work less than 4 days a week and have less than 30 hours of regular work per week, another rule for granting paid leave is stipulated.

Company Regulations – Leave Types 2

Legally, the following leave types must be granted upon request from the employee. Additionally, staff dismissal, reduction of salary, and demotion due to taking the following leave are prohibited. However, each applicable employee is subjected to conditions such as 6 months or more of joining the company (or 1 year or more covered by social insurance) before being entitled to the following leave.

*As for maternity leave, it is prohibited by law for an employee to work less than 8 weeks after giving birth. (Employees may work for more than 6 weeks after giving birth only with a doctor’s permission.)

Type of Leave	Definition	Note
Childbirth Leave	6 weeks before childbirth (14 weeks for twins), 8 weeks after childbirth	Unpaid leave/Benefits are paid by social insurance
Childcare Leave	Until the child is 1 year old (up to 2 years old depending on the conditions)	Unpaid leave/Benefits are paid by social insurance
Nursing Care Leave	Up to 93 days	Unpaid leave/Benefits are paid by social insurance
Injury and Illness Leave	Up to 1 year and 6 months when taking a leave of absence due to illness or injury due to reasons other than work	Unpaid leave/Benefits are paid by social insurance
Menstrual Leave	Female only	Paid leave or unpaid leave by company rule
Saiban-in Leave (Court Leave)	If you are selected as a lay judge	Paid leave or unpaid leave by company rule

Additionally, it is common for companies to set policies for special paid holidays such as “Sick Leave,” “Weddings and Funerals Leave,” “Summer Leave,” “Volunteer Leave”, and “Refresh Leave” as part of the welfare programme for employees. (Special leave may be determined at the company’s discretion.)

Company Regulations – Termination

The Labour Standards Law of Japan is very strict against dismissal as it can be deemed to be an abuse of rights. If the dismissal does not meet the requirements of “objectively reasonable grounds” and “reasonable under socially accepted conventions,” it will be invalid, i.e., the dismissal will not be legally recognised.

The Labour Standards Law and the Labour Contract Law are designed to protect employees from unfair treatment. Therefore, the rules regarding dismissal are also designed to protect the employee. If the company have established the regulations (the company rule, Handbook, terms and conditions, etc), it is necessary to state in advance in it the cases in which ordinary dismissal is to be carried out.

Type	Definition	Note
Ordinary dismissal	Based on the Labour Standards Law and the Labour Contract Law. Reasons for dismissal require objective rationality and reasonable in social terms.	A notice of dismissal 30 days or more in advance is required (or 30 days’ salary payment). However, the reason for dismissal may be invalid unless it is a “reasonable reason for dismissal by anyone”.
Disciplinary dismissal	When the order in the company is significantly disturbed.	A notice of dismissal 30 days or more in advance is required (or salary payment for 30 days). However, it is necessary to specify the reason for disciplinary dismissal in the company regulations.
Restructuring	Dismissal for the purpose of the business continuity of the company. 1. Necessity of personnel reduction 2. Efforts to avoid dismissal 3. Rationality of selection 4. Discussion between labour and management	In the case of a worker’s “Restructuring” due to business continuity of the company, in principle, it is necessary to meet the four conditions and notify the Labour Standards Inspection Office in advance.

If it becomes necessary to dismiss an employee, only the employee (e.g. HR) belonging to the company or a lawyer as a third party can be present at the discussion. Others are not legally permitted.

*If the probationary period is less than 14 days, neither notice nor termination allowance is required under Article 21 of the Labour Standards Law. (However, reasonable and socially acceptable reasons are required for dismissal.)

Company Regulations – Severance/Retirement Allowance

Severance/Retirement pay is not legally required, so it is not necessary for the company to have it as a system. Therefore, when introducing it, it can be introduced as a company-specific system. Many companies have also introduced it as part of their benefits.

In addition, when introducing a Severance/Retirement allowance system, it is necessary to create a Severance/Retirement allowance provision in the work regulations. The following is an example of a retirement allowance system.

Type	Definition
Normal Retirement Allowance Plan *Internally in company	Set by service years. Example: For employees who have worked for 3 years or more, multiply the length of service by the monthly salary (3 years × 300,000 yen = 900,000 yen), etc. Calculation methods vary from company to company.
Defined Contribution Plan (DC) *Financial industry	The company decides the amount of the premium that will be the source of retirement allowance in advance and contributes it to employees every month. Employees select their own products from the financial products lined up in DC and manage their premiums. Companies contribute a fixed amount of premium each month, but retirement allowances vary depending on the management of individual employees.
Defined Benefit Plan (DB) *Financial industry	This is a corporate pension system in which the “benefit amount” received by employees is promised in advance. If the company is responsible for the operation and the operation result is bad, the company will make up for the shortfall.
Cash Balance Plan (CB) *Financial industry	The “cash balance plan” means that the company contributes the premium and the company is responsible. This benefit is classified as a defined benefit type, which has the characteristics of both “defined benefit type (DB)” and “defined contribution type (CB)”.

Minimum Wage

The minimum wage in Japan varies from region to region. It is revised every October. Please refer below (Ministry of Health, Labour and Welfare):

Kanto Region	Hourly (yen)	Kansai Region	Hourly (yen)
Tokyo	1072	Osaka	1023
Kanagawa	1071	Hyogo	960
Saitama	987	Kyoto	968
Chiba	984	Nara	896
Gunma	895	Shiga	927
Tochigi	913	Wakayama	889

Source: [Kanto & Kansai region \(as of Oct 2022\)](#)

Statutory Contribution

Social insurance security in Japan is a system that provides protection for employees and their families against risks such as illness, injury, disability, and old age by law. The social insurance system in Japan is made up of four main programs as below.

Employers and employees contribute to these programs through payroll deductions. The amount of the contribution depends on the employee's salary and the specific program.

Type	Definition
Health insurance	All employees in Japan are required to enroll in a health insurance program. This provides coverage for medical expenses, such as doctor visits, hospital stays, and prescription drugs.
Pension insurance	Employees in Japan are also required to enroll in a pension insurance program. This provides retirement benefits, disability benefits, and survivor benefits.
Unemployment insurance	Employees who lose their jobs due to no fault of their own are eligible for unemployment benefits through the unemployment insurance program.
Workers' Compensation insurance	This provides benefits for employees who are injured or become ill as a result of their work.

Note:

We have two kind of Health Insurance Association available in Japan which is Kyokai Kenpo (協会けんぽ) and Kenko Hoken Kumiai (健康保険組合)

- Kyokai Kenpo(協会けんぽ) is a national health insurance program that companies of all sizes, regardless of industry, are eligible to join. In addition, premium rates vary by region.
- Kenko Hoken Kumiai (健康保険組合) enrolment conditions vary depending on the industry and the size of the company. The difference from the Kyokai Kenpo is the difference in premiums and the availability of benefits unique to the Kenko Hoken Kumiai (e.g. more subsidies for health checkups, free flu vaccines, etc.). Since there are various conditions and examinations to join, it is not always possible to join, and it takes about six months or more for the examination to be completed.

* Start-ups and less than 20 employees companies can only enrol in the "Kyokai Kenpo"

Public Holidays

There are 16 national holidays in Japan each year. National holidays are defined by the Law Concerning National Holidays. If a national holiday falls on a Sunday, the holiday will be observed on the nearest weekday after the holiday. This is a so-called "substitute holiday".

Date	祝日名	English
1 Jan	元旦	New Year's Day
Jan, second Monday of the month	成人の日	Coming of age Day
11 Feb	建国記念日	National Foundation Day
23 Feb	天皇誕生日	Emperor's Birthday

Date	祝日名	English
20 or 21 Mar	春分の日	Vernal Equinox Day
29 Apr	昭和の日	Showa Day
3 May	憲法記念日	Constitution Memorial Day
4 May	みどりの日	Greenery Day
5 May	こどもの日	Children's Day
Jul, third Monday of the month	海の日	Marine Day
11 Aug	山の日	Mountain Day
Sep, third Monday of the month	敬老の日	Respect for the Aged Day
22 or 23 Sep	秋分の日	Autumnal Equinox Day
Oct, second Monday of the month	スポーツの日	Sports Day
3 Nov	文化の日	Culture Day
23 Nov	勤労感謝の日	Labour Thanksgiving Day

Visa for Expat

Work Permit

There are several different visa categories in Japan, each with its own set of requirements and qualifications. Here are some of the most common visa categories.

The specific requirements for each visa category may vary depending on the individual's circumstances and qualifications, also for work visa is also depending on sponsor company size. The duration of the examination depends on the Immigration Bureau and is not clearly defined (usually 2-3 months). It's important to carefully review the requirements for each visa category before applying to ensure that you meet the necessary criteria.

Visa Type	Definition
Work visa	This is the most common type of visa for foreign nationals who plan to work in Japan. There are several subcategories of work visas, including specialist in humanities/ international services, engineer, researcher, instructor, and more.
Student visa	This type of visa is for foreign nationals who plan to study at a Japanese university or language school. *If students want to part time, must apply separately for "specified activity" status to qualify for part-time job. International students are limited to 28 hours/week.
Dependent visa	This visa is for the spouse or child of a Japanese national or permanent resident in Japan. *No limited to work in Japan.

Visa Type	Definition
Family visa	This visa is for the spouse or child of a person who holds a work visa or a student visa. *If want to part-time, must apply separately for “specified activity” status to qualify for part-time job. International students are limited to 28 hours/week.
Permanent Resident visa	This visa allows foreign nationals to live and work in Japan on a permanent basis.
Investor/Business Manager visa	This visa is for foreign nationals who plan to start a business in Japan or invest in an existing business.
Cultural Activities visa	This visa is for foreign nationals who plan to engage in cultural activities in Japan, such as traditional arts, music, or dance.

Useful Information

Useful Information	Website
About Japan - MOFA	https://www.mofa.go.jp/j_info/japan/general/index.html
Legal Affairs Bureau - Business Registration	https://houmukyoku.moj.go.jp/homu/touki2.html
Ministry of Foreign Affairs of Japan - MOFA	https://www.mofa.go.jp/index.html
Investing in Japan - JETRO	https://www.jetro.go.jp/en/invest/
Japanese Law Translation - MOJ	https://www.japaneselawtranslation.go.jp/ja/laws/view/3567
Japan Tourism	https://www.japan.travel/en/
Visa Application (MOFA)	https://www.mofa.go.jp/j_info/visit/visa/index.html

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Sources

1. [Ministry of Internal Affairs and Communication \(MIC\)](#)
2. [International Monetary Fund \(IMF\)](#)
3. [Ministry of Health, Labour and Welfare](#)

Around the World with BIPO

Africa

5-6 June
Africa CEO Forum 2023



Thailand

15-16 June
Thailand HR Tech 2023



Malaysia

8 June
Malaysia HR Forum
Conference & Exhibition 2023



Indonesia

19-20 June
Indonesia HR Summit 2023



Singapore

14 June
French Chamber of Commerce
The Future of Work: Leveraging AI & People
Analytics to Drive Business Growth



About BIPO

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