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Updates on Japan's Labour Law and Employment Regulations

Overview

Japan is an island nation with four distinct seasons, surrounded by the sea and about 75% of its land is mountainous. Famed for Mount Fuji, cherry blossoms, and hot springs, Japan's beautiful nature can be enjoyed throughout the year. It is also known worldwide for its technological advances and economic strength.

With a strong workforce comprising of 124 million people as of 2024, Japan's unemployment rate is kept at 2.5%, indicating a low rate of company-initiated dismissal in Japanese business organisations.

As the economy continues to recover from the COVID-19 pandemic, we address the changes to Japan's labour laws in this issue such as My Number Card, and eligibility to Social Insurance.

Basic Country Facts



Capital
Tokyo



Population
124 million
IMF



Currency
Japanese Yen (JPY, ¥)



GDP per Capita
USD 33,138 (as of 2024)
IMF

Labour Law & Employment Regulations

Labour 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 work regulations of the company.

Major Labour Laws	Specifications
Labour Standards Act	<p>It was enacted in 1947 based on the Constitution of Japan and has been revised many times.</p> <p>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.</p>
Labour Contract Act	<p>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.</p>
Industrial Safety and Health Act	<p>It is a law concerning employee 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.</p>
Equal Employment Act	<p>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.</p>
Part-time Labour Act	<p>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.</p>
Childcare / Nursing Care Leave Act	<p>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.</p> <p>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.</p>
Minimum Wage Act	<p>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.</p>
About Fines for Penalties	<p>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”.</p>

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 Agreement) in advance. If you do not have 36 Agreement, 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 exceeding 6 hours and at least 1 hour during working hours exceeding 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.

Working Hours – Overtime

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. 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.

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.*

	Overtime Type	Over Time 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 10 pm and 5 am 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 (eg: Saturday)	0%
7	Non-legal holiday work + Overtime work	⑥ + ①	0% + 25% = 25%
8	Overtime in excess of 60 hours per month	Hours in excess of 60 hours	50%

Working Hours – 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	<p>When a company adopts a flextime system, it must clearly state this in its employment regulations and have the employees sign a labour-management agreement.</p> <ul style="list-style-type: none">• Flex time allows employees to choose their start and finish times.• Any hours worked beyond the designated working hours during the settlement period (usually one month) are paid as overtime. <p>Flex time rule: Core time — the period during the day when all employees are required to work. (It is optional to set core time)</p>
WFH (Working from Home)	<p>Company needs 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.</p>

Leave Type 1 – Annual Leave

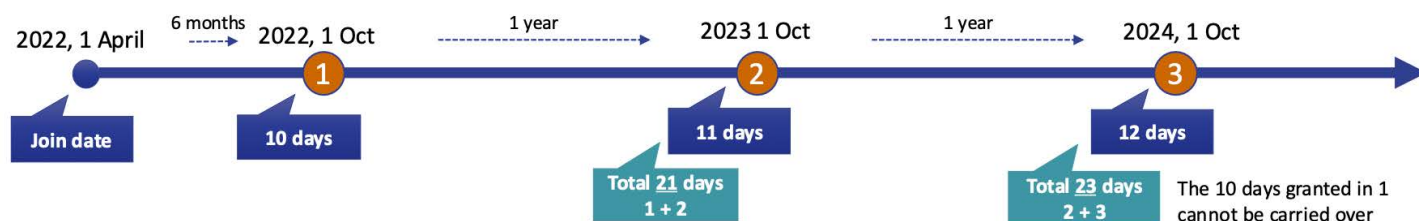
The legally required annual paid leave must be granted to all full-time workers who have been employed for 6 months after hiring + 80% or more attendance. In addition, the amendment to the Labour Standards Law in April 2019 states that employers must ensure employees who are granted paid annual leave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

Service Years	Leave Days 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 or more	20 days

Leave Type 1 – Annual Leave (continued)

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, 2022 will expire as of October 1, 2024, assuming no paid holidays were used.

In addition, the maximum number of days that can be carried over is legally set at 20, so the maximum number of days that can be held on paid leave is 40. 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.*

Leave Type 2 – Others

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 required by law for an employee to take 8 weeks of rest after giving birth. (Employees may work after 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.

Employment Contract

In Japan, an employment contract is generally called a “Notice of Working Conditions.” This “Notice of Working Conditions” must clearly state the necessary conditions for joining the company.

From April 2024, the rules on what must be included in an employment contract have been further clarified and tightened. These are called “items that must be included.” Employers must provide employees with a “Notice of Working Conditions” that lists these must-include items. For employees with fixed-term contracts, it must state whether the contract is likely to be renewed or not.

**However, if the company’s work rules cover the above content, it may be possible to simplify it.*

	Items that must be stated	Note
1	Labour contract period	Is it permanent employment? Is it fixed-term employment? If it is fixed-term employment, clearly indicate the period (also indicate if there is a possibility of contract renewal).
2	Work place/Office address	Company office address, and other office addresses if there is a possibility of relocation.
3	Job description/title (whether he/she is a supervisor or not)	Clearly state the roles and responsibilities, and if there is a supervisor.
4	Clock in/out time	Enter the scheduled working hours per day, if there is flex time, etc.
5	Wages (Overtime pay rate)	Base salary, other allowances and Overtime Pay. If the base includes 30-OT, clearly indicate the breakdown of the base and 30-OT.
6	Leave (Holidays/Vacation)	Specify company holidays (Saturdays, Sundays, holidays, New Year’s holidays, etc) and the company’s vacation system (paid, unpaid, special paid vacation, etc).
7	Rules for shift work	If there are shifts, please specify it.
8	Matters related to retirement, resignation, dismissal	The retirement age and the conditions for possibility of contract renewal must be clearly stated.
9	Others	If the company has any unique benefits, such as a retirement pension system or bonus system, this should be clearly stated.

Minimum Wage

The minimum wage in Japan varies from region to region. It is revised every October.

This was announced by the Ministry of Health, Labour and Welfare in October 2023. The following is only a partial list, so if you would like to check each region in Japan, visit [Ministry of Health, Labour and Welfare](#).

Kanto Region	Hourly (yen)	Kansai Region	Hourly (yen)
Tokyo	1113	Osaka	1064
Kanagawa	1112	Hyogo	1001
Saitama	1028	Kyoto	1008
Chiba	1026	Nara	936
Gunma	935	Shiga	967
Tochigi	954	Wakayama	929

Change of Labour Law (2022 – 2024)

Tips of Statutory Contribution in Japan

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.

**Individual can only join social insurance if they “belong to a company.” Self-employed individuals cannot join and must apply for “National Health and National Pension” at the local municipality where they live.*

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:
There are two kinds 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 companies with less than 20 employees can only enrol in the “Kyokai Kenpo”.*

Expansion of Social Insurance Coverage

Changes from October 2024

Until now, only companies with 101 or more employees were eligible, but from October 2024, this will be expanded to companies with 51 or more employees.

The scope of social insurance coverage will be expanded to part-time, short-term and temporary employees according to their working hours and income, and employees who meet the following conditions will be required to enroll in social insurance.

**All of the following conditions must be met.*

Subject to social insurance coverage of part-timer, etc.	Note
The weekly scheduled working hours are 20 hours or more	Basically, the hours are determined based on the “Notice of Working Conditions.” However, if the actual working hours exceed 20 hours per week for more than two months, the person is considered eligible to join.
The monthly wage is 88,000 yen or more	
The employment is scheduled to last more than two months	Those who are expected to renew their contract for two months or more are also eligible to join.
Not a student (not a daytime student)	Night school students (those who do not attend school during the day) can work full-time during the day, so they are eligible to join.




**Companies that are eligible to join but do not, are subject to penalties of up to six months in prison or a fine of up to 500,000 yen.*

My Number Card & Health Insurance Card

From October 2024, the issuance of “health insurance cards” will be discontinued and will be replaced by “My Number card”.

“My Number” will be automatically issued to everyone living in Japan, including foreigners, by each city, ward, town, or village. Individuals must request the issuance of their card from their city, ward, town, or village.

**As this is a personal ID card, the individual person must apply for it themselves. Therefore, they cannot request the issuance of their card from their company’s HR department or vendor.*

Type	Definition	Reference/Remark
My Number Card	<p>The My Number Card is a photo ID card that was introduced in Japan in 2016. In recent years, it has been linked to various Japanese systems.</p> <ul style="list-style-type: none">This My Number card can be used as a health insurance card. It can also be used to issue some official documents.The “My Number” card, which replaces the health insurance card, is issued to all registered residents of Japan (including foreigners), and individuals must apply for the card at the municipality where they reside.	<p>Please obtain a “My Number Card” from your local municipality.</p> <div></div>
Health Insurance Card	<p>“Health insurance card” issued by “health insurance”.</p> <ul style="list-style-type: none">Used when going to the hospital, the patient is responsible for 30% of the hospital fees.From October 2024, the issuance of health insurance cards from “health insurance” will be discontinued as they will be integrated with the My Number Card.	<p>No longer available from October 2024.</p> <div></div>

Continued Employment until the Age of 65

What will change in the Act on Stabilisation of Employment of Older Persons from April 2025?

The Act on Stabilisation of Employment of Older Persons provides for a transitional measure to gradually raise the applicable age for the continued employment system. This continued employment system was permitted to run from April 1, 2013 to March 31, 2025, with the establishment of criteria through labour-management agreements to gradually limit the scope of those eligible for the system.

This transitional measure will end at the end of March 2025. From April 2025, a system of continued employment until age 65 will be mandatory, and all employees who wish to continue working beyond the retirement age will need to be employed until age 65.

Although, please note that this system does not require the extension of the retirement age to age 65. It is sufficient to introduce either “raising the retirement age to age 65,” “abolishing the retirement age system,” or “introducing a system of continued employment until age 65 (re-employment system/work extension system),” so if a system of continued employment until age 65 is established, there is no need to raise the retirement age to age 65.

However, you need to be careful here. If you continue to be employed as a “fixed-term contract employee” from the age of 60 to 65, the “indefinite contract conversion rule” applies. However, if you are re-employed after retirement, you can avoid the “indefinite contract conversion rule” by submitting a “special application.”

Source: [Ministry of Health, Labour and Welfare](#)

Flat-rate Tax Reduction

One-time Fixed Amount Tax Reduction/Special Tax rule only for Jun-Dec 2024

Tax breaks for 2024 only have been in place since June.

The tax reduction is calculated based on last year's information, but employees have until June 1 to notify the company of any changes in their dependents. Payroll officer in the company should pay special attention to the amount of the employee's tax reduction. **This is because If he/she don't correctly account for the tax abatement, he/she could be penalised.**

BIPO Japan will promptly respond to sudden rule changes and strive to systematise them.

Notes

Each employee will receive a reduction of 30,000 yen in income tax and 10,000 yen in resident tax in 2024. This is a tax reduction measure for monthly income tax until this year.

Not only the employee himself/herself, but also dependent children and relatives (sharing the same livelihood) with an annual income of 1.03 million yen or less are eligible for the tax reduction.

Those with an annual income of over 20 million yen were not eligible. The tax will be reduced initially, but will be adjusted at the end of the year.

Any amount not deducted through the fixed amount tax reduction **will** be paid as an adjustment.

Source: [National Tax Agency](#)

Useful Information

Type	Definition
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/

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Around the World with BIPO

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Singapore

9 Aug
Singapore 59th
National Day Parade



16 Aug
Singapore-China
Business Forum 2024



Brunei

20 - 21 Aug
INITIATE Human Capital
Summit



Malaysia

22 Aug
Workday Elevate Malaysia



Taiwan

15 Aug
Workday Elevate Taipei



Brazil

27 - 29 Aug
CONARH 2024



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