

JAPAN'S SWEEPING NEW FREELANCE ACT: WHAT EMPLOYERS SHOULD KNOW + YOUR 6-STEP ACTION PLAN

Insights
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The first-ever law protecting freelancers and independent contractors in Japan came into effect on November 1, requiring businesses that do work in the country to review their workplace practices and adjust as necessary. The Freelance Act subjects companies that engage freelancers to certain obligations, aiming at optimizing business transactions involving freelancers and improving their work environment. It applies to any company or business that assigns work to an individual or to an entity with no employees or officers other than a legal representative (freelancer). Here's what you need to know about this new Act and what you can do to be compliant.

Main Requirements

The new Freelance Act introduces a number of requirements to companies that engage freelancers in Japan. Below are the seven most important ones:

- 1. Written contracts:** Companies have to provide freelancers with written electronic or paper contracts encompassing the terms of the business transaction. These contracts must contain, among other information, a description of the freelancer's work, completion date, amount to be paid, payment method, and payment date.
- 2. Recruitment:** Companies that engage freelancers are required to disclose accurate and up-to-date recruitment information. Providing fake or misleading information is prohibited.

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3. **Payment term:** Companies are required to pay the freelancers within 60 days from the completion of the work.
4. **Freelancers who work for one or more months:** If a company engages a freelancer for one or more months, it cannot, without a reason attributable to the freelancer, reduce the agreed compensation, request a redo of the work, refuse, or return the final work. Companies also cannot unjustifiably set a compensation level that is substantially lower than the average compensation paid for similar work, coerce the freelancer to purchase or use specific goods or services without a valid reason, and demand that the freelancer provide economic gain in detriment of the freelancer's own interests.
5. **Freelancers who work for six or more months:** If a company engages a freelancer for six or more months, upon request by the freelancer, it must make accommodations for matters such as pregnancy, childbirth, nursing, and childcare, allowing the freelancer to balance these circumstances with the work. In addition, a termination or non-renewal notice of 30 days must be given by the company when ending the engagement. Exception is given to situations where there is a natural disaster or other compelling reason that requires an immediate notice.
6. **Anti-harassment:** Companies are required to put in place measures to prevent harassment against the freelancer (including sexual harassment).
7. **No adverse treatment:** Freelancers that report violations of the Act cannot be subject to adverse treatment.

Risks of Non-Compliance

Breach to the Freelance Act results in administrative warnings from the government, as well as recommendation for remedial measures. In case of recurrence or failure to remediate, the breaching company has to pay a fine of up to ¥ 500,000 (approximately USD 3,300). There can also be reputational damages as Japan authorities may disclose the names of the breaching companies.

What Should You Do?

In view of these new rules, companies that engage freelancers in Japan should review and revise their existing policies and practices towards freelancers. To stay compliant, you should consider taking these six steps:

1. **Conduct an internal analysis of the existing engagements with freelancers** to assess whether there are written contracts or not.
2. **If there are written contracts, revise them** to ensure that they comply with the requirements of the Freelance Act.
3. **If there are no contracts, put them in place** in accordance with the Freelance Act.
4. **Special attention must be given to engagements longer than one and six months**, as special obligations apply.
5. **Review recruitment practices** to ensure that information is accurate and up to date.
6. **Review anti-harassment practices** to ensure that they cover freelancers and that they are in accordance with the Freelance Act.

Our [International Practice Group](#) can help your business navigate these changes.

Conclusion

We will continue to monitor developments related to employment law changes in Japan and, specifically, the application of this new Freelance Act. Make sure you are subscribed to [Fisher Phillips' Insight System](#) to get the most up-to-date information. If you have questions, contact your Fisher Phillips attorney, the authors of this Insight, or any attorney in our [International Practice Group](#).