



Japan Enacts New Overtime Rules To Prevent Death From Overwork

Insights

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In response to increasing media reports of “karoshi” (employee death due to overwork), Japan has made some major changes to its Labor Standards Act of 1947. Under a recent amendment to the Act, which goes into effect for large employers in April 2019 and a year later for small- and medium-sized companies, overtime for most employees will be capped at less than 100 hours per month, and less than a total of 720 hours per year.

A controversial exemption to this cap applies to “specialist” (white-collar) workers who make more than \$10.75 million yen (approximately \$100,000 U.S. dollars) per year. Critics say that by exempting white-collar workers from the cap, the social pressure on lower-level employees to continue to work long hours—and potentially to work in excess of the new statutory caps—is likely to persist. Proponents say that the white-collar exemption (which will apply to employees such as product developers, researchers, financial professionals, consultants, and others) will encourage more flexible scheduling.

The amendment also requires employers to pay equal pay for “equal work” performed by regular (full-time) and “irregular” (part-time/temporary) workers. The definition of “equal work” is not defined in the statute, but the goal is clear: the government wants employers to pay employees working side-by-side performing the same job the same pay. Prime Minister Shinzo Abe has told reporters that he would like the term “irregular worker” to disappear from the Japanese lexicon, and this is a major step toward that goal. Critics are concerned that employers will use this as an excuse to lower pay and reduce benefits for regular employees.

What This Means to Employers with Operations In Japan

Although the amendment to the Act does not go into effect until April 2019 (or later for smaller employers), now is the time for companies with employees in Japan to make sure accurate timekeeping policies and procedures are in place. If an issue arises as to whether a covered employee worked in excess of the caps, such records will be crucial. Also, employers with Japanese operations should monitor employees’ current overtime hours to better understand whether compliance may present a challenge. It makes sense (and is the right thing to do) to immediately ensure that your employees in Japan are not working such excessive hours that could lead to one or more of them dying or taking their own lives.

