



EMPLOYMENT IN JAPAN



Japan is an island country in East Asia, situated in the north-west Pacific Ocean, which boasts the world's third-largest economy. It is the eleventh most populous country in the world, as well as one of the most densely populated and urbanised. Japan is divided into 47 administrative prefectures and eight traditional regions. The area surrounding its capital, Tokyo, is the most populous metropolitan area in the world, with more than 37.4 million residents. Though employment law in Japan is not consolidated into a single code, the most important item of legislation governing employment matters is the Labour Standards Act.



WORKING TIME AND OVERTIME

The most common working hours system in Japan is known as the 'Fixed Time System', which denotes that work should start at 8am or 9am and finish at 5pm or 6pm, with a one-hour break in the middle. It therefore runs 8 hours per day with 5 working days in a week completing a total of 40 hours, unless otherwise agreed with a union or via a representative of local employees. Japanese law limits overtime work to 45 hours per month, with a maximum of 360 hours in a year. The minimum overtime rates are:

- Basic overtime rate - 125% of base hourly wage
- Work on a 'rest day' - 135% of base hourly wage
- Late night overtime (between 10pm and 5am) - 150% of base hourly wage (25% added)
- Late night overtime on a 'rest day' - 160% of base hourly wage (25% added)
- Overtime work in excess of 60 hours/month - 150% of base hourly wage
- Late night overtime in excess of 60 hours/ month - 175% of base hourly wage

ANNUAL LEAVE

In Japan, employers are required to grant annual paid leave of at least 10 days to employees who have completed six months' continuous service. The entitlement increases by one day per year for the following two years, and by two days per year thereafter, up to a maximum of 20 days per year. Unused annual leave expires after two years.

TRIAL PERIOD

Probation periods are typically between three and six months and should not exceed one year. An unreasonably long probationary period could be deemed invalid, and 12 months is the upper permissible period in many cases. Employment termination is very difficult in Japan, even during the probation period.

RESIGNATION AND DISMISSAL

Employers must usually give 30 days' notice before dismissing an employee, or issue a payment in lieu of notice. An employee is permitted to resign at any time, with a typical notice period of two weeks. Severance pay is not legally required.

RESTRICTIVE COVENANTS

Reasonable restrictive covenants are generally enforceable. Japanese courts will closely examine issues such as the geographic scope, whether the restraint is necessary to protect a legitimate business interest, and whether consideration was given to the employee. Non-competition clauses are usually permitted and commonly last between six months and a year. Customer and employee non-solicits are allowed but enforceability will depend on the facts of the case in question.

HEALTHCARE AND INSURANCE

Employers and employees each make mandatory contributions into the Japanese health insurance system, as outlined below.



CONTRACT OF EMPLOYMENT

There is no requirement to have a written employment contract in Japan, but employers must provide their employees with certain terms and conditions of employment in writing. If the employer has work rules in place, the work rules may address many of the provisions that must be covered.

MATERNITY AND PATERNITY LEAVE

Pregnant employees are entitled to maternity leave within six weeks of the expected birth date, and eight weeks after birth. An employer is not allowed to have a female employee work within eight weeks after giving birth, except if both:

- She wishes to resume her duties after six weeks after giving birth; and
- The resumption of the work will not cause any problems, as certified by a doctor.

It is not required that employers pay for maternity leave, unless the employment contract or work rules state otherwise. Japanese law grants both working parents a generous 12 months of parental leave.

SICKNESS LEAVE

An employer is not generally required to grant paid leave to an employee who is absent from work as a result of sickness or injury, unless otherwise stated in the work rules or employment contract.

SOCIAL SECURITY

Health Insurance

Contribution	Employer	Employees
Contribution on salary/ bonuses	4.95%	4.95%
If 40 years old or older	5.815%	5.815%

Welfare Pension Insurance

Contribution	Employer	Employees
On salaries	9.15%	9.15%
On bonuses	9.15%	9.15%
Unemployment Insurance	0.6%	0.3%

Workmen's Accident Compensation Insurance

Contribution	Employer	Employees
Manufacturing	0.25%-2.6%	None
Other Business	0.25%- 8.8%	None



EMPLOYMENT OF FOREIGN NATIONALS



Foreign nationals accepting employment in Japan must obtain a work permit (visa) at a Japanese embassy or consulate. To obtain a work permit, foreign nationals must first apply for a Certificate of Eligibility (CoE) from the Japanese Immigration Authority, issued by the Ministry of Justice. Residence status refers to the status of a foreign national under which they are permitted to conduct certain activities while residing in Japan and can be awarded under a number of different categories, including 'Business Manager', Intra-Company transferee', and 'Skilled Labour'. The period of stay for those with residential statuses is for a maximum of five years.



SALARY TAXES

MINIMUM WAGE

Japan's prefectural minimum wages range from JPY 714 to JPY 932 per hour for all workers. Industrial minimum wages applies for certain industries and is usually set higher than the prefectural minimum wage. If prefectural and industrial wages differ, the higher of two will apply.

SALARY PAYMENTS

The payroll cycle in Japan is generally monthly, and payments are to be made on the 25th of each month. It is customary to pay a 13th month salary as a summer bonus in June and a 14th month salary as a winter bonus in December.

INCOME TAX

Taxable Income	Tax Rate %
0 - 1,950,000	5%
1,950,000 - 3,300,000	10%
3,300,000 - 6,950,000	20%
6,950,000 - 9,000,000	23%
9,000,000 - 18,000,000	33%
18,000,000 - 40,000,000	40%
40,000,000+	45%

SOCIAL SECURITY CONTRIBUTION

- The social insurance programme in Japan consists of health insurance, nursing care insurance, pension insurance, employment insurance, and workmen's accident compensation insurance.
- Every individual who meets the prescribed conditions is expected to participate in these systems as an insured person, regardless of nationality.
- Non-Japanese employees that leave Japan can claim a refund of employee national pension contributions.





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