

2010 Revisions to Labor Standards Law

A number of important changes were made to Labor Standards Law in late 2008, which will come into effect on 1 April 2010. These include new provisions to address the tendency of workers who fail to take full entitled of annual paid leave, as well as with regard to health and safety and to improve work-life balance among all workers. Some of the most important amendments are summarized below.

■ ***50% rise on overtime payments for employees working over 60 hours in a month***

Under current law, in principal, employers are required to pay 25% extra at least to their employees who work more than legitimate working hours that are 8 hours per a day, and 35% for hours worked on a statutory holiday, which is a minimum requirements by law; one day in a week or four days in four weeks. Additionally, employers are obliged to pay at least 25% extra when working hours fall into late-night time (10 pm to 5 am).

New amendment entitles employee at least 50% extra for overtime payments from the point that their overtime reached 60 hours per month. If overtime work in excess of 60 hours falls on late night time zone, a total premium rate will be 75% (50%+ 25%).

■ ***Option to take paid-holiday as a substitute for overtime pay***

The amendment of the preceding paragraph provides an option for employees to take paid-holiday as a substitute for overtime pay...Paid holiday can be taken in units of full day, half day, or combination of full day and half day.

Exemption for small/medium sized business employers:

Employers described in the table below are exempt from new amendments requirements mentioned above during the grace period of three years.

Classify by Industry	Equity Capital/Stock Capital		Number of Employees
Retailer	In excess of JPY50,000,000	or	No more than 50
Service	In excess of JPY50,000,000		No more than 100
Wholesale	In excess of JPY100,000,000		No more than 100
Other	In excess of JPY300,000,000		No more than 300

■ ***Employer's obligation to make effort to increase overtime payments rate***

There is a government guideline which requests employers have employees not work overtime in excess of 45 hours per a month, but this is not a legislative requirement. The new amendment introduces obligatory requirement for employer to make effort to increase overtime payments at least 25% when they work more than 45 hours and less than 60 hours per a month.

■ ***Annual paid vacation taken in hourly units***

The law grants employees 10 to 20 days annual paid vacation. Employees have been allowed to take paid vacation only by a day or a half day. Under the amendment employees may take paid vacation in hourly unit up to days the company sets with a maximum of 5 days per year.