

Globalization Partners provides [employer of record services](#) for clients that want to hire employees and run payroll without first establishing a branch office or [subsidiary in Japan](#). Your candidate is hired via Globalization Partners' Japan PEO in accordance with local labor laws and can be onboarded in days instead of the months it typically takes. The individual is assigned to work on your team, working on your company's behalf exactly as if he or she were your employee to fulfill your in-country requirements.

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Our [Global Employer of Record Platform™](#) and [Global PEO service](#) enables clients to run payroll in Japan while HR services, tax, and compliance management matters are lifted from their shoulders onto ours. As a Global PEO expert, we manage employment contract best practices, statutory and market norm benefits, and employee expenses, as well as severance and termination if required. We also keep you apprised of changes to local employment laws in Japan.

Your new employee is productive sooner, has a better hiring experience and is 100% dedicated to your team. You'll have peace of mind knowing you have a team of dedicated employment experts assisting with every hire. Globalization Partners allows you to harness the talent of the brightest people in [170 countries around the world](#), quickly and painlessly.

Basic Facts About Hiring in Japan

[Japanese employment law](#) is very focused on the individual and protecting his or her rights. Termination is extremely difficult and must be considered "socially acceptable". Maintaining a set of "Work Rules" that govern the terms of employee service is critical in Japan.

In Japan, most of the terms and conditions of employment are stipulated in the Work Rules (shuugyou kisoku). Employers with 10 or more employees are required to create and file Work Rules with the Labor Standards Inspection Bureau. The Work Rules will constitute part of the employment contract and will stipulate certain terms of employment such as work hours, holidays, termination of employment and wages. Employees hired via our Japan PEO service are covered under our local team work rules.

When negotiating terms of an employment contract and offer letter with an employee in Japan, it may be useful to keep the following standard benefits in Japan in mind.

Employment Contract Japan

The Japan Labour Standards Law does not specify a format of employment contracts, but employers in Japan must provide employees with certain terms and conditions of employment in writing. An employer can fulfill this requirement by giving employees a written employment contract and/or providing the employee with a copy of the company's 'work rules' (shuugyou kisoku). All employees engaged via Globalization Partners' Japan PEO and employer of record service are engaged via a locally compliant employment contract.

It is best practice is to put a strong employment contract in place in Japan which spells out the terms of the employee's compensation, benefits, and termination requirements. An offer letter and employment contract in Japan should always state the salary and any compensation amounts in Yen rather than a foreign currency.

Japan Holidays

Japan celebrates 16 public holidays for which employees are given the day off, including:

- New Year's Day
- Coming of Age Day
- Foundation Day
- Vernal Equinox Day
- Showa Day
- Constitution Memorial Day
- Greenery Day
- Children's Day
- Marine Day
- Mountain Day
- Respect for the Aged Day
- Autumnal Equinox Day

- Health and Sports Day
- Culture Day
- Labour Thanksgiving Day
- The Emperor's Birthday

With the exception of New Year's Day, if a holiday falls on a Sunday, the following day is treated as a holiday instead. It is not a legal requirement that public holidays are specified as days off but would be highly unusual for salaried employees of foreign employers to not be given the day off.

Bonus Payments in Japan

There is no legal requirement to give bonuses to employees in Japan, in addition to the monthly wages. Sales employees are normally paid commission, in a similar structure to US sales compensation packages.

Japan Working Hours

The standard workweek in Japan begins on Monday and ends on Friday, 40 hours per week, unless otherwise agreed with a union or via a representative of the local employees. The agreement must set out the maximum hours of overtime work.

- 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 10:00pm & 5:00am) - 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

Small to mid-size companies are currently exempt from the last two rates above. In addition, "persons in positions of supervision or management or persons handling confidential matters" are generally exempt from overtime.

Vacation Benefits in Japan

In Japan, employers are required to grant annual paid leave of at least 10 days upon completion of 6 months' employment. The entitlement increases by 1 day per year for the following 2 years and by 2 days per year thereafter, up to a maximum of 20 days per year.

Unused annual leave expires after 2 years if not used.

Sick Leave in Japan

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

Japan Maternity Leave

Pregnant employees are entitled to maternity leave within 6 weeks of the expected birth date, and 8 weeks after birth. An employer is not allowed to have a female employee work within 8 weeks after giving birth, except if both:

- She wishes to resume her duties after 6 weeks after giving birth.
- 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.

Employees are eligible for family care leave of up to 93 days per family member. These absences are not paid unless otherwise stipulated in the Work Rules.

Childcare leave: An employee is entitled to receive childcare leave from the following day after maternity/paternity leave ends to the day before a child becomes one year old. On a certain condition, the period could be extended to the day a child becomes one and a half years old.

Childcare leave benefits:

- 1) JPY 420,000 of Lump-sum benefit for Childbirth
- 2) Exemption of social insurance premium
- 3) Maternity allowance: About 2/3 of monthly salary during the maternity/paternity leave
- 4) Childcare leave benefit: about 2/3 of monthly salary during the childcare leave.

Termination and Severance in Japan

Probation periods are common in Japan and will normally range from 3 to 6 months, and should not exceed 1 year. During the probationary period, an employee can be dismissed if the employer has objectively reasonable grounds to do so, and the dismissal would not be considered unreasonable. It is considered somewhat easier to validly dismiss an employee in their probationary period than afterwards. The option for an employer to extend the probationary period must be set forth in the work rules and/or employment contract.

Employees have a very high level of legal protection in Japan. Once hired, the employer's right to dismiss an employee is severely restricted and it is very difficult to terminate employees. A dismissal will be invalid as an abuse of rights under local law if it lacks objectively reasonable grounds and is not considered to be appropriate in general societal terms. Practically, it is very difficult for an employer to satisfy these requirements. Termination of employees must be for 'cause.'

Acceptable grounds for termination in Japan depend on the individual circumstances of each case, but are generally:

- Theft or violence
- Serious insubordination - must be egregious
- Serious and on-going poor performance after formal warnings have been given, corrective training provided and other potential positions explored
- False information regarding skills or background that impacts performance or makes the fulfillment of duties impossible

Employers must give at least 30 days' notice of dismissal or provide payment of base salary in lieu of notice. It is customary for work rules to specify that an employee must give 30 days' notice of resignation.

Japan Tax

The Japan social security system is excellent. Via the social safety net, all people (including employees) are provided with excellent health care coverage, pension, unemployment insurance and other benefits. Because such excellent benefits are provided by the government, it's less common for employers in Japan to provide supplemental insurance benefits.

The social security system in Japan includes a pension plan that both employers and employees pay into. The plan pays benefits to an employee if the employee has been paying

into the system for at least 25 years. The pension is receivable once an employee turns 65 years old.

In Japan, there is also National Universal Health care system. Employees generally receive 4 basic types of insurance:

- health insurance
- welfare pension insurance
- workers' compensation
- unemployment insurance

Health and welfare pension insurance are "social insurance," to which directors are also entitled. Premiums are borne 50% by the employer and 50% by the employee.

Workers' compensation and unemployment insurance are "labor insurance," to which directors are not entitled. The employer is responsible for 100% of workers' compensation premiums and more than 50% of unemployment insurance premiums.

Employment income, such as salary income, is subject to national income tax and local inhabitants tax. National income tax applies at progressive rates of depending on the income amount. Local inhabitants tax applies at a flat rate. The rate is set locally.

Additional Benefits in Japan

Providing a safe and harmonious workplace is important in Japan. Employers are required by law to provide annual physicals and checkups for all employees. Depending on the type of work, employers may also be required to provide stress checkups.

Bottom Line on Benefits

Generally, we recommend budgeting 10%-15% as benefits cost on top of the gross salary to allocate the total employer's cost including [benefits in Japan](#).

Why Globalization Partners

Establishing a branch office or [subsidiary in Japan](#) to engage a small team is time-consuming, expensive and complex. [Japanese labor law](#) has strong worker protections, requiring great attention to detail and an understanding of local best practices. Globalization Partners makes it painless and easy to expand into Japan. We can help you hire your candidate of choice, handle HR matters and payroll, and ensure that you're in compliance with local laws, without

the burden of setting up a foreign branch office or subsidiary. Our Japan PEO and [Global Employer of Record Platform](#) provides you peace of mind so that you can focus on running your business.

If you would like to discuss how Globalization Partners can provide a seamless employee leasing or PEO solution for hiring employees in Japan, please [contact us](#).

[Request a Proposal](#)