

Cross Border Business Law Blog

## **3 Important Takeaways from Japan's New Controversial Temporary Workers Law**

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Japan's recent revisions to the Worker Dispatch Law came into effect as of Oct. 1, 2015, despite objections from labor unions and other opponents. These revisions form part of a larger effort by Prime Minister Shinzo Abe to loosen labor laws in a country known for long-term relationships between employers and their employees. Here are three important changes to the temporary workers system that those doing business in Japan should note:

**Time Limit** – The time limit restricting the use of temporary workers has effectively been lifted. Previously, most industries could only employ a temporary worker in a given position for a maximum of three years. That three-year limit now only applies to a *specific* temporary worker, so a company may continue to employ temporary workers in a given position so long as no individual worker holds that position for more than three years. This three-year limit may be reset if the employing company asks the opinion of either a labor union or other representative of the majority of employees. Notably, the new three-year limitation will also apply to individuals not previously covered by the three-year term limit, including those working in 26 industries deemed to require special skills, such as translators, software developers, and interior designers. The former temporary worker may be assigned a new job and continue to work for the same company for more than three years, but not in the same capacity, without full-time employment.

**Governmental Permission** – Temporary staffing agencies must now receive governmental permission to operate. Such agencies also must request that a company hire a temporary worker as a permanent employee when such a worker has completed a three-year position, and must hire the workers themselves or introduce them to alternative firms if the company declines to permanently hire that worker. These changes are a significant departure from the previous law, under which a company employing a temporary worker in a given position for three years was *required* to offer that temporary worker a permanent position. These new measures are intended to stabilize employment for temporary workers within the revised scheme.

**Reporting and Benefits** – Firms using temporary workers should also be aware of several new requirements. Such firms now must provide temporary staffing agencies with information

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detailing the pay and benefits it pays permanent workers, as well as information on vacancies for permanent positions. Temporary workers must be allowed access to relevant trainings and “welfare facilities” made available to permanent workers, including dorms, cafeterias, recreational and other facilities. Similarly, temporary staffing agencies are also now required to provide career training and counseling to their temporary workers.

These changes and others are expected to shake up the temporary worker system in significant ways, although their likely impact on Japan's broader economy is not yet clear. However, we can certainly expect to see more important legislation as Prime Minister Abe's economic reforms move forward.

**Tags:** Japan, temporary workers system, Worker Dispatch Law