



Statement of the ACCJ F500 CEO Advisory Council on Recent Work Style Reform Legislation

The F500 CEO Advisory Council of the American Chamber of Commerce in Japan (ACCJ), comprising CEOs of companies that are included in the Fortune 500 and hold ACCJ Corporate Sustaining Membership, convened on July 30, 2018 to formulate a response to the work-style reform bill passed by the Diet in late June. This legislation finalized a number of measures, including mandatory caps on overtime hours, but left open a number of key items that will be determined by ministerial ordinance over the balance of 2018, ahead of official implementation of the law in April 2019.

The ACCJ commends the government of Japan for establishing broad-based reform legislation that seeks to create a more productive, balanced and modernized workforce. However, the Council believes that it does not go far enough in promoting some of the most effective reforms and recommends that further efforts be focused on the following areas to support the goals of this legislation.

These include:

1. Introduction of a new-style labor contract enabling monetary compensation for severance

a. This reform is fundamental to creating the workforce flexibility, dynamism and productivity Japan requires going forward to compete in the global marketplace. The ACCJ will soon release a viewpoint on this critical area that provides a comprehensive and detailed explanation of this concept.

2. White-collar exemption (aka, “Sophisticated Professional System”)

- a. While the final scope of work roles eligible for exemption from the new overtime rules will be established by MHLW ordinance, the recommendations in the legislation leave out many professional functions, such as sales, that clearly should be exempted given the variability in working hours that are inherent in these jobs.
- b. The legislation recommends ¥ 10.75 mm as the annual salary threshold above which employees would be exempted. This is an excessively high level that captures only about 3% of Japan’s workforce (based on 2016 National Tax Agency data) and would exclude a large number of skilled professionals whose performance is better measured by output quality than hours worked. The GOJ should consider a threshold of ¥ 8.0 mm, which would capture approximately 10% of workers.
- c. The administrative burdens associated with items such as consent from covered workers and requirements associated with “Rou-Shi” (labor-management) committees should be streamlined as much as possible to enhance rather than detract from productivity advances.

3. Mandatory time-off requirements

a. These provisions in the work-style reform legislation are highly commendable. We strongly support work/life balance initiatives and suggest in addition that the GOJ implement a program encouraging voluntary disclosure of vacation utilization ratios by major employers, for publication on the MHLW website as a way to constructively encourage best practices in this area.