

VLT Legal Update

July 2026

October 2026 Changes to Equal Pay for Equal Work Rules

On October 1, 2026 amendments to Japan's equal pay for equal work regime will come into effect, which will increase an employer's transparency obligations and may lead to greater scrutiny of compensation structures.

New Disclosure Requirement at the Time of Hiring

From October 1, 2026, employers must inform part-time and fixed-term employees that they may request an explanation of any differences in treatment between themselves and comparable regular employees when their employment terms are provided when they are hired. While the current Part-Time and Fixed-Term Employees Enforcement Regulations has requested several items (e.g., bonus eligibility, retirement allowance eligibility) to be informed, and now the additional item is included.

Accordingly, employers should review employment agreements, offer letters, and/or notices of working conditions. The employer must also properly respond if the inquiry is made in the future.

Revised Equal Pay for Equal Work Guidelines

The Equal Pay for Equal Work Guidelines (substantive rulebook) will also be revised from October 1, 2026 to reflect recent court decisions of more holistically reviewing whether differences in pay can be justified based on the employee's actual role, responsibilities, and working conditions rather than just on a formal classification. **The amendments do not require employers to provide identical treatment to all employees. However, they underscore the importance of ensuring that differences in treatment can be reasonably explained and justified.**

Key Areas of Focus

- *Benefits and Leave:* The revised Guidelines place greater emphasis on providing non-regular employees with access to certain leave programs and welfare benefits on an equal basis with regular employees where continued employment can reasonably be expected.
- *Allowances and Bonuses:* The revised Guidelines place greater emphasis on whether differences in pay and bonuses can be justified by the purpose of the payment and the employee's actual role.
- *Rehired Retirees:* The revised Guidelines clarify that post-retirement reemployment alone does not automatically justify differences in treatment. Employers must be able to explain any differences in compensation or benefits based on actual differences in duties, responsibilities, or other relevant circumstances.

Changes to Employment Management Guidance for Part-Time and Fixed-Term Employees

In addition to the changes discussed above, the employment management guidance (procedural rulebook) for part-time and fixed-term employees will be updated from October 2026. The

revisions focus on skills development, fair evaluation, opportunities for regular employment, and communication with employees.

Key Points for Employers:

- *Training and skills development:* Employers are encouraged to provide training opportunities and support employees' ongoing skills development.
- *Fair evaluation and wage setting:* Pay should, where possible, be based on an employee's duties, performance, skills, experience, and contribution rather than employment status alone.
- *Conversion to regular employment:* Employers should continue to promote opportunities for conversion to regular employment while taking employee preferences into account.
- *Responding to Questions About Differences in Treatment:* Employers should be prepared to clearly explain and, where appropriate, document the reasons for any differences in treatment between regular and non-regular employees.