

VLT Quarterly Client Update

February 2023

Increase in Overtime Premium Wage Rate for 60+ Hours of Overtime for Small Firms

Currently, when companies pay overtime premiums for overtime performed, large companies had an obligation to pay an extra 25% premium for overtime hours which exceeded 60 hours on top of the regular overtime premium wage rate of 25%. As of April 1, 2023, that increase in the overtime premium wage rate for overtime hours exceeding 60 hours will also apply to small and medium sized companies.

Premium Wage Rates

Under the Japanese Labor Standards Act, overtime premium wage rates can be categorized into three types—overtime, statutory holiday work, and late-night work. The following table details the premium wage rates:

Type of Overtime Premium Wage Rate	When the Premium Wage Rate Applies	Amount of Premium Wage Rate
Overtime	Work done in excess of 8 hours per day or 40 hours per week, but up to 60 hours per month	25%
	Work done in excess of 8 hours per day or 40 hours per week, but more than 60 hours per month*	50%
Statutory Holiday Work**	Work done on the legally required weekly holiday (usually Sunday)	35%
Late-Night Work***	Work done between 22:00 and 5:00 of the next day.	25%

*Currently only applies to large companies but will apply to all companies as of April 1, 2023.

**Work done during a statutory holiday does not count towards the 60 hours overtime threshold.

***The late-night work premium can apply in addition to the overtime and statutory holiday work premium rates. For example, if an employee has already worked overtime in excess of 60 hours in a month and then works additional overtime from 22:00 to 24:00, the premium wage rate for that 2 hours period would be 75% (50% for the overtime in excess of 60 monthly hours + 25% for the late-night work).

Alternative Leave

Companies are permitted to provide complementary leave instead of paying the increased premium wage rate.

Recommended Actions

Companies should review their Rules of Employment to see whether they need to be revised in light of the change in the law.

Additional Links

Note all links are Japanese language only.

- [MHLW Guide](#)