

17 February 2020 (No. of pages:1)

Japanese report: 06 Feb 2020

What has the Law Related to Work Style Reform Brought About?

Average working hours of full-time employees decline rapidly, while corporations respond with an increase in non-regular employees.

Economic Research Dept.
Munehisa Tamura

Summary

- With the enactment and partial enforcement of the law related to work style reform, including penalized overtime regulations and the obligation to take annual paid holidays of five days a year, companies seem to have strengthened efforts to improve employee work styles. The number of regular employees working more than 100 hours overtime per month, and average working hours per month have both been in a declining trend since mid-2013. Most notably, the decline in average monthly working hours has been clearly accelerating since the spring of 2018.
- Taking a look at total working hours (monthly working hours × number of employees), we see that since FY2018, when the decline in average monthly working hours of regular employees accelerated, total working hours of all employees declined only slightly. Companies seem to have increased the number of non-regular employees in order to secure labor input while working to reduce the working hours of full-time employees. Meanwhile, the Indices of All Industry Activity, which can be regarded as a proxy variable for real GDP, has continued in a growth trend except for the month in which the consumption tax hike was implemented.
- Given that the number of workers is expected to decline over the medium to long-term, it is likely that it will be difficult to take measures to increase the number of non-regular employees in order to compensate for the decline in working hours of regular employees. In addition, the average working hours of non-regular employees as well as permanent employees are in a declining trend. In order to maintain and expand economic activities in the future, it is essential to improve labor productivity, and it is also important to establish systems that increase the incentive to work.