

TaylorWessing

Employment Law Challenges 2025

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1

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2

Introduction



2025 – Change and Stability

- Japanese Economy – challenging but continuously improving and adjusting: High Nikkei, low Yen, examples of areas of higher investment activities:
 - Batteries and semiconductor,
 - Logistic solutions,
 - AI (new data centres),
 - E-Commerce,
 - Hydrogen power....
- AHK Japan: 93% of German Companies in Japan value the stability and reliability; good investment atmosphere, i.e. several cooperations between German and Japanese companies – success stories, e.g.: Bosch invest into Hitachi Johnson Controls Air Conditioning
- Strong cooperation and alliance between Europa/Germany and Japan, especially based on the Economic Partnership Agreement
- TaylorWessing Japan Desk – trustful advisors and great network.

2

Recent Challenges for Japanese Companies in Germany

2025 – Employment Challenges (I)

I. Working time / health & safety compliance

- High relevance and focus of authorities (also “S”-Standard in ESG)
- Typical challenges:
 - Different working attitude/working culture vs. “legalistic” approach
 - Clear job tasks and clear responsibilities
 - Policies/works agreements also regarding documentation
 - Working between Japanese and German staff – intercultural differences
- Legal challenges: Delegation of entrepreneurial obligations regarding working time compliance; overtime compliance
- Health&safety organization: The German system is focussing on a comparatively more comprehensive understanding of health & safety, e.g. comprehensive risk assessment, comprehensive documentation and instruction obligations

2025 – Employment Challenges (II)

II. Remuneration transparency – Fair Pay

- European Directive and existing legal framework requires equal pay systems.
- All parts of remuneration must be analysed in order to avoid discrimination.
- Correct argumentations and correct information about salary is necessary
- Financial risks: Social security contribution
- Particularly difficult: Bonus systems, collective agreements and “individual” arrangements
- High risk in case of company pensions.

III. External workers compliance

- High financial and risks in case of misclassification
- Focus of German social security authorities
- Risk exposure of Japanese companies, also due to different legal concepts in Japan and Germany
- Compliance process is necessary and highly recommended

2025 – Employment Challenges (III)

IV. Managing Economic Crisis – employment aspects

- **Be prepared:**
 - Crisis-prepared employment contracts e.g. allowing short time work, certain remuneration flexibility (e.g. via bonus systems)
 - Training of employees and continuous improvement of skilled employees
 - Long time plannings – frequently Japanese companies have too short investment perspectives for a mature market
- **Planning phase:** Preparation of entrepreneurial decision for the restructuring of the company – please always search legal assistance
- **Execution phase:** Negotiation with work council or implementation of the entrepreneurial decision; if there is a works council, Japanese companies must be aware of partially controversial negotiations.
- **Litigation phase:** Negotiation of a settlement agreement or litigation

3

Examples from our practice

Case study (I)

Implementation of flexible working time and home office policy in a mid-sized Japanese company

Step 1: Understanding the client's needs

- Intercultural differences have been addressed by Management regarding working time attitude
- Working time documentation – how? (P) App with pre-registered working times
- Legal Framework Pre-check, in particular of (i) employment contracts, (ii) working time policies and (iii) home office regulations

Step 2: Time line and budget planning

- Time line for workshops and identification of lower risks, e.g. health and safety
- Budget planning: Ringi Process – long duration

Step 3: Execution phase (three months)

- Policy implementation
- Delegation of entrepreneurial duties regarding working time compliance:
 - Workshop with clear communication
 - Delegation letter
 - Monitoring and documentation concept

Case study (II)

Freelancer/external worker Compliance

- **Step 1:** Education of client – misunderstanding “freelancer” – “external workers” – typical risk areas are: IT, logistics, but also cleaning, external facility management etc.; frequently misunderstood: social audits have no results
- **Step 2:** Management decision regarding sample check (risk exposure) and project planning
- **Step 3:** Checking current contracts of external workers - aiming at implementation of professional contract management systems
- **Step 4:** Enabling employees in order to avoid misclassifications
- **Step 5:** Checking potential risks areas in the past and discussion with authority in order to solve any conflicts mutually
- **Step 6:** Delegate the obligations re freelancers/external workers

Case Study (III)

III. Managing the crisis: Complex reorganization of part of business – works council in progress of being established

- Principal challenge: Complexity of communication:
 - HQ, local stakeholders, employees, third parties ... → Regular meetings
 - Clear milestones and close monitoring of milestones necessary and required
- Workstream: Works council establishment vs entrepreneurial decision → high speed#
 - Fast drafting required
 - (P) Business might need last minute adjustments
- Workstream: Motivation of key employees
- Workstream: Negotiations with employees
 - Negotiation strategy
 - Clear communication and fair offers
 - Avoidance of court proceedings – however clear communication of “no go’s”
- Workstream: Changes in the aforementioned plan
- Workstream: Communication with media

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