

# EMPLOYMENT ADJUSTMENT SUBSIDY

Subsidy to Keep Employment during Recession

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# What Is “Employment Adjustment Subsidy”?

- “Koyochosei Joseikin (雇用調整助成金)” in Japanese
- This Subsidy has been Available since Long Time Ago.
- This Subsidy will be Available also for the Future.
- Extraordinary Treatment of this subsidy is Available due to Pandemic during Extra Ordinary Period.
  1. Easier Processes
  2. Wider Scope of Eligibility
  3. More Benefit
- Extra Ordinary Period (“EOP”): April 1 to December 31, 2020
- Ordinary Period (“OP”): The other period than Extra Ordinary Period

# Eligible Companies

- A company whose revenue (production, purchasing, number of guests, etc.) is declined by more than 10% (5% for EOP) compared with same period of last year (or any of previous months during EOP).
- Employment Insurance Applicable Place of Business
- Applicable to Employees Enrolled in Employment Insurance for more than 6 months
  - It is not required during EOP
  - Non-insured of Employment Insurance applicable to another subsidy (Emergency Employment Safety Subsidy) during EOP
- Applicable also to Shorter Working Hours on behalf of Leave
  - (Days of Leave = Total Shortened Working Hours / Scheduled Working Hours per day)
- Maximum 100 days of Leave per Employee for one year (Except for EOP)

# Basic Scheme

- The company has its employees take leave at once or by turns.
- The law requires the company to pay 60% or more of the average wages to such employees (average wages = total wages for last 3 month divided by total calendar days for the same period)
- Allowance to be paid for leave is called “Leave Allowance”.
- The government provides 50%, 67% (67%, 75%, 80%, or 100% for EOP) of Leave Allowance with cap
- The subsidy cap is JPY8,330 (JPY15,000 for EOP) per day per person.

(Although the revised cap, JPY15,000, is announced as of June 12 this year, it is applicable retroactively from April 1)

- Above subsidy rates (%) depend on conditions.

# How to Process

1. Conclude Labor-Management Agreement to determine Leave Allowance calculation method, etc.
2. Make leave schedule/plan for each employee
3. File the Plan to Labor Office before Implementation (omitted during EOP)
4. Implement the plan
5. Salary calculated reflecting the leave allowance and leave deduction
6. Fill out designated forms and file them with required supplemental documents with the labor office
  - The Rules of Employment, Employment Contract, Wage Ledger, Attendance Report, etc.

# Salary Calculation

Item	Amount
Base Salary	<b>200,000</b>
Leave Deduction	<b>-100,000</b>
Leave Allowance	<b>60,000</b>
Total	<b>160,000</b>
Legal Deduction, etc.	* * *
Balance	* * *

Assumptions are as follows:

1. Scheduled working days in the said month is 20 days.
2. 10 days of leave, and 10 days of work
3. Leave deduction (absent deduction) is based on scheduled working days of the said month.  
 $200,000 \text{ yen} \div 20 \text{ days} \times 10 \text{ day} = 100,000 \text{ yen}$
4. Leave allowance is 60% of daily wages based on scheduled working days in the said month.  
 $(200,000 \text{ yen} \div 20 \text{ days}) \times 10 \text{ days} \times 60\% = 60,000 \text{ 円}$

# Subsidy Amount

- Subsidy amount is not based on Leave Allowance paid to Each Employee, but on total wage amount and total number of employment insurance insured calculated for last labor insurance premium return.
- Calculation based of Period for Last Labor Insurance Premium Return:
  - Total Wage (A)
  - Monthly Average Number of Insured (B)
  - Total Scheduled Working Days (C)
  - % (Percentage) of Leave Allowance (D)
  - Subsidy Rate (50%, 67%, 75%, 80%, or 100%) while cap is JPY8,330 (JPY15,000 for EOP) per person per day (E)
  - Total Number of Leave (F)

Standard Wage =  $D \times A / (B \times C)$

**Subsidy Amount = Subsidy Rate x Standard Wage x F**

(Subsidy Rate x Standard Wage = JPY8,330 (JPY15,000 for EOP) if it exceeds the cap)

\* Simplified method to calculate the amount is also acceptable if a small company (20 employees or less) as is shown in the next page.

# Subsidy Amount

(The company with no more than 20 employees)

- Possible to take the following formula for subsidy amount on behalf of the calculation shown in the previous page if number of employees are no more than 20.

Subsidy Amount = Total Leave Allowances x Subsidy Rate

- Still possible to take the calculation method on the previous page if it is more advantageous.
- Application forms for small company differ from for general use. Application forms for general use should be used if calculation in the previous page is taken.



# Subsidy Rate

- **Ordinary Period:**
  - Small & Medium Company: 67% (2/3)
  - Large Company: 50%
- **Extra Ordinary Period:**
  - Small & Medium Company: 80% (100% if no dismissal)
  - Large Company: 67% (2/3), (75% if no dismissal)
    - \* “no dismissal” for the period from January 24 this year to the last day of the subsidy application period.

## **Definition of Small or Medium Company**

- Retail Industry (including Restaurant): No more than JPY50M of Capital or 50 employees
- Service Industry: No more than JPY50M or 100 employees
- Whole Sale Industry: No more than JPY100M or 100 employees
- Other Industry: No more than JPY300M or 300 employees

# Summary & Note

- The contents here are based on the rules as of October 12, 2020.
- The subsidy system frequently changes during the corona outbreak (usually at more favorable manner for the applicant).
- The subsidy cap for EOP increased to JPY15,000 retroactively from April 1, 2020. Additional payment or revision will be made automatically even if you have already received it or filed application.
- “Deemed Unemployment Benefit” as an alternative of this subsidy will be available until December 31m 2020: Receive unemployment benefit while still employed.
- Labor & Social Security Attorney (“Sharoshi”) is licensed to handle the subsidy on behalf of applicants.