

JAPAN

1. Overview of the system

Unemployed persons can receive an unemployment insurance benefit for a period varying with the age and the employment record of the claimant. Social assistance is also available for persons with limited means; it includes a housing aid. Income tested family benefits can be obtained, as well as non means-tested lone parent benefits. Income-related child-care costs are paid for children under 5. Central and local government taxation is individual. The 1995 APW earnings level is ¥ 3 963 006. It is assumed that 80 per cent of this amount is in standard earnings, and 20 per cent is in the form of an annual bonus.

2. Unemployment insurance

2.1 *Conditions for receipt*

2.1.1 *Employment conditions*

Minimum of 6 months of insured work in the last 12 months, with minimum 20 hours of work per week.

2.1.2 *Contribution conditions*

2.2 *Calculation of benefit amount*

2.2.1 *Calculation of gross benefit*

The benefit is calculated from the daily reference earnings (DRE). DRE are earnings of the last 6 months, excluding bonuses, divided by 180 days:

$$\text{DRE} = [(\text{annual gross earnings} / 2) * 80\%] / 180$$

A benefit ratio (BR) is then calculated, with the following formula:

$$\text{BR} = 0.8 + [(0.2 * (4\ 180 - \text{DRE})) / (10\ 100 - 4\ 180)]$$

The annual benefit is the product of the daily reference earnings, the benefit ratio, and the number of days the benefit is paid during the year, that is 365 days per year:

$$\text{benefit} = \text{DRE} * \text{BR} * 365$$

The maximum benefit is ¥ 2 963 000.

2.2.2 *Income and earnings disregards*

It is not means-tested, the benefit stops when income is earned from work. Means-tested social assistance can complement the unemployment benefit.

2.3 *Tax treatment of benefit*

Not taxable.

2.4 *Benefit duration*

It is paid on a 7-day week basis, after a 7-day waiting period, for a period that varies from 90 to 300 days according to the employment record and the age of the recipient, as follows:

| Unemployment benefit duration (in days, 7 days per week) | | | | |
|--|------------------|-------|-------|-------|
| Insured employment (months) | Age of recipient | | | |
| | 18-29 | 30-44 | 45-59 | 60-64 |
| 6 - 12 | 90 | 90 | 90 | 90 |
| 13 - 60 | 90 | 90 | 180 | 240 |
| 61 - 120 | 90 | 180 | 210 | 300 |
| 121 - 240 | 180 | 210 | 240 | 300 |
| 241 + | 180 | 210 | 300 | 300 |

A unique feature in the unemployment benefit system is the re-employment benefit: a lump-sum amount is paid to an unemployment benefit recipient if the beneficiary takes up employment before the duration of the benefit ends (see table below):

| Total duration of unemployment (days) | Remaining duration (days) | Daily lump sum benefit (¥) |
|---------------------------------------|---------------------------|----------------------------|
| 300 | 200-300 | 120 |
| | 150-199 | 70 |
| | 100-149 | 30 |
| 240 | 160-240 | 90 |
| | 120-159 | 50 |
| | 80-119 | 30 |
| 210 | 140-210 | 85 |
| | 105-139 | 50 |
| | 70-104 | 30 |
| 180 | 120-180 | 80 |
| | 90-119 | 50 |
| | 60-89 | 30 |
| 90 | 60-90 | 45 |
| | 45-59 | 30 |

2.5 *Treatment of particular groups*

2.5.1 *Young persons*

None.

2.5.2 *Older workers*

None.

3. **Unemployment assistance**

None.

4. **Social assistance**

Social assistance consist of seven parts or aids, provided for those who are unable to provide minimum living standards. These are: livelihood aid, housing aid, medical aid, occupational aid, education aid, maternity aid, and funeral aid. Only livelihood aid and housing aid are considered here. The selected rates are classified as Grade 1-1, as payed in Osaka and Tokyo.

4.1 *Conditions for receipt*

It is tested against gross earned income.

4.2 Calculation of benefit amount

4.2.1 Calculation of gross benefit

Livelihood aid is composed of two types of benefit:

- Personal expenses (Category 1) are related to the age of each family member:

| Age | Benefit amount for region (Grade 1-1) (¥ per month) |
|---------|--|
| 0 | 14 720 |
| 1 - 2 | 21 430 |
| 3 - 5 | 26 510 |
| 6 - 8 | 31 490 |
| 9 - 11 | 35 840 |
| 12 - 14 | 43 290 |
| 15 - 17 | 46 520 |
| 18 - 19 | 41 310 |
| 20 - 40 | 39 310 |
| 41 - 59 | 37 550 |
| 60 - 69 | 35 550 |
| 70 | 31 800 |

- Household expenses (Category 2) are related to the number of family members:

| Number of family members | 1 | 2 | 3 | 4 + X |
|-------------------------------|--------|--------|--------|----------------|
| Basic amount (in ¥ per month) | 41 810 | 46 270 | 51 300 | 55 810 + 440 X |

The maximum amount of livelihood aid is calculated by summing up amounts of Category 1 for each family member and amounts of Category 2.

A housing aid is also available, it covers housing costs up to ¥ 13 000 per month.

4.2.2 Income and earnings disregards

Earnings net of tax and social security contributions up to ¥ 8 340 per month are disregarded. From this level, social assistance is reduced by earnings net of tax and social security contributions exceeding a threshold which increases with earnings. The monthly disregard is assumed to increase proportionally with gross earnings. The monthly amounts are as follows for the same region (Grade 1-1) as for personal expenses:

| Monthly gross earnings X (¥) | Monthly threshold Y (¥) |
|---------------------------------|----------------------------|
| 0 - 8340 | 0 - 8 340 |
| 8 340 - 92 000 | 8 340 - 22 570 |
| 92 000 - 232 000 | 22 570 - 32 640 |
| 232 000 + | 32 640 |

4.3 ***Tax treatment of benefit***

Not taxable.

4.4 ***Benefit duration***

As long as the conditions are fulfilled.

4.5 ***Treatment of particular groups***

None.

5. **Housing benefits**

See social assistance in Section 4.

6. **Family benefits**

6.1 ***Conditions for receipt***

The benefit is income-tested. It is paid for a child under 3 years old.

6.2 ***Calculation of benefit amount***

6.2.1 ***Calculation of gross benefit***

¥ 5 000 per month per child for the first two children, and ¥ 10 000 per month per child for the third and subsequent children (until they are 3).

6.2.2 ***Income and earnings disregards***

It is paid if the annual gross income minus the employment income deduction (see Section 10.1) is lower than ¥ 1 486 000 plus ¥ 300 000 per child.

6.3 ***Tax treatment of benefit***

Not taxable.

6.4 ***Treatment of particular groups***

As long as the conditions are fulfilled.

7. Child-care benefits

There are no child-care benefits, but a system of income related child-care costs exists.

7.1 Conditions for paying

To have a child under 5 years old. The cost/contribution is income related: it increases with local and central income tax (see tax system in Section 10).

7.2 Calculation of cost amount

7.2.1 Calculation of gross cost

Municipal child-care is available. The following is used as the standard for calculating the amount of government subsidy to each municipality. The more income tax a family pays, the bigger the contribution to the child-care costs:

| Category* | Standard child-care cost per child (¥ per month) | | |
|-----------|--|--------------------------|------------------------|
| | Income tax position (¥ per year) | Age of child (years old) | |
| | | < 3 | 3 and 4 |
| 1 | Eligible to social assistance | 0 | 0 |
| 2 | No local tax | 7 000 | 5 000 |
| | Local tax: | | |
| 3 | Only fixed part | 16 000 | 13 000 |
| 4 | Fixed part + earnings related part | 20 000 | 17 000 |
| | Central tax: | | |
| 5 | 1 - 17 000 | 25 000 | 22 000 |
| 6 | 17 000 - 80 000 | 32 000 | Actual cost (< 29 000) |
| 7 | 80 000 - 140 000 | 40 000 | Actual cost (< 37 000) |
| 8 | 140 000 - 200 000 | 49 000 | Actual cost (< 46 000) |
| 9 | 200 000 - 510 000 | 57 000 | Actual cost (< 54 000) |
| 10 | 510 000 + | Actual cost | Actual cost |

* Category 2, 3, 4 exclude cases which fall into category 1, 5, 10.
Category 5-10 exclude cases which fall into category 1.

7.2.2 Income and earnings disregards

Local and central income tax are taken into consideration, there are no disregards.

7.3 Tax treatment of cost

The implicit benefit is not taxable.

7.4 Treatment of particular groups

None.

8. Employment-conditional benefits

None.

Note that removal expenses are provided for persons who have to move after having obtained a job or a training introduced by the Public Employment Security Office.

9. Lone-parent benefits

9.1 Conditions for receipt

To be a lone parent, and to have a child under 18.

9.2 Calculation of benefit amount

9.2.1 Calculation of gross benefit

| | | |
|-------------------------------|--------|------------------|
| Number of children | 1 | 2 + X |
| Basic amount (in ¥ per month) | 41 390 | 46 390 + 3 000 X |

9.2.2 Income and earnings disregards

Not means-tested.

9.3 Tax treatment of benefit

Not taxable.

9.4 Treatment of particular groups

None.

10. Tax system

10.1 Income tax rate schedule

10.1.1 Tax allowances and credits

There are no tax credits. The tax allowances are as follows:

- basic exemption: ¥ 380 000;
- spouse exemption: ¥ 380 000 if dependent spouse;
- special spouse exemption: ¥ 380 000;
- dependent exemption: ¥ 380 000 per dependent child granted to each tax paying spouse;
- social security contributions: see Section 10.3;
- employment income deduction: regressive with gross annual earnings. The minimum of ¥ 650 000 is granted when the allowance is calculated to be less than this amount:

| Gross earnings (¥ per year) | Marginal rate (%) |
|--------------------------------|----------------------|
| 0 - 1 800 000 | 40 |
| 1 800 000 - 3 600 000 | 30 |
| 3 600 000 - 6 600 000 | 20 |
| 6 600 000 - 10 000 000 | 10 |
| 10 000 000 + | 5 |

10.1.2 The definition of taxable income

It is the gross income minus the above tax allowances. Note that taxable incomes for the government income tax and the local tax are the same.

10.1.3 Tax schedule

- Central government tax:

| Taxable income (¥ per year) | Marginal tax rate (%) |
|--------------------------------|--------------------------|
| 0 - 3 300 000 | 10 |
| 3 300 000 - 9 000 000 | 20 |
| 9 000 000 - 18 000 000 | 30 |
| 18 000 000 - 30 000 000 | 40 |
| 30 000 000 + | 50 |

- Local government tax: it is made of the prefectural tax and the municipal tax:
- prefectural: it is ¥ 700 per adult plus:

| Taxable income (¥ per year) | Marginal tax rate (%) |
|--------------------------------|--------------------------|
| 0 - 7 000 000 | 2 |
| 7 000 000 + | 4 |

- municipal: for a city of more than 500 000 persons, it is ¥ 2 500 per adult (for a city of between 50 000 and 500 000 persons, it is ¥ 2 000 per adult, and for a city of less than 50 000, it is ¥ 1 500 per adult) plus:

| Taxable income (¥ per year) | Marginal tax rate (%) |
|--------------------------------|--------------------------|
| 0 - 2 000 000 | 3 |
| 2 000 000 - 7 000 000 | 8 |
| 7 000 000 + | 11 |

10.1.4 Temporary tax cuts in 1995

A temporary tax deduction of 15 per cent (maximum amount of ¥ 20 000) is allowed for the municipal and prefectural inhabitants taxes.

10.2 Treatment of family income

The tax unit is the individual, couples are taxed separately.

10.3 Social security contribution schedule

Annual gross earnings can be split in 80 per cent of standard earnings, and 20 per cent of bonuses:

- pension: 8.25 per cent of standard earnings + 0.50 per cent of bonuses;

- sickness: 4.10 per cent of standard earnings + 0.30 per cent of bonuses;
- unemployment: 0.4 per cent of gross earnings (including bonuses).

11. Part-time work

11.1 Special benefit rules for part-time work

Minimum of 6 months of insured work in the last 12 months (with minimum 20 hours of work per week) to be eligible to unemployment benefits.

11.2 Special tax and social security contribution rules for part-time work

None.

12. Policy developments

12.1 Policy changes introduced in the last year

None.

12.2 Policy changes announced

None.

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**The annual tax/benefit position of an unemployed single person, 1995
(Yen)**

| | Unemployment insurance | Social assistance |
|---|---------------------------|-------------------|
| A. Taxable benefits | | |
| Means-tested benefits | | |
| Non-means tested benefits | | |
| Total taxable benefits | 0 | 0 |
| B. Income tax and social security contributions | | |
| Total income tax and social security contributions | 0 | 0 |
| C. Non-taxable benefits | | |
| Means-tested benefits | | |
| Social assistance | 0 | 1 129 440 |
| Non-means tested benefits | | |
| Unemployment insurance | 2 069 112 | 0 |
| Total non-taxable benefits | 2 069 112 | 1 129 440 |
| D. Net income out of work (A-B+C) | 2 069 112 | 1 129 440 |
| E. Net income in work | 3 268 068 | 3 268 068 |
| F. Net replacement rate (D/E) (per cent) | 63 | 35 |

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**The annual tax/benefit position of an unemployed married couple with two children, 1995
(Yen)**

| | Unemployment insurance | Social assistance |
|---|---------------------------|-------------------|
| A. Taxable benefits | | |
| Means-tested benefits | | |
| Non-means tested benefits | | |
| Total taxable benefits | 0 | 0 |
| | | |
| B. Income tax and social security contributions | | |
| Total income tax and social security contributions | 0 | 0 |
| | | |
| C. Non-taxable benefits | | |
| Means-tested benefits | | |
| Child benefits | 0 | 0 |
| Social assistance | 0 | 2 517 360 |
| Non-means tested benefits | | |
| Unemployment insurance | 2 069 112 | 0 |
| Total non-taxable benefits | 2 069 112 | 2 517 360 |
| | | |
| D. Net income out of work (A-B+C) | 2 069 112 | 2 517 360 |
| | | |
| E. Net income in work | 3 482 868 | 3 482 868 |
| | | |
| F. Net replacement rate (D/E) (per cent) | 59 | 72 |

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**The annual tax/benefit position of a lone parent with two children, 1995
(Yen)**

| | Unemployment insurance | Social assistance |
|---|---------------------------|-------------------|
| A. Taxable benefits | | |
| Means-tested benefits | | |
| Non-means tested benefits | | |
| Total taxable benefits | 0 | 0 |
| | | |
| B. Income tax and social security contributions | | |
| Total income tax and social security contributions | 0 | 0 |
| | | |
| C. Non-taxable benefits | | |
| Means-tested benefits | | |
| Child benefits | 0 | 0 |
| Social assistance | 0 | 1 879 560 |
| Non-means tested benefits | | |
| Unemployment insurance | 2 069 112 | 0 |
| Lone parent benefits | 556 680 | 556 680 |
| Total non-taxable benefits | 2 625 792 | 2 436 240 |
| | | |
| D. Net income out of work (A-B+C) | 2 665 72 | 2 436 240 |
| | | |
| E. Net income in work | 3 933 748 | 3 933 748 |
| | | |
| F. Net replacement rate (D/E) (per cent) | 67 | 62 |