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## JAPAN 2001

### 1. Overview of the system

Unemployed persons can receive an unemployment insurance benefit (basic allowance) for a period varying with the reason of job separation, the age and the employment record of the claimant. As long as they satisfy certain conditions, 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 means-tested lone parent benefits. Income-related child-care costs are paid for children under 5. Central and local government taxation is individual. The 2001 AW earnings level is JPY 5 075 080. 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 14 days of work per month.

##### 2.1.2 *Contribution conditions*

as described in 2.1.1

#### 2.2 *Calculation of benefit amount*

##### 2.2.1 *Calculation of gross benefit*

The basic allowance is calculated from the daily amount of wages (DAW). DAW are amount obtained by dividing the total amount of wages, excluding bonuses, paid during the last 6 months by 180 days.

A benefit ratio (BR) is then calculated for those under 60 years old, with the following formula:

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- (i) if  $2\,160 \leq \text{DAW} < 4\,250$  BR = 0.8
- (ii) if  $4\,250 \leq \text{DAW} < 10\,280$  BR =  $0.8 + [(0.2 * (4\,250 - \text{DAW})) / (10\,280 - 4\,250)]$
- (iii) if  $10\,280 \leq \text{DAW} < \text{Maximum Amount}$  BR = 0.6
- (iv) if  $\text{DAW} \leq 2\,160$  or  $\text{DAW} \geq \text{Maximum Amount}$   
 The daily amount of basic allowance is fixed at  $2\,160 * 0.8$  and the Maximum Amount \* 0.6 respectively.

The maximum amount of DAW	
Years old	Yen
- 29	14 590
30 - 44	16 210
45 - 59	17 840

BR for recipients who are equal to or over 60 but under 65 is calculated with the following formula:

- (i) if  $2\,160 \leq \text{DAW} < 4\,250$  BR = 0.8
- (ii) if  $4\,250 \leq \text{DAW} < 13\,300$  BR =  $0.8 + [(0.3 * (4\,250 - \text{DAW})) / (13\,300 - 4\,250)]$
- (iii) if  $13\,300 \leq \text{DAW} < 19\,450$  BR = 0.6
- (iv) if  $\text{DAW} \leq 2\,160$  or  $\text{DAW} \geq 19\,450$   
 The daily amount of basic allowance is fixed at  $2\,160 * 0.8$  and  $19\,450 * 0.6$  respectively.

The maximum amount of basic allowance, which the unemployed is able to receive during the unemployment spell, is calculated from the daily amount of wages, the benefit ratio, and the number of days the basic benefit is paid during the year:

The maximum amount of basic allowance = DAW \* BR \* the prescribed duration of benefits (90-360days)

The maximum benefit is JPY 3 853 440.

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### 2.2.2 *Income and earnings disregards*

It is not means-tested, and the benefit stops when the recipient gets employed or starts his/her own job. 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 360 days according to the period of employment insured, the age of the recipient and the reason of job separation, as follows:

#### a. The ordinary unemployed

Insured period		Less than 1 year	1 to 4 years	5 to 9 years	10 to 19 years	20 years or more
Classification						
The generally insured		90 days		120 days (90 days)	150 days (120 days)	180 days (150 days)
Persons difficult to be re-employed	- 29	150 days	300 days (240 days)			
	30 - 44		300 days (270 days)			
	45 - 64		360 days (270 days)			

Days in parenthesis are for recipients who were insured short-time workers.

#### b. The unemployed as a result of bankruptcy, dismissal, etc.

Insured period		Less than 1 year	1 to 4 years	5 to 9 years	10 to 19 years	20 years or more
Age						
Younger than 30		90 days	90 days	120 days (90 days)	180 days (150 days)	210 days (180 days)
30 - 44			90 days	180 days (150 days)	210 days (180 days)	240 days (210 days)
45 - 59			180 days	240 days (210 days)	270 days (240 days)	330 days (300 days)

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60 - 64		150 days	180 days (150 days)	210 days (180 days)	240 days (210 days)
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Days in parenthesis are for recipients who were insured short-time workers.

A unique feature in the unemployment benefit system is the re-employment allowance: a lump-sum amount is paid to an unemployment benefit recipient, whose remaining duration of benefits of basic allowance is one-third or more of the prescribed duration of benefit and 45 days or more, and who takes up steady employment or starts his/her own job.

## 2.5 *Treatment of particular groups*

### 2.5.1 *Young persons*

None.

### 2.5.2 *Older workers*

When older workers equal to or over 65 lose their job, the benefits for them are paid a lump sum.

Insured employment (years)	The benefit amount (JPY)
Less than 1	30 * daily benefit of basic allowance
1 – 4	60 (50)* daily benefit of basic allowance
5 –	75 (50) * daily benefit of basic allowance

The numbers in parenthesis are for recipients who were insured short-time workers.

The daily amount of basic allowance is calculated as same as that of recipients under 30 years old.

## 3. **Unemployment assistance**

None.

## 4. **Social assistance**

Social assistance consist of eight parts of aids, provided for those who are unable to provide minimum living standards. These are: livelihood aid, housing aid, medical aid, long-term care 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 paid in Osaka and Tokyo.

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#### 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) (JPY per month)
0	15 140
1 - 2	22 030
3 - 5	27 250
6 - 8	32 380
9 - 11	36 850
12 - 14	44 500
15 - 17	47 830
18 - 19	42 470
20 - 40	40 410
41 - 59	38 610
60 - 69	36 500
70	32 690

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

Number of family members	1	2	3	4 + X
Basic amount (in JPY per month)	43 910	48 600	53 880	58 620 + 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.

Number of family members	1	2-	7-
Basic amount (in JPY per month)	53700	69800	83800

##### 4.2.1.1 Irregular additional payments

Winter supplementary assistance (in Tokyo, in JPY per month) is provided 5 months in a year (from November to March).

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	year	1 person	2	3	4	5 and more amount to add per 1 increase
13	2001	3,130	4,060	4,840	5,490	200
14	2002	3,130	4,060	4,840	5,490	200
15	2003	3,090	4,010	4,780	5,420	200
16	2004	3,090	4,000	4,770	5,410	200
17	2005	3,090	4,000	4,770	5,410	200
18	2006	3,090	4,000	4,770	5,410	200
19	2007	3,090	4,000	4,770	5,410	200
20	2008	3,090	4,000	4,770	5,410	200
21	2009	3,090	4,000	4,770	5,410	200

#### 4.2.2 *Income and earnings disregards*

Earnings net of tax and social security contributions up to JPY 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 (JPY)	Monthly threshold Y (JPY)
0 - 8340	0 - 8 340
8 340 - 92 000	8 340 - 22 570
92 000 - 248 000	22 570 - 33 560
248 000 +	33 560

#### 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.

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## **6. Family benefits**

### **6.1 *Conditions for receipt***

The benefit is income-tested. It is paid for a child under the age of elementary school admission. Since June 2000, the age limit was raised to 6 years old.

### **6.2 *Calculation of benefit amount***

#### **6.2.1 *Calculation of gross benefit***

JPY 5 000 per month per child for the first two children, and JPY 10 000 per month per child for the third and subsequent children.

#### **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 JPY 3 010 000 (JPY 4 600 000 for employees) plus JPY 380 000 per dependent.

### **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 mainly 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).

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## 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 (JPY per month)		
	Income tax position (JPY per year)	Age of child (years old)	
		< 3	3 <
1	<b>Eligible to social assistance</b>	0	0
2	<b>No local tax</b>	9 000	6 000
3	<b>Local tax</b>	19 500	16 500
	<b>Central tax</b>		
4	- 64 000	30 000	Actual cost (< 27 000)
5	64 000 - 160 000	44 500	Actual cost (< 41 500)
6	160 000 - 408 000	61 000	Actual cost (< 58 000)
7	408 000 +	Actual cost (< 80 000)	Actual cost (< 77 000)

\* Category 2 and 3 exclude cases which fall into category 1, 4-7.  
Category 4-7 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

Re-employment allowance (see 2.4).

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.

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## 9. Lone-parent benefits

### 9.1 *Conditions for receipt*

To be a lone parent, and to have a child who has not yet reached his/her 18th birthday by March 31st of the given year.

### 9.2 *Calculation of benefit amount*

#### 9.2.1 *Calculation of gross benefit*

Number of children	1	2 + X
Basic amount (in JPY per month)	42370	47370+ 3 000 X

#### 9.2.2 *Income and earnings disregards*

Means-tested.

For fatherless family's mothers and others whose earnings of the previous year were less than JPY 2 048 000, monthly allowance is granted of JPY 42 370 in case of one child, JPY 47 370 in case of two children, and for third child and up additional JPY 3 000 for each child. For similar persons whose earnings of the previous year was more than JPY 2 048 000 but less than JPY 3 000 000, monthly allowance is reduced by JPY 14 020.

*[From the National Institute of Population and Social Security Research, Japan. To be approved.]*

### 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 for Central Government income tax*

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

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- basic exemption: JPY 380 000;
- spouse exemption: JPY 380 000 if dependent spouse;
- special spouse exemption: JPY 380 000;
- dependent exemption: JPY 480 000 per dependent child under 16.
- social security contributions: see Section 10.3;
- employment income deduction: regressive with gross annual earnings. The minimum of JPY 650 000 is granted when the allowance is calculated to be less than this amount:

Gross earnings (JPY 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.

#### 10.1.3 *Tax schedule for Central government tax:*

Taxable income (JPY 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 +	37

Proportional Tax Reduction (granted as from 2001): After applying the schedule, 20% of calculated amount (ceiling: JPY 250 000).

#### 10.1.4 *State and Local tax (Prefectural and Municipal)*

Tax allowances:

- Basic allowance: JPY 330 000
- Dependent spouse: JPY 660 000 if the spouse has no income.
- Per dependent child: JPY 330 000

On taxable income after allowances, prefectural and municipal taxes are as following:

- prefectural: it is JPY 1000 per adult plus:

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Taxable income (JPY per year)	Marginal tax rate (%)
0 – 7 000 000	2
7 000 000 +	3

- municipal: for a city of more than 500 000 persons, it is JPY 3 000 per adult (for a city of between 50 000 and 500 000 persons, it is JPY 2 500 per adult, and for a city of less than 50 000, it is JPY 2 000 per adult) plus:

Taxable income (JPY per year)	Marginal tax rate (%)
0 - 2 000 000	3
2 000 000 - 7 000 000	8
7 000 000 +	12

Proportional tax reduction for prefectural and municipal taxes: 15% of the result of applying the schedule, with a ceiling (jointly for both local taxes) of JPY 40 000

## 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: 8.675 per cent of standard earnings + 0.50 per cent of bonuses;
- sickness: 4.25 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 12 consecutive months of insured work in the last 24 months (with minimum 20 hours of work per week) to be eligible for unemployment benefits.

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

None.

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## 12. Policy developments

### 12.1 Policy changes introduced in the last year

#### 1. Development of benefit system focusing restructured middle-age workers (Tables below) (enforced on April 1, 2001)

Considering the current change in conditions surrounding employment, the present system of duration of benefit where duration uniformly increases with age bracket (90 to 300 days) was re-examined. The duration of benefit was recognised so that those workers who are separated from their job due to bankruptcy of company or dismissal, particularly in middle-age brackets, are ensured to have sufficient duration of benefit, while those who can prepare for re-employment in advance of their turn over including retired workers is lessened.

#### 2. Review of re-employment allowance (enforced on April 1, 2001)

The amount of re-employment allowance used to follow a staircase pattern. Classification of fixed duration was abolished to adopt a system of paying the amount equivalent to 1/3 of remaining pay-days. Also changed was the minimum limit of payment of re-employment allowance.

#### 3. Improvement of child-care leave benefits and family-care leave benefits (enforced on April 1, 2001)

The rate of child-care leave and family-care leave benefits was raised from 25% to 40% of the wage before leave.

#### 4. Review of employment insurance finance (enforced on April 1, 2001)

##### 1) Review of insurance rate

The premium rate concerning unemployment benefits was 11/1000 (to be halved between management and labour) in principle except for certain types of industry. The rate was provisionally decreased to 8/1000 in FY 1992 and 1993 when revenue and expenditure were basically moving in black. Considering changes in the conditions surrounding employment stated above and resulting employment insurance finance situation, the present provisional measure was abolished and the insurance rate concerning unemployment benefits has been increased to 12/1000 in principle.

#### Tables. Comparison between prescribed duration of benefit at present and after reform

*Before reform*

Qualified recipient who was an ordinary insured person

Period of being insured	Less than 1 year	1 to less than 5 years	5 to less than 10 years	10 to less than 20 years	20 years or more
Age					
Less than 30 years of age	90 days	90 days	90 days	180 days	
30 to less than 45 years of age		90 days	180 days	210 days	210 days
45 to less than 60 years of age		180 days	210 days	240 days	300 days
60 to less than 65 years of age		150 days	300 days	300 days	300 days

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*Current duration of benefit*

Duration of benefit for ordinary retirees

Period of being insured	Less than 5 years	5 to less than 10 years	10 to less than 20 years	20 years or more
Classification				
Ordinary insured person	90 days	120 days	150 days	180 days

Duration of benefit for the retirees due to bankruptcy of or being fired from company

Period of being insured	Less than 1 year	1 to less than 5 years	5 to less than 10 years	10 to less than 20 years	20 years or more
Age					
Less than 30 years of age	90 days	90 days	120 days	180 days	----
30 to less than 45 years of age	90 days	90 days	180 days	210 days	240 days
45 to less than 60 years of age	90 days	180 days	240 days	270 days	330 days
60 to less than 65 years of age	90 days	150 days	180 days	210 days	240 days

2) Review of state contribution

Unemployment benefits should account for  $\frac{1}{4}$  of the amount of unemployment benefits in principle. As a temporary measure, however, it was reduced twice in 1992 and 1998 to 14%. The temporary measure was abolished in the review this time to the original share of  $\frac{1}{4}$  as a unified item for reform with a focus on benefits for job seekers and increase in the insurance rate. This aims at ensuring the stable operation of the system.

In addition, special requirements for short-time workers (so-called part-time workers) and registered temporary workers were reviewed. Among the applicable conditions of 1) 20 hours or more of prescribed weekly working hours, 2) being expected to be employed consecutively for 1 year or more, and 3) being expected to earn JPY 900 000 or more annually, the requirement concerning annual income was to be abolished. Thus the scope of application was decided to be further expanded to cope with diversifying forms of employment.

This reform is the greatest reform since the Employment Insurance Law was enforced in 1975. The ministry is making its effort to publicise the revised employment insurance system so that earlier re-employment is promoted, the application of the system is promoted, fair provision of benefits can be secured, and as a result, the Employment Insurance system continues to perform effectively as a nucleus of safely net employment under this new system.

**12.2 Policy changes announced**

None.