

Employment Adjustment Subsidy Related to COVID-19

In the current serious economic situation as a consequence of the COVID-19 emergency, employers are facing difficulty in continuing business activities and assuring employment of workers. In order to support such employers, the government announced special measures for the Employment Adjustment Subsidy program to be applied for the emergency period from April 1, 2020 to June 30, 2020 (Emergency Period). This article will outline the major points of special measures based on the information as of May 6, 2020.

■ What is Employment Adjustment Subsidy?

When an employer is temporally forced to reduce workforce due to downsizing of business activities affected by the stagnant economic environment, the employer may furlough for a certain period. The Labor Standards Act requires the employer to pay at least 60% of the normal salary as leave allowance for the suspended days or hours to compensate for the loss of salary. The employer who pays the leave allowance and satisfies several other requirements can apply for the Employment Adjustment Subsidy.

■ Special Measures for Emergency Period

Aiming to expand the coverage during the emergency circumstances, the government will ease the requirements as follows.

Scope of workers	All employees including those who are not enrolled in employment insurance, such as part-timers.
Application period	April 1, 2020 – June 30, 2020
Applicable leave period	January 24, 2020 – July 23, 2020
Level of business decline	Turnover for the month has been reduced by 5% compared with the same month in the previous year for leave starting in the Emergency Period. The standard rate of 10% is applied for other periods.
Leave days/hours	The total leave days/hours must be 2.5% or more of the total working days of all employees for small/mid- sized companies (SME). The rate for large companies is 3.4%.
Benefit rate	The equivalent to 90% of the leave allowance for SME and 75% for large companies with a cap of 8,330 yen per day. If certain conditions are met, 100% will be applied to SME. These rates apply on the condition that no dismissal is conducted due to the COVID-19 crisis.
Number of days granted	Up to 100 days plus additional days during the Emergency Period per year

Calculation of subsidy amount:

The actual benefit amount is calculated based on the total wages fixed in the 2019 declaration of labor insurance premium for the year April 2018 - March 2019. The daily amount is determined by the total wages paid to all employees, the total number of employees and the annual total of working days. Thus, it should be noted that the benefit amount does not correspond to the total of leave allowance paid to individual employees. As an exceptional treatment, small companies having 20 employees or fewer are allowed to calculate the subsidy amount based on the leave allowance actually paid.

Scope of SME:

Industry	Capital (in JPY)	or	Number of employees
Retail	50M or less		50 or less
Service	50M or less	100 or less	
Wholesale	100M or less	100 or less	
Others	300M or less	300 or less	

■ How to apply

The employer must conclude a labor-management agreement with an employee who represents a majority of all employees regarding working conditions such as scope of applicable employees, leave schedule, leave allowance, etc., and then prepare a leave plan according to the agreement. For the Emergency Period, it is not necessarily required to prepare the leave plan before starting the leave. After the leave allowance has been paid, the employer must submit to the labor authority the agreement, leave plan and other various application forms with supporting documents such as general ledger, work rules, wage ledger, employees list, etc. within 2 months.