

What Financial Support is Available for Employers Facing a Reduction in Activity?

When an employer reduces employees' working days and/or hours due to business reduction caused by COVID-19 and the employees are completely relieved from their duties during the reduced working period, their wages could be reduced on a pro rata basis. However, in principle, the employer must pay the compensation for absence from work during the reduced working period to the employees. The compensation for absence from work must be no less than 60% of the normal wages of the employees.

For the purpose of supporting the payment of compensation for absence from work, the Employment Adjustment Subsidy covers any costs or expenses incurred by employers in connection with compensation for absence from work incurred by a reduction in employees' working days and/or hours due to economic crisis, change in industry or other economic reasons.

As the COVID-19 pandemic has persisted, the Japanese government has enacted special legislation to relax the eligibility and requirements for the Employment Adjustment Subsidy program to meet the needs of companies facing business reductions (the "**Special Legislation**"). The Special Legislation shall apply to the reduced working days and/or hours caused by COVID-19 for a period from April 1, 2020 to June 30, 2020. Since the Japanese government has been actively discussing further expansion of the Employment Adjustment Subsidy, we will closely monitor any relevant update.

What is the Eligibility Criteria for the Employment Adjustment Subsidy?

To receive the Employment Adjustment Subsidy based on the Special Legislation, employers must meet certain requirements, including the following:

- Due to COVID-19, the employer's monthly revenue or production is reduced by 5% or more compared to the monthly revenue or production of the same month of the previous year.

- The reduction of working days and/or hours must be based on agreement with labor unions or the collective bargaining agent of employees.
- The employer has filed (or will file by June 30, 2020) with the local labor bureau a plan summarizing the period and the number of employees subject to the reduced working days and/or hours.
- The employer actually pays the compensation for absence from work, which shall be no less than 60% of normal wages of the employees, to employees for the reduced working days and /or hours.

The Employment Adjustment Subsidy is available to subsidiaries of foreign companies so long as such subsidiaries are located in Japan and satisfy these criteria.

How is the Coverage of the Employment Adjustment Subsidy Calculated?

For small and medium-sized businesses¹, the Employment Adjustment Subsidy covers 80% of the compensation for absence from work actually paid to each employee. If the employer does not lay off any employees, the coverage will increase to 90%. In addition, the Japanese government announced its intention to enact special legislation that if a small and medium-sized business pays compensation for absence from work that is more than 60% of the normal wages of its employees, the Employment Adjustment Subsidy will wholly cover the portion that exceeds 60% of the normal wages. More details are expected to be announced in early May.

For large businesses², the Employment Adjustment Subsidy covers two-thirds (2/3) of the compensation for absence from work actually paid to each employee. If the employer does not lay off any employees, the coverage will increase to 75%.

However, in any of the above cases, the maximum amount of the coverage by the Employment Adjustment Subsidy is JPY 8,330 per employee per day. This maximum amount may be increased in the future.

To date, only a few employers have been granted the Employment Adjustment Subsidy, and the details of application procedures and review protocols for the Employment Adjustment Subsidy remain unclear.

¹ A small and medium-sized business is defined as follows:

- (i) A retailer, including a restaurant business, whose capital is up to JPY 50 million or number of employees is up to 50;
- (ii) A service business whose capital is up to JPY 50 million or number of employees is up to 100;
- (iii) A wholesaler whose capital is up to JPY 100 million or number of employees is up to 100; and
- (iv) Other business whose capital is up to JPY 300 million or number of employees is up to 300.

² A large-sized business is defined as companies that are not a small and medium-sized business.

Any Other COVID-19 Related Subsidy Available for Employers in Japan?

Subsidy for School Closures

If an employer granted special paid leave to employees who need to take care of their children due to temporary closures of daycare centers, pre-schools, elementary schools or other similar facilities, such employer may receive a subsidy for the special paid leave granted. However, the special paid leave must be granted on top of the annual paid leave during a period from February 27, 2020 to June 30, 2020. As of today, this subsidy is also capped at JPY8,330 per employee per day.

Subsidy for Work from Home Arrangements

If an employer of small and medium-sized business has newly introduced work from home arrangements to address problems caused by COVID-19, the employer may receive a subsidy to compensate for costs associated with introducing the work from home arrangements, such as the costs of purchasing relevant equipment. The amount of this subsidy is half (1/2) of the actual costs incurred during a period from February 17, 2020 to May 31, 2020, but capped at JPY1 million in total. The deadline of the application for this subsidy for work from home arrangements is May 29, 2020.

Other Subsidies Granted by Local Governments

Some local governments have established their own subsidy programs. For example, the Tokyo Metropolitan Government launched a subsidy program for some targeted businesses, such as restaurants and nail salons, that temporarily closed their businesses in response to the request from the Tokyo Metropolitan Government.

This alert summarizes some key subsidy programs available for employers amid the COVID-19 crisis. It provides basic and general information as of the date hereof and is not intended to be a substitute for actual legal advice.

Key Websites/Sources of Guidance (please note all sites are in Japanese only):

[Employment Adjustment Subsidy](#)

[Subsidy for school closures](#)

[Subsidy for work from home arrangements](#)

[Subsidy from the Tokyo Metropolitan Government](#)

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