

XIII. Reoccurring Problems in Securing Employment and Livelihoods in Japan

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1. Introduction

In January 2020, the first person infected with coronavirus was confirmed in Japan. In February, the emergence of a mass infection aboard an international cruise ship calling at a port of Japan attracted the attention of the Japanese population. Meanwhile, coronavirus was spreading within Japan. Given these circumstances, the Japanese government called for major events to be cancelled or postponed and for all primary, middle and high schools¹ across Japan to be closed from early March to early April. In April 2020, the declaration of emergency in accordance with the “Act on Special Measures against Novel Influenza, etc.” (ASMNI)², was issued for the first time.³

This emergency declaration had already been made four times by October 2021 and has been the main basis for the measures to protect the population from coronavirus infection. The Prime Minister of the Japanese government can issue the declaration of emergency if the coronavirus spreads rapidly throughout Japan and could greatly affect the lives of the population and the economy (Section 32(1) ASMNI). He shall then set out the relevant matters for the implementation of measures against coronavirus infection in a directive (Section 32(6) ASMNI). The emergency declaration applies to all prefectures⁴ in Japan or to part thereof. The affected prefectures are obliged to implement the necessary measures according to

1 In Japan, primary school comprises grades 1 to 6 for six- to twelve-year-olds. Middle school comprises grades 1 to 3 for those aged twelve to fifteen. Secondary/high school comprises grades 1 to 3. Compulsory education applies to primary and middle school.

2 [Law No. 31](#) of 2012.

3 The scope and content of ASMNI comprise not only infection with novel influenza viruses, but also infection with coronavirus.

4 Japan is divided into 47 prefectures. A prefecture is divided into several cities and municipalities. The total number of cities and municipalities in January 2021 was approx. 1,700.

the directive. Governors may require residents and businesses within their regions to implement the respective anti-corona measures (Section 31-6 Paras. 1 and 2 ASMNI).

So far, the governors of the affected prefectures have mainly required residents to wear face masks, keep their distance from fellow residents, refrain from leaving the house unless absolutely necessary or urgent, and pay attention to hand hygiene. They also demanded that companies encourage home office work and, above all, that the operators of restaurants, pubs, department stores, large shopping malls and entertainment venues keep these facilities closed or reduce their opening hours.

The declaration of emergency is not legally binding on individual residents or individual businesses. However, most have actually followed these requests so far. This has helped reduce the number of new infections and seriously ill COVID-19 patients. This relationship between the government and the citizens is a remarkable feature of Japan's policy against the spread of coronavirus infection. Critics pointed out that this attitude of Japanese citizens showed their overdependence on the government.

It was proposed to introduce stricter, legally binding measures by amending the law to allow a lockdown as effected in European countries and the USA. But the government was reluctant to accept the proposal.⁵

The first emergency declaration was made on 7 April 2020 for seven prefectures. From 16 April, it applied to all prefectures in Japan. Via this declaration, governors asked residents to refrain from going out and operators of restaurants and pubs to close their businesses. In the first phase of the spread of coronavirus, there was insufficient information about its characteristics. Therefore, the measures taken were intended to reduce as much as possible the radius of movement of people and the number of contacts between. Since the spread of the virus could be curbed by these measures, the state of emergency was lifted in stages starting as early as May 2021.

But the declaration of emergency had a major impact on the economy, employment and the lives of people. Gross domestic product (GDP) fell by 7.9% in price-adjusted terms in the second quarter of 2020 compared to the previous quarter⁶ because the anti-corona measures led to many economic activities being suspended. Although GDP grew again in the

5 Cf. "Government Expert Commission Members Called for Legislation to Enable Lockdown", Tokyo Shimbun, 17 Aug 2021 (in Japanese).

6 Cf. Cabinet Office, Quarterly Estimates of GDP for April - June 2021 (Second Preliminary Estimates) 8/09/2021.

third and fourth quarter of 2020, GDP fell by 4.4% year-on-year in 2020 in price-adjusted terms. GDP fell by 1.1% in price-adjusted terms in the first quarter of 2021 due to the impact of the emergency declaration made in January 2021, but rose again by 0.5% in the second quarter as against the previous quarter (Table 1).

Table 1: *Quarterly Real Growth Rate (Seasonally Adjusted Series, Quarter to Quarter)*

	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2
Growth Rate (%)	-7.9	5.4	2.8	-1.1	0.5

Source: Cabinet Office, Quarterly Estimates of GDP for April - June 2021 (Second Preliminary Estimates) 8. September 2021.

If we compare the figures with those of the global financial crisis of 2008, GDP fell more significantly in the second quarter of 2020 than in the first quarter of 2009. The reason for this is that private consumption, which accounts for over 50% of GDP, fell more sharply this time. This shows how much the abandonment of going out and the closure of restaurants and pubs affected the lives of the population and the economy.

One can also note the same tendency in the development of the number of employees. Many enterprises were to limit or stop their economic activities under the circumstances in which the declaration of emergency was made. They made efforts to maintain the employment of their employees by granting leave. This led to a rapid increase in the number of employees taking leave in April 2020. At the same time, the number of employees, especially female employees who were in atypical employment (e.g. part-time employment), decreased significantly.⁷ Since then, the number of employees in regular employment has been slowly increasing again. On the other hand, the number of employees in atypical employment remains below the pre-pandemic level. The decline in the number of workers in atypical employment is most pronounced in hotels, restaurants and pubs, wholesale and retail trade, and entertainment establishments. Although the number of employees decreased, the unemployment rate did not increase as much. It rose from 2.4% in January 2020 to 3.1% in October 2020, attributed to the fact that many unemployed persons refrained from

7 Cf. Ministry of Internal Affairs and Communications, Annual Report regarding the Study of the Labour Force.

looking for work because they were afraid of contracting the coronavirus.⁸ The declaration of emergency was also made in January, April and July 2021. But the unemployment rate increased less than in April 2020 and was 2.8% in August 2021 (Table 2). One reason is that these anti-corona measures were not as strict as a year earlier, and the number of affected prefectures was smaller. Nevertheless, the unemployment rate still remains at a higher level than before the corona pandemic.

Table 2: Unemployment Rate in %

2020											
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Okt	Nov	Dez
2.4	2.4	2.5	2.6	2.8	2.8	2.9	3.0	3.0	3.1	3.0	3.0
2021											
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug				
2.9	2.9	2.6	2.8	3.0	2.9	2.8	2.8				

Source: MIC “Labour Force Survey”

The level of total earnings per worker dropped significantly shortly after the first declaration of emergency and remained lower after its lifting than before. According to the results of a survey conducted in December 2020⁹, 40% of respondents answered that the spread of coronavirus had an impact on their employment and income. Approximately 60% of the respondents answered that their income had decreased. This shows that not only people who lost their jobs because of the spread of coronavirus, but also people who were held in employment experienced a decrease in their income.¹⁰

Home office work quickly became common. The reason for this is not only the request issued by the state and prefectures to stay at home, but also the need to care for children whose schools were temporarily closed. According to a survey by the Cabinet Office¹¹, one-third of employees switched to home office work in spring 2020. The proportion varied by industry and employment status. It was over 50% in the ‘education’ sector, but only a weak 10% in the ‘medical, social services and child education’

8 Cf. Ministry of Health, Labour and Welfare, Annual Health, Labour and Welfare Report 2020 (in Japanese), p. 4.

9 Cf. The Japan Institute for Labour Policy and Training, [Results of the Survey on the Impact that Spreading Novel Coronavirus Infection Has on Work and Daily Life](#) (December 2020 Survey).

10 Their income decreased particularly due to a decrease in overtime pay.

11 Cf. Cabinet Office, Survey on Changes in Attitudes and Behaviors in Daily Life under the Influence of Novel Coronavirus Infection, 21/06/2020.

sector. It was 42% and 18% for regular and atypical employment respectively.

2. *Job Retention*

a) *Leave at the Request of the Employer*

Measures to maintain employment have been taken on an unprecedented scale. Employers are to pay their workers a leave allowance of at least 60% of their pay if the latter are to take leave for a reason for which the employer is responsible (Section 26 Labour Standards Act¹²). The unemployment insurance scheme provides subsidies to the employer if he is to limit his business activities for economic reasons and pays the leave allowance to his employees whom he asks to take leave. The subsidies amount to 2/3 of the cost of holiday pay for a small and medium-sized enterprise and 1/2 of the cost of holiday pay for a large enterprise, which is at most 100 days of holiday in one year or 150 days of holiday in three years per employee. The subsidies to an employer amount to a maximum of JPY 8,370 (EUR 64¹³) per day per worker who has received holiday allowance from the employer. These subsidies require that the employer and his workers receiving the holiday allowance meet the following conditions: The turnover or production of the employer's business shall have been 10% less in the last three months than in the same months of the previous year. The workers shall have been insured under the unemployment insurance scheme for six months. The unemployment insurance scheme covers workers who are expected to be employed for more than 31 days and whose regular working hours exceed 20 hours per week (Section 6 No. 1 and 2 Employment Insurance Act¹⁴).

The scope and the content of these subsidies have been exceptionally extended and improved for the period between April 2020 and November 2021 as follows¹⁵: During this period, the employer may receive the subsidies if his business activity is affected by the spread of coronavirus and the turnover or production of his business in the last month was 5% less than

12 Law No. 49 of 1947.

13 1 euro (EUR) = 130 Japanese yen (JPY).

14 Law No. 116 of 1974.

15 Section 15-4-3 of the Supplementary Provisions, Ordinance of the Ministry of Health, Labour and Welfare No. 3 of 1975.

in the same month of the previous year. Workers who are not covered by unemployment insurance (e.g. workers with a regular working week of less than 20 hours) are also included in the scope of the subsidies. In principle, the subsidies amount to 4/5 of the cost of holiday pay for a small and medium-sized enterprise and 2/3 of the cost for a large enterprise. The subsidies to an employer shall not exceed JPY 15,000 (EUR 115) per day per employee who has received the holiday allowance from the employer. If the employer has not made any worker redundant, the share of the costs covered by the subsidies is increased to a maximum of 10/10.

Compared with the global financial crisis, when from December 2008 to March 2010 (16 months), a total of JPY 660 billion (EUR 5 billion) was paid to employers for the cost of holiday pay, from February 2020 to March 2021 (14 months), the subsidies totalled about JPY 3.15 trillion (EUR 24 billion). One reason for this difference in the total amount of subsidies is that the exemption, which relates to the conditions and amount of the subsidies, is more generous this time than during the global financial crisis.

In fact, there may be cases when workers can neither receive wages nor holiday pay from their employer, even though they are supposed to take holiday according to his request.¹⁶ To assist such workers, the unemployment insurance system exceptionally granted them a cash benefit from April 2020 to November 2021 which was 80% of their pay if they worked in a small or medium-sized enterprise¹⁷ or were doing shift work, etc. in a large enterprise.¹⁸ However, the amount of the benefit could not exceed JPY 11,000 (EUR 85) per worker per day. Workers who were not covered by unemployment insurance could also receive this benefit. The total cost of these benefits, which were granted until the end of March 2021, was approximately JPY 88 billion (EUR 677 million).

16 This is the case if, for example, the employer does not pay his workers wages or holiday pay under the pretext that the business is not doing well.

17 Within the meaning of this grant scheme, a small or medium-sized enterprise is an enterprise in the retail industry whose capital is less than JPY 50 million (EUR 385,000) or which employs fewer than 50 persons; an enterprise in the service industry whose capital is less than JPY 50 million or which employs fewer than 100 persons; an enterprise in the wholesale industry whose capital is less than JPY 100 million (EUR 770,000) or which employs fewer than 100 persons; and a company in any other industry whose capital is less than JPY 300 million (EUR 2.3 million) or which employs fewer than 300 people.

18 [Section 3 of the Ordinance of the Ministry of Health, Labour and Welfare No. 125 of 2020.](#)

b) *Leave for Child Care*

When an underaged child was infected with coronavirus or the primary school, kindergarten or day care centre he or she attended was temporarily closed due to the spread of corona infections, his or her mother or father would sometimes not be able to work because of child care duties. To alleviate the financial burden of such mothers and fathers, the following system was introduced: If the employer granted paid leave to his employees who were to take care of their minor children for the abovementioned reason, he could receive subsidies from unemployment insurance. The amount of these subsidies was equal to the amount of pay paid by the employer, but could not exceed JPY 13,500 (EUR 104)¹⁹ per employee per day.²⁰ If a person working on behalf of a third party was to take care of their minor children for the reason mentioned above, they could receive a cash allowance of JPY 6,750 (EUR 52)²¹ per day from the unemployment insurance fund.²² The total cost of these allowances and cash benefits granted until the end of March 2021 was approximately JPY 57 billion (EUR 400 million).

c) *Sickness Benefit*

The Japanese statutory health insurance system basically consists of an employee health insurance scheme (EHIS) and a people's health insurance scheme (PHIS) as well as a health insurance scheme for persons aged 75 and over.²³ Persons under 75 years of age are insured under the EHIS and PHIS. In the EHIS, employees and their family members who meet certain requirements are subject to compulsory insurance. Employees who work more than 30 hours per week must be insured under the EHIS. Employ-

19 In prefectures for which the state of emergency was declared, the amount was increased to JPY 15,000 (EUR 115).

20 [Section 17-2-4 of the Supplementary Provisions](#), Ordinance of the Ministry of Health, Labour and Welfare No. 3 of 1975.

21 In prefectures for which the state of emergency was declared, the amount was increased to JPY 7,500 (EUR 58).

22 [The eligibility requirements and the amount of the benefit are provided for in the administrative regulation of the Ministry of Health, Labour and Welfare on this benefit.](#)

23 The Employee Health Insurance Law ([Law No. 70](#) of 1922), the People's Health Insurance Law ([Law No. 192](#) of 1958) and the Law on Guaranteed Medical Care for the Elderly ([Law No. 80](#) of 1982) provide for these insurances.

ees whose weekly working hours are between 20 and 30 hours are also compulsorily insured under the EHIS if they meet certain conditions.²⁴ Persons who are not insured under the EHIS are compulsorily insured under the PHIS. In fact, many workers who are in atypical employment are not insured in the EHIS but in the PHIS because they do not meet the abovementioned requirements. If a worker who is insured under the EHIS is infected with coronavirus and, due to this, cannot work, the EHIS will grant him sickness benefit.²⁵

On the other hand, sickness benefit in the PHIS is not a compulsory benefit. Therefore, workers who are insured under the PHIS can receive sickness benefit as long as their health insurance institution has a regulation that provides for the granting of sickness benefit. If a PHIS institution grants the sickness benefit to its insurees who are unable to work due to a coronavirus infection, the state will exceptionally bear the costs of the sickness benefit.

d) Effects of the Measures

During the period of the global financial crisis, the unemployment rate rose from 4.0% in September 2008 to 5.5% in July 2009. During the corona pandemic, it rose from 2.4% in January 2020 to 3.1% in October 2020.²⁶ This means that this time it did not rise as much as during the period of the global financial crisis. On the other hand, this time the number of employees who were asked to take leave increased much more. This development indicates a trend in employer behaviour. Most of them asked their workers to take leave rather than to lay them off. There are two possible reasons for this. First, there was a shortage of staff just before the corona pandemic. Therefore, many employers tried to maintain the employment of their workers. Secondly, the conditions and the amount of allowances and cash benefits for maintaining employment were, exceptionally, more relaxed and increased this time.

24 It is required that

1. the employee is expected to be employed for a minimum of one year,
2. the monthly salary amounts to more than JPY 88,000 (EUR 677),
3. the employee is not a student and that,
4. the employee is employed in a company with more than 500 workers.

25 The sickness benefit is 2/3 of regularly received wages. The insuree is entitled to sickness benefit for a maximum of 18 months.

26 Cf. Ministry of Internal Affairs and Communications, Labour Force Survey.

3. Supporting the Economy

The cabinet decided on a package of measures²⁷ in April and in December 2020 respectively. The two packages provided for many different measures to support the economy, which was affected by the corona pandemic. These included support for enterprises facing difficulties in short-term financing and small and medium-sized enterprises facing difficulties in continuing their business by increasing public spending and granting a loan under more favourable conditions (e.g. interest-free loan and loan without pledge). In addition, measures were taken to recover consumption in the sectors of travel, transport, catering and entertainment. The April package of measures and the December 2020 package of measures projected that public spending would be JPY 48.4 trillion (EUR 372 billion) and JPY 40.0 trillion (EUR 308 billion), respectively, and total spending on them would be JPY 117.1 trillion (EUR 901 billion) and JPY 73.6 trillion (EUR 566 billion). By the end of 2020, spending on corona-related economic support measures exceeded 40% of GDP.²⁸ The following sections describe a few notable anti-corona measures.

A new benefit was introduced to help small and medium-sized enterprises and the self-employed who were affected by the spread of coronavirus to maintain their business. This benefit was granted to them on a one-off basis²⁹ if their turnover in any month of 2020 was 50% less than in the same month of the previous year.³⁰ The benefit was equal to the difference between the turnover of the previous year and 12 times the turnover of that month. However, it could not exceed JPY 2 million (EUR 15,385) for small or medium-sized enterprises and JPY 1 million (EUR 7,692) for self-employed persons.

27 [Cabinet Decision of 7 April 2020](#) about “Emergency Economic Measures to Cope with the Novel Coronavirus (COVID-19)” and [Cabinet Decision of 8 December 2020](#) about “Comprehensive Economic Measures to Secure People’s Lives and Livelihoods toward Relief and Hope”.

28 According to the International Monetary Fund, the rate is higher in Japan than in Germany (cf. IMF, Fiscal Monitor Database of Country Fiscal Measures in Response to the COVID-19 Pandemic, Fiscal Monitor, January 2021).

29 The government is currently working on a plan to grant this benefit once more.

30 Section 4 of [the Regulation on the Benefit that Supports Small and Medium-Sized Enterprises in Maintaining their Business](#) and Section 4 of [the Regulation on the Benefit that Supports Self-Employed Persons in Maintaining their Business](#). These are administrative regulations of the Ministry of Economy, Trade and Industry.

In addition, these enterprises, as well as self-employed persons, could receive another benefit to relieve their rental costs if their turnover in any month between May and December 2020 was 50% less than in the same month of the previous year, or 30% less than in the same three months of the previous year for three consecutive months between May and December 2020.³¹ The amount of the benefit was six times 75% of their monthly rental costs. However, it cannot exceed JPY 6 million (EUR 46,154) for small or medium-sized enterprises and JPY 3 million (EUR 23,077) for the self-employed.

In order to help these enterprises and self-employed persons as quickly as possible, the procedure for claiming these benefits was simplified. However, this led to many cases of fraud.

In the prefectures covered by the state of emergency, the operators of restaurants, pubs, department stores, large shopping centres and amusement facilities were ordered to close their businesses or reduce their opening hours.³² In order to limit their financial damage and encourage their participation in the anti-corona measures, the prefectures provided financial aid to operators who complied with the requirements. Their amount varied between prefectures. For example, in the Osaka Prefecture in September 2021, it depended on the operator's turnover or decrease in turnover.³³ The lower and upper limits were JPY 40,000 (EUR 308) and JPY 100,000 (EUR 769) per day, respectively.³⁴ In many cases, the decrease in turnover could only be partially compensated by the financial aid. Some of the affected operators therefore refused to close their businesses or shorten their opening hours. They also had doubts about the impact of the measures, which only applied to certain sectors. With each new declaration of emergency, the number of operators who did not want to comply with the requests grew. Nevertheless, many operators still implemented the anti-corona measures. One possible reason was that these operators did not want to get a bad reputation.

31 [Section 4 of the Regulation on the Benefit to Relieve the Burden of Rental Costs of Small and Medium-Sized Enterprises](#) and [Section 4 of the Regulation on the Benefit to Relieve the Burden of Rental Costs of Self-Employed Persons](#). These are administrative regulations of the Ministry of Economy, Trade and Industry.

32 Pursuant to Section 24(9) of ASMIN, the governors of the prefectures concerned requested the operators to take these measures.

33 Cf. [Press Release of Osaka Prefecture of September 2021](#).

34 If the amount of the benefit was calculated according to the decrease in turnover, it was a maximum of JPY 200,000 (EUR 1,528) per day.

Measures to recover consumption in the travel, transport, catering, events and entertainment industries were met with strong criticism. To support businesses in these sectors, a system was introduced in which consumers were given discounts on travel costs and fares, costs for food and drink in restaurants and pubs, entrance fees for events and fees for amusement facilities.³⁵ The costs incurred for these discounts were borne by the state. The package of measures adopted in April 2020 stipulated that this rebate system would be launched after the corona pandemic had stabilised. But the government started it already in July 2020. As infection rates went up again rapidly in early November 2020, the government was accused of having taken this decision without considering the circumstances and prioritising the recovery of the economy over the prevention of infections. As a result, the government discontinued the rebate system in November 2020.

4. Social Protection

a) Lump-Sum Benefit for All Residents.

With a view to the impact of the spread of coronavirus on citizens' employment and income, a lump-sum cash benefit of JPY 100,000 (EUR 770) was given to each citizen in 2020.³⁶ Of course, not all residents faced financial difficulties. The decision to grant this benefit was therefore met with criticism because the circle of recipients was too large.³⁷ However, in the first phase of the pandemic, it was not easy to see who needed help – and who did not. It was perhaps important for the government to be able to show its citizens its willingness to help them as quickly as possible.

35 Cf. Ministry of Agriculture, Forestry and Fisheries, “Go To Eat Campaign” and Ministry of Economy, Trade and Industry “Go To Event”.

36 Communication from the Minister of Internal Affairs and Telecommunications to the Governors, etc. dated 20 April 2020.

37 Cf. The Sankei News of 19/12/2021, “Saving the Lump Sum Cash Benefit of JPY 100,000?”.

b) *Support for Families with Children*

In Japan, a parent can receive child benefit if he or she is raising a child under the age of 15 (Section 4(1) Child Benefit Act³⁸). In 2021, the child allowance was JPY 15,000 (EUR 115) per month for children under the age of three and JPY 10,000 (EUR 77)³⁹ for children between the ages of three and 15. If the recipient's annual income exceeds a certain limit⁴⁰, the child benefits he or she can receive is JPY 5,000 (EUR 38) per month. Single parents with lower incomes can also receive child maintenance allowance if their children are under 18. The child maintenance allowance in 2021 is JPY 43,160 (EUR 332) per month for the first child, JPY 10,190 (EUR 78) for the second child, and JPY 6,110 (EUR 47) for the third and each additional child. Entitlement to child maintenance allowance is fully or partially suspended if the recipient's income exceeds a certain limit.⁴¹

In order to support families with children affected by the corona pandemic, a cash benefit of JPY 10,000 (EUR 77) per child entitled to child allowance was granted to each recipient of the April 2020 child allowance.⁴² Each recipient of the June 2020 child maintenance allowance⁴³ and each lower-income child-raising household was granted JPY 50,000 (EUR 385) for the first child and JPY 30,000 (EUR 231) for each additional child to support lower-income single parents (special benefit for single parents).⁴⁴ In addition, each recipient of the special benefit for single parents could receive JPY 50,000 (EUR 385) in December 2020. In addition, recipients of the April 2021 child maintenance allowance and lower-income child-raising households were granted JPY 50,000 (EUR 385) for each child.

38 [Law No. 73 of 1971](#).

39 For the third and each additional child between the ages of three and twelve, it was JPY 15,000 (EUR 115) per month.

40 For example, if he maintains a spouse with no income and one child, the limit of annual income in 2021 is about JPY 7 million (EUR 53,846).

41 For example, the right to child maintenance allowance is not suspended if the annual income of the recipient who has to maintain a child is less than JPY 1.6 million (EUR 20,615).

42 [Communication from the Director General for Economic and Fiscal Management of the Cabinet Office to the Governors](#) dated 26 November 2021.

43 Persons whose entitlement to child maintenance allowance was suspended due to their claiming a pension were included in the group of recipients of this special benefit.

44 [Communication from the Head of the Children and Family Division of the Ministry of Health, Labour and Welfare to the Governors, etc.](#) dated 17 June 2020.

c) Loans

Each Social Welfare Council at the prefectural level⁴⁵ shall provide an interest-free loan or a loan with lower interest rates to persons who are in distress due to a decrease in income.⁴⁶ The funds for these loans are provided by the state.

In this loan system, temporary exceptions have now been made to the terms of the loan (Table 3) for persons who are in distress due to the decrease in income because of the corona pandemic.⁴⁷ These persons can take out a loan if they need money for temporary and urgent livelihood financing. The upper limit of this loan is JPY 200,000 (EUR 1,538) per one case. The repayment period is 2 years at the longest and the grace period is 1 year at the longest. Borrowers do not need to provide a guarantor or pay interest on this loan.

Table 3: Loan Conditions

a) Smaller Loans

	Normally	During Corona Pandemic
Amount	JPY 100,000 maximum	JPY 200,000 maximum
Grace Period	2 months maximum	1 year maximum
Repayment Period	12 months maximum	2 years maximum
Interest	None	None

b) Loans for Maintenance Costs

	Normally	During Corona Pandemic
Amount	JPY 450,000 maximum or JPY 600,000 maximum	JPY 1,350,000 maximum or JPY 1,800,000 respectively
Grace Period	6 months maximum	1 year maximum
Repayment Period	10 years maximum	10 years maximum
Interest	None (if with guarantor) 1.5 % p.a. (if w/o guarantor)	None

In addition, they can take out another loan for a maximum of three months' living expenses if they need money to rebuild their lives. The up-

45 A Social Welfare Council is established in each prefecture in accordance with Section 110(1) of the Social Welfare Act (Law No. 45 of 1951). Its members mainly include operators of social services within the prefecture.

46 [Communication from the State Secretary of the Ministry of Health, Labour and Welfare to the Governors etc.](#) dated 28 July 2009.

47 [Communication from the Director General for Social Welfare and War Victims' Relief Bureau of the Ministry of Health, Labour and Welfare to the Governors](#) dated 11 March 2020.

per limit of this loan is JPY 150,000 (EUR 1,154) or JPY 200,000 (EUR 1,538) per month for a single-person household or a household with two or more persons, respectively. The repayment period is 10 years at the most, and the grace period is 1 year at the most. No guarantor needs to be provided, nor interest paid for this. Later, the system was further improved and this has made it possible for persons involved to take out a loan for a maximum of nine months' living expenses.

With the former and latter loan, the total loan amount cannot exceed JPY 2 million (EUR 15,385). If the annual income of the person taking out these loans is below a certain limit, he or she can be exempted from repayment. For example, the limit for a person living alone is about JPY 1 million (EUR 7,692). The total amount of these loans granted within one year (from April 2020 to March 2021) totalled JPY 77 billion (EUR 592 million) in 1.9 million cases.⁴⁸ This means that 27 times as many people as during the global financial crisis received 32 times the average annual total of 2009 to 2012.

d) Social Assistance

The number of applications for social assistance rose rapidly to 21,486 in April 2020, when the first emergency declaration was made, and was 24.9% higher than in April 2019. But it was lower in May 2020 than in May 2019 and has remained relatively stable since then. The number of households receiving social assistance remained between 1.63 and 1.64 million in 2020 and the first half of 2021, meaning that the number of applications for social assistance and the number of households receiving social assistance did not increase significantly even though the economy was affected by the corona pandemic.

The Japanese government stated that the abovementioned measures to secure the employment and livelihood of the population affected by the corona pandemic contributed to this development.⁴⁹ On the other hand, it has been pointed out that it was not easy, especially for employees who were supposed to take a leave or became unemployed due to the effects

48 According to a news item in the Yomiuri newspaper (online) on 14/07/2021, the total amount of loans in July 2021 was over JPY 1 trillion (EUR 7.7 billion).

49 Cf. Ministry of Health, Labour and Welfare, Annual Health, Labour and Welfare Report 2020 (in Japanese), p. 40.

of the corona pandemic, to claim social welfare benefits.⁵⁰ One reason for this was that the principle of subordination of social assistance is applied more strictly to persons who are able to work. The Japanese government therefore took some measures to relax the application of this principle in order to solve this problem. This made it possible for unemployed persons who could not actively seek work because of the corona pandemic to still receive social assistance.⁵¹ In addition, it was recognised that unemployed persons who were temporarily in need of assistance because of the corona pandemic could keep their car to travel to the office.⁵² Another measure relating to maintenance through family members of the claimant attracted the attention of the mass media.⁵³ When a person in need of assistance applied for social assistance at a social welfare office, the office would usually ask his family members if they could help him. This practice was criticised for delaying the application for social assistance in cases where people did not want to inform their family members of their plight. The Ministry of Labour, Health and Welfare therefore informed the social welfare offices as follows: If an applicant does not allow the social welfare office to ask his or her family members for help, the office should listen to his or her explanation of the reason for refusal and then decide whether he or she can be granted social welfare benefits.

e) *Securing Housing*

If a person who is unemployed or has given up self-employment is in need and therefore faces difficulties in securing his or her housing, he or she may receive a cash benefit equal in amount to the rent of his or her housing.⁵⁴ However, the amount of the benefit cannot exceed that of housing assistance under Section 14 of the Social Assistance Act.⁵⁵ This benefit is generally paid for the duration of three months. It may be extended

50 Cf. Sakurai K., “[Why is the Number of Welfare Recipients not Increasing even in the Corona Pandemic?](#)”, President Online of 18/02/2021.

51 One example is that the unemployed person could not actively look for work due to his fear of being infected with coronavirus.

52 Persons applying for social assistance must normally first sell their car(s) for maintenance purposes in accordance with the principle of subordination of social assistance.

53 Cf. [news item of public television station NHK](#) of 2/03/2021.

54 If the total income of the person’s household exceeds a certain ceiling, this benefit is reduced by the exceeding amount.

55 [Law No. 144](#) of 1950.

to a maximum of nine months if the recipient of the benefit is seeking work. Entitlement to this benefit requires that the benefit recipient has registered with the unemployment office and is honestly and diligently seeking work.

Persons who have to take leave because of the impact of the corona pandemic and who face difficulties in securing their housing because of a reduction in income have also been included in the beneficiary group of this benefit since April 2021.⁵⁶ In addition, the period of receipt of the benefit for which the application was made in 2021 has been extended to a maximum of 12 months.

f) Effects of the Measures

Average gross pay per employee was lower from April 2020 to February 2021 than in the same months of the previous year.⁵⁷ However, gross income per household was higher in most months of 2020 than in the same months of the previous year. In particular, it was over 9% higher in May, June and July than in the same months of the prior year.⁵⁸ This was the result of special income payments (e.g. the lump-sum benefit of JPY 100,000). This means that the various benefits mentioned above had the effect of offsetting the reduction in income to some extent.

5. Conclusion

During the global financial crisis, too, many different measures were taken to maintain employment and support the lives of people. In the receding economy due to the global financial crisis, many workers who were in atypical employment and many self-employed persons who worked on behalf of third parties fell into hardship. They could not receive unemployment insurance benefits because they were not covered by unemployment insurance. It was not easy for them to claim social assistance benefits. One reason for this was that the principle of subordination of social assistance

56 Section 3 of the Ordinance of the Ministry of Health, Labour and Welfare No. 16 of 2015.

57 Cf. Ministry of Health, Labour and Welfare, Monthly Labour Survey.

58 Cf. Ministry of Internal Affairs and Communications, Survey of Household Economy.

was applied strictly, especially with regard to people who were capable of working. It was therefore heavily criticised that unemployment insurance and social assistance did not play a suitable role as a safety net for people in need. It had been pointed out that there was an urgent need to adapt these schemes to the changes in the world of work.

Against this background, some changes were made after the financial crisis.⁵⁹ In unemployment insurance, the circle of insured persons was expanded. In addition, a new law was passed to support certain jobseekers.⁶⁰ These included unemployed persons who were not insured under unemployment insurance or who could no longer receive unemployment insurance benefits due to the expiry of the period of entitlement, as well as self-employed persons who have had to give up their economic activity. These jobseekers can receive free training and are paid JPY 100,000 (EUR 769) per month as contribution to their maintenance during their training if their income does not exceed a certain limit. The duration of the training is to be between two and six months.

A new law was also passed for persons who came to face difficulties in supporting themselves but could not actually receive social assistance benefits due to the principle of subordination.⁶¹ According to this law, they are entitled to individual counselling aimed at helping them rebuild their independent lives. They can receive subsidies for rental costs for a certain period of time, but no assistance for living expenses.

These measures were introduced to help people who receive neither unemployment insurance benefits nor social assistance benefits. Yet, it has been criticised that these measures have not been able to achieve their goal sufficiently, the reason being that the former provides only short-term support to job seekers and the latter does not give any livelihood assistance to persons facing difficulties in making a living. This problem has now arisen again during the corona pandemic. The pandemic has had a great impact on the entire population. Therefore, it has become necessary to expand employment and livelihood measures. This includes the provision of unemployment and health insurance subsidies and benefits to those who are not insured.

In addition, the loan system for persons who cannot receive social assistance benefits was expanded. This has made it possible for very many

59 Cf. Ministry of Health, Labour and Welfare, Annual Health, Labour and Welfare Report 2020, p. 115.

60 Law on Support given to Certain Jobseekers (Law No. 47 of 2011).

61 Act on Indigent Independent Support (Law No. 105 of 2013).

people to take out a loan that temporarily supports their livelihood. It can also be said that this loan system partly took over the task of social assistance. This loan is granted only on the basis of the applicant's statement about a decrease in his income due to the corona pandemic. As the number of applications for this loan increased very much, the borrowers could not be offered sufficient individual counselling to rebuild their lives. However, unlike social assistance, which is money granted as a benefit, the borrowers have to start paying back the loan after just one year. It is to be feared that these persons will not be able to repay this loan because of the perpetuating corona pandemic and will have to take out additional loans at higher interest rates.⁶² This could also lead to the collapse of their lives. It is therefore necessary to continue to provide support to persons who fell on hard times due to the corona pandemic so that they can rebuild their lives.

62 Cf. Imai J., “[What will the Extension of the Special Livelihood Loan System Lead to?](#)” (in Japanese).