

Understanding the required compensation and benefits in Japan is a vital aspect of [employment law compliance](#). You must pay employees at least the minimum wage to maintain compliance, but employers often go above and beyond to stay competitive in a thriving market.

Japan Compensation Laws

Japan's compensation laws vary by the region or city where your company is located. For example, Tokyo's minimum wage as of 2021 is 1,013 yen — the highest in the nation.

Japanese employees are paid monthly instead of bi-weekly. Wages often start on the lower end, but workers are rewarded by seniority. Promotions are typically based on a mixture of experience and ability.

The nation does not have a mandated 13th-month bonus. However, sales employees' commission is often similar to those in the US.

Guaranteed Benefits in Japan

Since wages start low, Japanese employers rely heavily on benefits to draw in prospective talent. Guaranteed benefits include a paid annual leave of ten days after six months of work. Employees get a paid leave increase of one day per year for the following two years and then two days every subsequent year until they reach 20 days — the maximum amount of paid leave a year.

All employees receive excellent health care coverage under Japan's social security system, so many employers do not provide supplemental health benefits. The law requires employers to provide annual physicals and checkups to all employees, as well as stress checkups if necessary based on the type of work. In general, employers should budget about 10% to 15% on top of an employee's salary for benefits.

Japan Benefits Management

If you choose to handle your own benefit management in Japan, you need to have a keen understanding of the nation's guaranteed benefits and market norm. Research what other businesses provide and decide what is best for your business and employees. The entire process involves a significant amount of time and travel to Japan.

On the other hand, you can choose to work with a benefits outsourcing company. Choose someone who is knowledgeable about Japanese benefits and can help you through the whole process. A [global PEO](#) such as Globalization Partners can ensure that your employees receive entitlements and additional benefits that will help your business stay competitive.

Restrictions for Benefits and Compensation

Japan's compensation laws vary by city, so it is crucial to stay up-to-date on regulations in your area. You also need to comply with all tax laws to avoid costly fines or other penalties.

The country also mandates strict maternity leave restrictions. Women are entitled to maternity leave within six weeks of their expected birth date and then another eight weeks after the birth. According to Japanese law, a woman cannot return to work within eight weeks of giving birth unless she wants to resume her work at least six weeks after giving birth and has a doctor's certification that resuming work will not cause problems.

Instead of handling Japan benefit management and navigating these restrictions alone, work with Globalization Partners. We will ensure that your employees get top-of-the-line benefits and that you stay compliant with all employment laws. [Contact us today](#) to learn more.

Japan Competitive Benefits Planning

Your company's expansion to a new country will require careful consideration. A significant part of your expansion is your talent, and with a well-designed benefits package, you can attract and retain dedicated workers. Your Japan employee benefits plan will have to consider

legal requirements like pension contributions while competing with market standards.

About Your Japan Employee Benefits Plan

When you develop your company in a new country, your benefits plan will contribute to your success. The benefits you provide to your employees can make all the difference when it comes to legal compliance and employee retention. While there are some provisions you must provide by law, adding supplemental perks can encourage people to apply for your vacancies and boost morale among your existing team. A strong benefits plan shows your workers you value their well-being and their contribution to your company vision.

When choosing supplemental provisions, you should consider the sort of assistance your potential hires may need. For example, if your business is based in an urban area, you may provide a commuting stipend for getting to work by train. Other options include:

- Housing allowances
- Flexible working hours
- Holiday bonuses
- Telecommuting opportunities

Required Benefits

The labor laws in Japan describe a series of required benefits every employer must provide for their workers. These requirements include:

- Pension contributions
- Health insurance
- Unemployment insurance
- Workers' compensation
- Annual health checks
- Paid annual leave
- Maternity leave

Statutory annual leave entitlements differ depending on employees' years of service.

Maternity leave must be a minimum of 14 weeks — six before delivery and eight after. Payment is not required, though a health insurance scheme may cover a portion of an employee's salary while on leave.

Designing Japanese Employee Benefit Plans

When you design your benefits plan for expansion, you need to consider your company's resources and your employees' needs and expectations. To find the balance between these two, it's essential to do your research.

1. Establish Company Goals and Resources

This initial step in designing your benefits plan is about understanding your abilities as a company. You should look into current earnings and expenses and determine how much funding you can allocate to benefits.

You should also think about your company goals and how your benefits plan can help you achieve them. For example, you might want to focus your efforts on recruiting workers. You may offer fewer supplemental benefits to have a more extensive team. If retention is your priority, you might opt for more benefits and a small core staff.

2. Analyze Employee Needs and Expectations

Job seekers are looking for employers that meet their needs through compensation and benefits. Potential hires will compare employers against each other within the job market to determine which benefits are standard and which are hard to find.

Market research about other employers and employee needs can help you determine which benefits to offer. You can survey workers in the area to find what they're looking for or research companies in your industry to see what applicant expectations may be.

3. Design Your Plan

With the information you've learned about the industry, your workers, and your company, you can make informed decisions about your benefit plans. Start by allocating resources to the required benefits and use your remaining budget to include supplemental provisions based on the information you gathered.

Average Cost of Employee Benefits

The cost of benefits will vary from company to company since every business offers different provisions. Several factors can affect the benefits a company offers, including location, industry, and size.

Creating a budget for your spending is the best way to keep benefits expenses under control. If you set a percentage of your revenue as your budget, you can scale your spending with your company's growth.

How to Calculate Benefits

Calculations will vary as much as costs will. The Japanese government does provide some guidance for pension calculations, but rates are subject to change from one fiscal year to the next.

How Are Employee Benefits Taxed in Japan?

Japan has national and local tax laws that employers need to follow. For international companies, the primary tax concerns include public welfare pension contributions, individual income tax for employees in Japan, and health insurance.

Employee Medical Benefits

Japan's health insurance scheme covers most forms of medical care, though private health

insurance plans are still available. Employers may choose to provide monthly allowances to cover care beyond what's required.

Choose Globalization Partners Today

At Globalization Partners, we help you create your benefits plan with expert support and resources for compliance wherever you go. [Get in touch](#) today to learn more.