

What constitutes average pay in Japan?

The *Global Payroll Association's* director of education and research, Jeanette Hibbert, explores the complex rules for working out average pay rates in Japan.



I have just taken over responsibility for my organisation's payroll in Japan and need to pay out for some annual leave. I know I have to use average pay levels, but am unsure exactly what this means?

Check the contracts that are in place as any contractual pay arrangements will override the basics as laid out in the Labour Standards Act - although they should at least be equal to it. According to the Act, an average wage is determined by taking pay over the previous three months prior to the day in question, and dividing it by the number of calendar days in that period, unless:

1. The wage is computed on the basis of working days or hours, or determined in accordance with a piece rate or other contract price. In this instance, 60% of the amount obtained by dividing the total sum of wages by the number of actual working days during the period must be calculated
2. A portion of the wage is determined on the basis of months, weeks, or any other fixed period. It is then necessary to look at the aggregate of:
 - (a) the amount obtained by dividing the total sum of any such portion of the wage by the number of all days during that period and
 - (b) the amount under the foregoing method.

Where there is a fixed day for closing the wage account, the period of average wages should be calculated from that fixed day.

If the period mentioned in the preceding two items includes any of the following periods, the days and wages during that period should be excluded from the days and total amount of wages under the preceding two items:

1. Days of rest for medical treatment caused by injury or illness in the course of duty
2. Days of rest for women before and after childbirth in accordance with the provisions of Article 65
3. Days of rest brought about by reasons attributable to the employer
4. Period of childcare leave prescribed in item 1 of Article 2 of the Law Concerning the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave (Law No.76 of 1991)
5. Probationary period.

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The total amount of wages for average payments should not include extraordinary wages, wages that are paid periodically for a period exceeding three months, or wages that are paid in anything other than cash and that are not within a fixed scope.

In the event of a wage being paid in anything other than cash, necessary matters relating to the scope of that wage to be included in the total amount of wages under paragraph one and the method for calculating such wage should be set forth by ordinance.

For a worker who has been employed for less than three months, the period for average payments would be the period of his or her employment.

The average wage for a day labourer is fixed by the competent Minister for Labour according to the kind of enterprise or occupation in which that day labourer is engaged.

If the average wage cannot be computed in accordance with the rules laid out, it is determined in the manner set forth by the competent Minister for Labour. ■

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