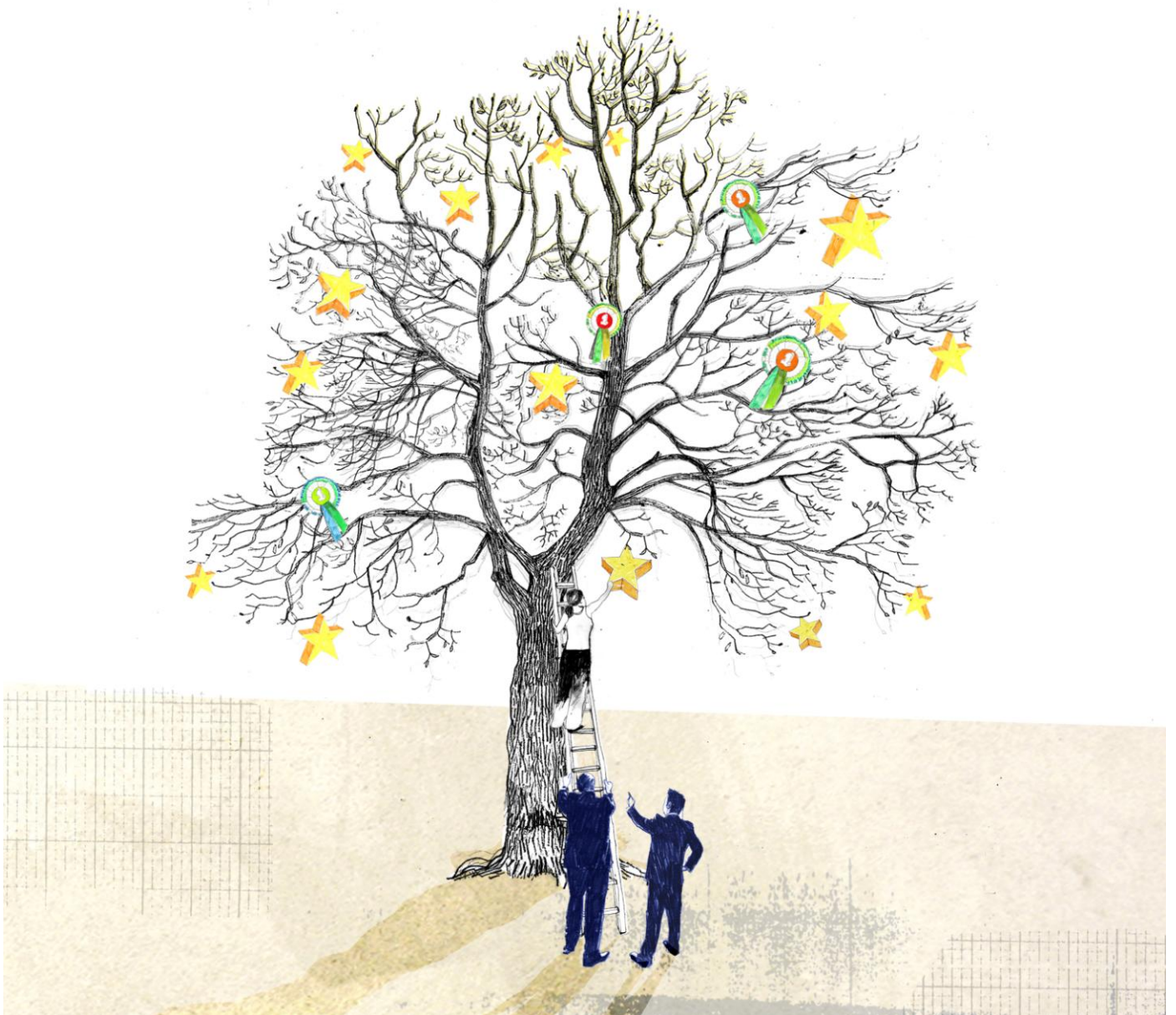


# Japanese Social Insurance

(As of May 1, 2010)



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# Japanese Social Insurance Programs

There are six statutory social welfare programs for employees in Japan, separated into “Social Insurance” and “Labour Insurance” programs. These programs require the payment of monthly premiums by both employer and employee, or by the employer only. The requirement to enrol employees in these social insurance programs is outlined below. The nationality of the employee has no bearing on the enrolment requirement.

**Health Insurance** provides for medical and dental care, hospitalization, medicines etc., for non-work related injuries and sickness of employees and their dependants. **Welfare Pension Insurance** provides pension benefits upon retirement, disability benefits, and survivor benefits in the case of death. **Nursing Care Insurance** (also known as “Long Term Care Insurance”) provides additional benefits for care required in old age. **Childcare Allowance Contribution** provides allowances for low-income families raising children. **Workers’ Accident Compensation Insurance** provides benefits to employees suffering from work-related injuries and sickness. **Employment Insurance** provides unemployment benefits and assistance to terminated workers. What follows are summaries of each statutory program, including governing legislation, premiums, and benefits. A summary of employer and employee portions of premiums for each program can be found in the attached information sheet.

# 1. Health Insurance

## a. Legislation

The Health Insurance Law regulates Health Insurance. If an employer meets the definition of a “corporation” under Japanese law, enrolment of its employees in a nationally approved health insurance plan is mandatory. If the employer is an individual proprietor or other non-corporate entity, then enrolment of employees in a health insurance plan is mandatory if the number of “regular employees” is five or more. “Regular employees” can be defined as employees who are non-temporary, non-seasonal, and who are employed by a business that is itself not temporary in nature. Employees who work part-time must be enrolled in a plan if their average working hours are three-fourths or more that of “standard working hours” (“standard” hours set by the company, to a maximum of 40 hours per week). An employer must have a physical office in Japan in order to participate in a health insurance plan.

Most employers participate in a public plan called Employee’s Health Insurance (*Kenko Hoken*). This insurance is run by the branch offices of Japan Health Insurance association which are located in each prefecture. Companies with more than 700 employees can organize their own health insurance plan based on government approval. Further, trades and professions can organize their own health insurance plan if the number of participants is 3,000 or more. In both cases, benefits provided by the plan must exceed those of the public plan.

## b. Premiums

The premium for Employee’s Health Insurance differ one prefecture to another. For example, its rate of Tokyo is 9.32%. Based on this, the premium of standard regular monthly salary and bonuses, to a maximum premium of JPY112,772 on monthly salaries of JPY1,175,000 or more, and to a maximum premium of JPY503,280 on bonuses of JPY5,400,000 or more. (JPY 5,400,000 as Cap for Bonus is total paid as Bonus during 1 year, between April 1<sup>st</sup> and March 31<sup>st</sup>) The premium is shared equally by employer and employee.

## c. Benefits

Employee’s Health Insurance covers 70% of outpatient and inpatient medical expenses of employees and their dependants. This includes hospital fees, nursing care, and prescription drugs. If the insured person is over 70 years of age, the Insurance covers 90% of medical expenses, while medical expenses for children under 3 years of age are covered at the rate of 80%. Another benefit is the compensation of lost wages due to non-work related injury or sickness. Health Insurance compensates two thirds of the employee’s average daily wage and to a maximum of 18 months. Additionally, Health Insurance provides a lump-sum birth allowance of JPY 390,000 (or JPY 420,000 for childbirth under medical management at medical institutions that have joined the Japan Obstetric Compensation System for Cerebral Palsy) per baby to cover hospital delivery expenses, and female employees who give birth receive a maternity allowance of two thirds of their daily wage for a maximum of 98 days.

## 2. Welfare Pension Insurance

### **a. Legislation**

The Welfare Pension Insurance Law regulates Welfare Pension Insurance. The enrolment requirement for Welfare Pension Insurance is the same as that of Health Insurance. If the number of employees is 1,000 or more, employers can organize their own pension fund subject to government approval.

### **b. Premiums**

The premium for Welfare Pension Insurance is 15.704% of standard regular monthly salary and bonuses to a maximum premium of JPY97,365 on monthly salaries of JPY605,000 or more, and to a maximum of JPY235,560 on bonuses of JPY1,500,000 or more. It has been announced that the premiums will increase by 0.354% per year and will continue through 2017 when the rate will reach 18.30%. The premium is shared equally by employer and employee.

For non-Japanese employees who have made contributions to a pension fund, partial refunds of the contributions made can be claimed if they leave Japan before they become eligible to receive pension benefits.

### **c. Benefits**

In principle, a person who (a) has contributed to Welfare Pension Insurance for 25 years or more, (b) has reached 65 years of age and (c) is not employed is eligible to receive pension benefits. The eligibility criteria for receiving a pension have been revised in recent years. Previously, those contributing to Welfare Pension Insurance for 20 years and who had reached the age of 60 could receive pensions. In order to phase in the new eligibility requirement, the number of years of contributions and the age requirement to receive benefits increases on a sliding scale for those born before April 1<sup>st</sup> 1961.

The benefits consist of the Old-Age Basic Pension (fixed amount) and the Income-Related Pension. The Income-Related Pension amount is based upon the length of the insured period and the average standard regular salary amount during the insured period. Monthly disability benefits are provided to employees who are injured from non-work related injuries or sickness after 18 months of disability. (They are adjusted with disability benefits paid out of health insurance). Survivor pension benefits are provided to a dependent spouse or other qualified relatives in the case that the insured person dies. The Welfare Pension Insurance Law sets out rules for the determination of who qualifies to receive the survivor pension benefits.

### 3. Nursing Care Insurance

Nursing Care Insurance covers people ages 40 years and older and is intended to assist with costs related to disability caused by aging. Benefits provided by this insurance include subsidies for receiving home nursing care and living assistance services. Only employees aged 40 years and older and their employers pay the Nursing Care Insurance premium. The premium is 1.50% (for Tokyo) of monthly salary and bonuses, to a maximum of JPY18,150 on monthly salaries of JPY1,175,000 or more, and to a maximum of JPY81,000 on bonus payments of JPY5,400,000 or more. (JPY 5,400,000 as Cap for Bonus is total paid as Bonus during 1 year between April 1<sup>st</sup> and March 31<sup>st</sup>) The premium is shared equally by employer and employee.

### 4. Childcare Allowance Contribution

The Childcare Allowance Contribution goes towards funding Childcare Allowances, which are paid to low income families raising children. The premium is paid by the employer only, and is currently 1.3% of salary and bonus payments made to all employees, to a maximum of JPY806 on monthly salaries of JPY605,000 or more, and to a maximum of 1,950 on bonus payments of JPY1,500,000 or more.

### 5. Workers' Accident Compensation Insurance

#### **a. Legislation**

The Workers' Accident Compensation Insurance Law regulates the Workers' Accident Compensation Insurance. Employers with one or more employees must have the employees insured under Workers' Accident Compensation Insurance.

#### **b. Premiums**

The premiums for the plan range from 0.3% to 10.3% of standard regular monthly salary and bonuses, depending on the type of work the employee is engaged in. These premiums are paid by employers only, and are remitted between Jun 1 and July 10 for the fiscal year running from April 1 to March 31. Because premiums are paid in advance, an adjustment is made after March 31 for the premiums assessed on actual salaries and bonuses paid during the preceding year. There is no upper limit on the premium amount.

**c. Benefits**

The Workmen's Accident Compensation Insurance provides benefits to employees who are injured or sickened due to work-related incidents while working or commuting. Medical expenses are covered in full by the Insurance. Starting on the fourth day of missed work, 60% of the average daily wage is paid as compensation for lost wages, and 20% of the average daily wage is paid as "recuperating" expenses. In the case of a permanent disability, annual or lump-sum benefits are paid based on the severity rating of the injury.

## 6. Employment Insurance

**a. Legislation**

The Employment Insurance Law regulates Employment Insurance. All employers are required to enrol their employees in the government-sponsored Employment Insurance program.

**b. Premiums**

Both employers and employees pay Employment Insurance premiums, but at different rates. In most industries, premiums paid by employers are 0.95% of the employee's monthly salary and bonuses, and premiums paid by employees are 0.6% of their monthly salary and bonuses. There is no upper limit on the premium amount.

**c. Benefits**

Employment Insurance provides unemployment benefits at the rate of range from 50% to 80% of the employee's previous salary. The period the employee is eligible to receive the benefits is from 90 days to 150 days, depending on the period of the preceding employment.