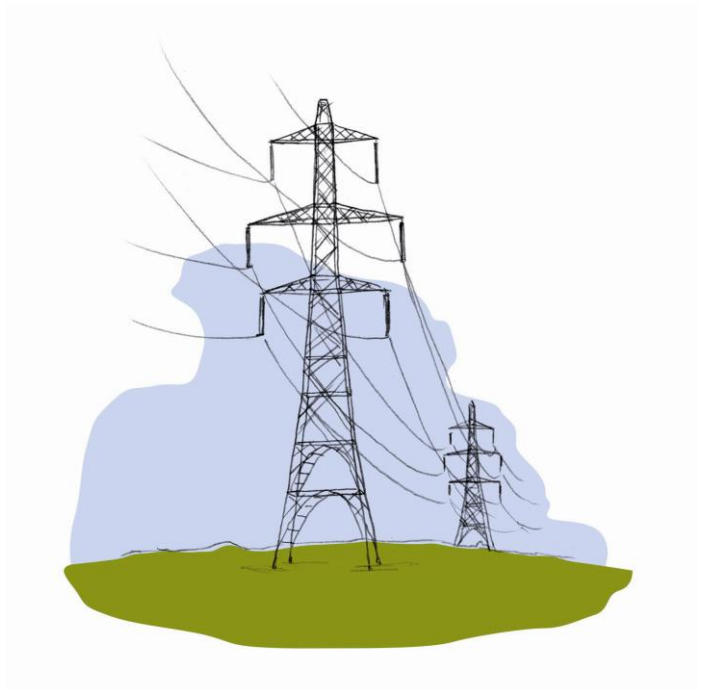


# Japanese Social Insurance

(As of November 30, 2011)



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# Japanese Social Insurance Programs

With few exceptions, all residents of Japan are obligated to register with the country's social insurance programs, irrespective of nationality. There are six statutory social insurance programs for employees in Japan, separated broadly into "Social Insurance" (Employees' Health Insurance, Nursing Care Insurance, Employees' Welfare Pension Insurance and Child Allowance Contribution) and "Labour Insurance" (Workers' Accident Compensation Insurance and Employment Insurance). These programs require payment of monthly premiums by both employer and employee or solely by the employer depending on the type of program. Requirements to register employees with these programs are outlined below.

# 1. Employees' Health Insurance

## **a. Legislation**

Employees' Health Insurance is regulated by the Health Insurance Law. The program provides affordable medical and dental care, hospitalization, medicines, etc. for non-work related injuries and sickness of employees and their dependents.

## **b. Registration**

An employer falling within the definition of a "corporation" under Japanese law is statutorily required to register its employees with a nationally recognized health insurance.

An employer who is a sole-proprietor or who conducts business through an unincorporated entity is required to register its employees with a nationally recognized health insurance depending on the number of regular employees, defined as employees other than temporary, seasonal and those employed by a business that is itself not temporary in nature. Registration is required if such employer employs five or more regular employees. Registration is at the discretion of the employer or employees if such employer employs fewer than four regular employees.

An employer must have a physical office in Japan to participate in a health insurance plan.

## **c. Insurance Carrier**

Most employers register with health insurance managed by the Japan Health Insurance Association.

A single entity or a group of closely related entities with more than 700 registering employees, however, may organize their own health insurance association by securing government approval. Further, entities operating within the same industry, trade or profession may collectively organize their own health insurance association if the number of registering employees is more than 3,000.

Benefits provided by health insurance associations must exceed those provided by the government managed insurance.

## **d. Benefits**

Employees' Health Insurance covers 70% of outpatient and inpatient medical expenses of employees and their dependents including hospital fees, nursing care and prescription drugs. 90% and 80% coverage are provided for insured person over the age of 70 and children under the age of 3, respectively.

The insurance also provides compensation for lost wages during unpaid medical leave. Benefit is limited to approximately two thirds of employee's average daily wage for a maximum duration of 18 months.

Among various other benefits, maternity benefits may be most notable. JPY 390,000 (JPY 420,000 in the case of childbirth at medical institutions that is a member of the Japan Obstetric Compensation System for Cerebral Palsy) lump-sum birth allowance per childbirth is provided to cover hospital delivery expenses. Female employees giving childbirth may receive maternity allowance equivalent to approximately two thirds of her daily wage for a maximum duration of 98 days.

**e. Premium**

Premiums differ among prefectures. For example, applicable rate in Tokyo is 9.48%. Premium on monthly salary and bonus are capped at JPY 114,708 (on monthly salary of JPY 1,175,000 or more) and at JPY 511,920 (on bonus of JPY 5,400,000 or more), respectively. Premium is shared equally by the employee and employer. Employees' share (4.74%) is deducted from salaries and bonuses and the employer makes a matching contribution.

## 2. Nursing Care Insurance

Nursing Care Insurance (also known as “Long-Term Care Insurance”) is regulated by the Nursing Care Insurance Law. The program provides benefits to care for the elderly. Employees over the age of forty are statutorily required to register with the insurance.

Premiums differ among prefectures. For example, applicable rate in Tokyo is 1.51%. Premium on monthly salary and bonus are capped at JPY 18,271 (on monthly salary of JPY 1,175,000 or more) and at JPY 81,540 (on bonus of JPY 5,400,000 or more), respectively. Premium is shared equally by the employee and employer. Employees’ share (0.755%) is deducted from salaries and bonuses and the employer makes a matching contribution.

## 3. Employees' Welfare Pension Insurance

### a. Legislation

Employees' Welfare Pension Insurance is regulated by the Welfare Pension Insurance Law. The program provides old-age, disability and survivors' pension benefits.

### b. Registration

Registration requirement for the Welfare Pension Insurance is the same as that of Employees' Health Insurance.

### c. Insurance Carrier

All employers register with the welfare pension insurance managed by the Japan Pension Service.

### d. Benefits

In principle, a person who (a) has contributed to Employees' Welfare Pension Insurance for 25 years or more, (b) has reached the age of 65 and (c) is not employed is eligible to receive the old-age pension benefit. The benefit consists of Old-Age Basic Pension (fixed amount) and Income-Related Pension. Income-Related Pension is based on the length of insured period and compensation level during the insured period.

Disability benefit is available for employees who suffer certain degree of disability due to non-work related injury or sickness.

Survivors' pension benefit is provided to dependent spouse or other qualified survivors in the case of death of an insured employee.

Foreign nationals who otherwise are not eligible for old-age pension may be eligible for partial refund of past premiums upon leaving Japan.

### e. Premium

Premium is 16.412% of standard remuneration capped at JPY 101,754 (on monthly salary of JPY 605,000 or more) and at JPY 246,180 (on bonus of JPY 1,500,000 or more), respectively. Premium is shared equally by the employee and employer. Employees' share (8.206%) is deducted from salaries and bonuses and the employer makes a matching contribution.

The premium percentage will increase each year by 0.354% until 2017 when the rate reaches 18.30%.

## 4. Child Allowance Contribution

Child Allowance is regulated by the Child Allowance Act. The program provides allowance to low-income families with children of certain age.

Premium is 0.13% of standard remuneration capped at JPY 806 (on monthly salary of JPY 605,000 or more) and at JPY 1,950 (on bonus of JPY 1,500,000 or more), respectively. Premium is borne solely by the employer.

## 5. Workers' Accident Compensation Insurance

### a. Legislation

Workers' Accident Compensation Insurance is regulated by the Workers' Accident Compensation Insurance Law. The program affords exclusive remedy for employees or dependents against employers for personal injuries, diseases, or deaths arising out of and in the course of employment and commutation.

### b. Registration

Employers with one or more employees are statutorily required to register itself with the Workers' Accident Compensation Insurance through the Labor Standards Inspection Office. Employees are granted automatic coverage from the first day of employment irrespective of whether the employer has registered itself with the program.

### c. Benefits

Workers' Accident Compensation Insurance provides medical attention at no cost to employees for injuries and diseases arising out of and in the course of employment and commutation.

The insurance also provides compensation for lost wages during unpaid medical leave. Benefit is limited to approximately 80% of average daily wage capped based on an index of average wages received by those employed beginning on the fourth day of absence.

In the case of a permanent disability, annual or lump-sum benefit is offered based on the severity of the injury or disease.

### d. Premium

Premium range from 0.3 to 10.3% of monthly salary and bonus depending on the nature of trade or business the employer conducts. There is no ceiling on the premium. Premium is borne solely by the employer and is generally remitted between June 1 and July 10 for fiscal year beginning April 1 of previous year to March 31 of current year. Because estimated premium for the coming year is paid in advance, adjustment to actual amount is often required after the close of each fiscal year.

## 6. Employment Insurance

### a. Legislation

Employment Insurance is regulated by the Employment Insurance Law. The program aims to enhance employment opportunities through a network of Employment Security Bureau offices throughout the nation where job seekers and job openings are matched. Unemployment compensation is provided to employees who become unemployed through no fault of their own or at will.

### b. Registration

Employers with one or more employees are statutorily required to register itself with the Employment Insurance through Employment Security Bureau and register eligible employees. Employees are granted automatic coverage from the first day of employment irrespective of whether the employer has registered itself with the program.

### c. Benefits

Employment Insurance provides unemployment compensation in the range of approximately 50 to 80% of an employee's past earnings capped based on an index of average wages received by those employed. The maximum number of days of benefits range from 90 to 150 days depending on the length of insurance coverage and reason for unemployment.

### d. Premium

Premium range from 1.55 to 1.85% of monthly salary and bonus depending on the nature of trade or business the employer conducts. There is no ceiling on the premium. In the case of 1.55% premium rate, employees' share (0.6%) is deducted from salaries and bonuses and the employer contributes the remainder (0.95%).

Premium is generally remitted between June 1 and July 10 for fiscal year beginning April 1 of previous year to March 31 of current year. Because estimated premium for the coming year is paid in advance, adjustment to actual amount is often required after the close of each fiscal year.



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