



Japan's Social Security System

An in depth report of the Social Security program in Japan

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Introduction

The Social Security system in Japan is universal, so participation in the health and pension insurance systems is mandatory for all residents of Japan.

There are four insurance programs that all employers are required by law to take part in. The purpose of the insurance programs is to afford eligible employees with healthcare and financial security. The four programs include Workers' Accident Compensation Insurance, Employment Insurance, Health Insurance and Nursing Care Insurance, and Employees' Pension Insurance. The first two insurance programs are collectively referred to as labor insurance with the second two referred to as social insurance.

When a company incorporates or hires employees, they have to enroll and participate in the insurance systems. Enrollment consists of submitting the appropriate labor and social insurance notification forms to the proper authorities while participation consists of deducting the employees' portion of the premium from pay checks and paying the employee and employer's portions of the premiums to the proper authorities.

Workers' Accident Compensation Insurance

Workers' Accident Compensation Insurance provides coverage for employees' accidents or illnesses that result from their employment or that are incurred on their way to or from work. The insurance benefits pay for illnesses, injuries, disabilities and death resulting from employment or incurred during the commute to or from work.

Generally Workers' Accident Compensation Insurance is only applicable to workers; however, principals or owners of small to medium sized businesses can apply for coverage and may be approved.

When an employer begins to participate in the program they must notify their local Labor Standards Inspection Office within ten days of establishing participation in the insurance program.

The premiums paid for the insurance are calculated as a percentage of each employee's total wages with the percentage being dependent upon the type of work. Presently the maximum rate is 12.9% with a minimum of .5%.

Employers are responsible for paying the total premium for Workers' Accident Compensation Insurance, so no portion of this is withheld from employees' pay.

Employment Insurance

Employment insurance in Japan provides financial assistance and subsidies to individuals who become unemployed for a period of time after employment is lost. There are a few factors that determine the amount of benefits paid including the reason for the unemployment, the length of coverage through employment, and the age of the insured person. Other benefits in the program are intended to assist in maintaining stable employment.

When an employer first begins to participate in the program they must notify their local Public Employment Security Office within ten days.

Generally all full-time employees who have been employed for at least one year are eligible for Employment Insurance. Part-time workers are generally only eligible if they work more than twenty hours per week. There is an exemption for employees who are working in Japan through an overseas company.

The employer and employee split premiums for Employment Insurance. Currently the rate that the employer pays into the program as an insurance premium is 1.15% of an employee's total wages with .8% withheld from the employees' pay. Thus, the total paid in is 1.95% of the employees' total pay. There are some exceptions for certain types of jobs, but in general, the stated rates are applicable.

Health Insurance and Nursing Care Insurance

The health and nursing care insurance is for medical expenses and nursing care expenses incurred by employees and their dependents. Companies that have five or more regular employees are generally required to participate in the Health Insurance and Nursing Care Insurance program whether the business is a corporation or a sole proprietorship. Participation also applies to branches and offices of overseas businesses.

Full-time employees are covered by this insurance and part-time employees are covered if their working hours are not less than 75% of the full-time workers' hours. Employees' dependents are also covered.

The health insurance provides benefits for all eligible workers and their dependents; however, the nursing care insurance is only applicable to individuals over 40 years of age or older.

Once an employer begins participation in the program they must notify their local Social Insurance Office or Health Insurance Union Office within five days.

Under the program 70% of expenses for medical treatment or dental treatment at approved medical institutions are paid by the insurance. The insured is responsible for the remaining 30% of the expenses.

In situations where covered individuals receive medical treatment from overseas providers while they are traveling, the individual may request reimbursement for those expenses once they return to Japan. In such cases, expenses incurred are converted to be comparable to Japanese medical expenses and 70% of the amount determined to be eligible for coverage is reimbursed to the insured.

There is a provision for excessive medical expenses. Based on a predetermined amount, if an insured party incurs more than that amount as the portion of expenses they are responsible for in one calendar month to one medical institution, they are reimbursed through the program for excessive medical expenses.

Presently, the general insurance premiums for the health insurance are 8.2% of insured party's monthly remuneration up to a maximum of ¥980,000 and standard bonus up to a maximum of ¥2 million. The nursing care premium is 1.25%. The premiums are split equally between the employer and the employee; however, premiums for union managed insurance may vary.

National Health Insurance is available for individuals who are not eligible for the standard Health Insurance. National Health Insurance programs are operated by local governments and provide similar coverage. Within guidelines, the premiums for such coverage are determined by the local governments. All persons in Japan are obligated to have coverage under one of the two public health insurances.

Employees' Pension Insurance

Employees' Pension Insurance provides three types of benefits – Old-Age Pension, Disability Pension and Survivor's Pension. All employers, including sole proprietorships and branch or sales offices of overseas companies, who have five or more regular employees, are generally required to participate in the insurance.

Full-time employees and part-time employees who work at least 75% of the hours worked by full-time employees are eligible for insurance unless they are 70 years old or older.

Old-age Pension benefits are paid to individuals over 65 years of age if they have paid into the pension insurance program for at least twenty-five years, or if they were exempt from paying premiums. The amount of the benefit is determined based on the amount of premiums paid and the length of time over which they were paid.

Disability Pension is paid when a worker becomes disabled due to an illness or injury. The amount of the disability benefits are determined based on the degree of the disability, the amount of premiums paid and the length of time in which the premiums were paid.

Survivor's Pension is paid to a person's surviving family upon that person's death if the person would be eligible for old-age or disability benefits.

The premium for the insurance is currently 14.288% of the insured person's standard monthly remuneration (with a maximum of ¥620,000) and the standard bonus (with a maximum of ¥1.5 million). The premium is split equally between the insured party and the employer.

Under social security pension agreements with Germany, the United Kingdom and South Korea, people insured under those countries' pension systems are exempt from enrollment in the Japanese program. In case of such exemption, appropriate forms must be filed at the Social Security Office.

Foreign nationals who leave Japan will receive a refund of a portion of premiums they have paid into the system if they have not received pension payments. The refunded amount is determined based on the length of time the insured was covered and the amount of premiums paid into the program.

Individuals between the ages of 20 to 59 who reside in Japan and are not eligible for Employees' Pension Insurance have to take part in the national pension system. The premiums are currently set at ¥13,580 per month.

Participants in the national pension system are eligible for Old-age Pension, Disability Pension and Survivor's Pension and the provision for foreign nationals to receive a refund when leaving the country is applicable.

For more information regarding the Social Security System in Japan, or to verify current rates, please contact:

Aviso Group Inc.
Bureau Ginza #803
4-1-12 Tsukiji Chuo-ku,
Tokyo, Japan 104-0045

Email: Info@aviso-group.com

Tel: +81-3-3541-8191
Fax: +81-3-3541-8192

Visit us on the web at: www.aviso-group.com