

Social Security System in Japan – Premium Update

■ Outline of the types of Employee Social Security

The social security system in Japan for employees is composed of Social Insurance covering Health Insurance and Welfare Pension Insurance, and Labor Insurance covering Employment Insurance and Worker’s Accident Compensation Insurance. The four schemes may be collectively referred to as “social insurance”. Non-Japanese employees are also covered by each scheme. Benefits are summarized briefly as follows.

Health Insurance entitles employees and their dependent family members to receive medical treatment at 30% of the actual costs. There are also other cash benefits for events such as childbirth, death, unpaid leave due to non-work related injury or illness, etc. Employees aged 40-64 years who are covered by health insurance are required to contribute to **Nursing Care Insurance** which is one of the government welfare plans.

Welfare Pension Insurance provides pension benefits when employees reach 65 years of age or become disabled. Lump sum benefits and pension benefits are also provided to survivors who meet certain conditions. An employer who is qualified for the scheme is obliged to contribute to the **Children's Welfare Fund**.

Employment Insurance provides unemployment benefits for those who become unemployed, and child/family care benefits for those who are not paid due to taking child/family care leave.

Worker's Accident Compensation Insurance entitles employees to be compensated for illness, injury or death incurred while working or commuting to/from a working place. Benefits are provided in a form of lump sum payment or pension payment depending on the level of seriousness of injury or illness.

■ 2012 Update

An employer may need to include social security cost to employment costs when hiring an employee. The cost will be shared by employer and employee. The government review premium rate periodically and may change if needed to maintain a stable financial situation. In 2012, there was an increase to Health Insurance and Nursing Care Insurance effective March, Children’s Welfare Fund effective April, and will be a slight decrease in Employment Insurance effective April. Change for Welfare Pension Insurance is scheduled in September 2012. The table below shows the rates as of April 2012.

	Premium Rates			Remuneration Cap (JPY)	
	Employee	Employer	Total	Salary	Bonus
Health Insurance *1)	4.985%	4.985%	9.97%	1,210,000	5,400,000 *2)
Nursing Care Insurance	0.775%	0.775%	1.55%	1,210,000	5,400,000 *2)
Welfare Pension Insurance	8.206%	8.206%	16.412%	620,000	1,500,000
Children’s Welfare Fund	-	0.15%	0.15%	620,000	1,500,000
Employment Insurance	0.5%	0.85%	1.35%	-	-
Worker’s Accident Comp. Insurance*3)	-	0.3%	0.3%	-	-
Total	14.466%	15.266%	29.732%		

*1) Those rates are applied to companies in Tokyo. The Health Insurance premium rates range from 9.85% to 10.16% in total, depending on the prefecture in which the employer is registered.

*2) The cumulative total in a fiscal year (from April to March in the following year).

*3) The rate on the table is for general office workers. Different rates will apply depending on type of industries.