

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 to aid elder people.

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**, which is a government aid plan for children.

Employment Insurance provides unemployment benefits and various support programs for those who become unemployed, and child/family care benefits for those who are on the child/family care leave and are not paid during the 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.

■ 2016 Update

The 2016 premium rate changes are 1) Health insurance down from 9.97% to 9.96% effective March, 2) Employment insurance down from 1.35% to 1.1% effective April, 3) Children welfare fund up from 0.15% to 0.2% effective April, and 4) Welfare Pension Insurance up from 17.828% to 18.182% effective September 2016. Also, the remuneration cap for health insurance will increase from 1,210,000 yen to 1,390,000 yen for monthly salary and from 5,400,000 yen to 5,730,000 yen for bonus payments from April. In principle, the costs are shared by employer and employee. The following table shows the contribution rates as of April 2016.

| | Premium Rates | | | Remuneration Cap (JPY) | |
|---|--|-----------------------------|-----------------------------|------------------------|---------------|
| | Employee | Employer | Total | Salary | Bonus |
| Health Insurance *1) | 4.98% | 4.98% | 9.96% | 1,390,000 | 5,730,000 *2) |
| Nursing Care Insurance | 0.79% | 0.79% | 1.58% | 1,390,000 | 5,730,000 *2) |
| Welfare Pension Insurance up to August (Welfare Pension Insurance from Sep.) | 8.914% (9.091%) | 8.914% (9.091%) | 17.828% (18.182%) | 620,000 | 1,500,000 |
| Children's Welfare Fund | - | 0.2% | 0.2% | 620,000 | 1,500,000 |
| Employment Insurance | 0.4% | 0.7% | 1.1% | - | - |
| Worker's Accident Comp. Insurance *3) | - | 0.3% | 0.3% | - | - |
| Total | 15.084% Up to Aug 2016 (15.261%) (From Sep 2016) | 15.884% (16.061%) | 30.968% (31.322%) | | |

*1) This is the rate for the governmental health insurance plan. It ranges from 9.79% to 10.33% depending on the prefecture in which the employer is registered. The above rate is applicable for Tokyo area. Private health insurance associations have their own different premium rates.

*2) The cumulative bonus payments paid in a fiscal year from April to March of the following year.

*3) The rate is for general office workers. Different rates will apply depending on type of industries from 0.25% to 8.8%.