

## Japan

Exchange rate: U.S.\$1.00 equals 124.32 yen.

### Old Age, Disability, and Survivors

#### Regulatory Framework

**First law:** 1941 (employees' pension insurance).

**Current laws:** 1944 (employees' pension insurance), 1959 (national pension program), and 1985.

**Type of program:** A two-tiered social insurance system involving a flat-rate benefit for all residents under the national pension program and earnings-related benefits under the employees' pension insurance program or other employment-related program.

Note: The provisions and rates are effective as of April 1, 2002.

#### Coverage

**National pension program:** Residents aged 20 to 59; voluntary coverage for residents aged 60 to 64 (aged 65 to 69 in special cases) and for citizens residing abroad (aged 20 to 64).

**Employees' pension insurance:** Employees of firms in industry and commerce, including seamen. (Partial contracting-out from employees' pension insurance is allowed if corporate plans provide equivalent or higher benefits.)

Special employment-related systems for public employees; private-school teachers and employees; and employees of agricultural, forestry, and fishery cooperative associations.

#### Source of Funds

##### Insured person

**National pension program:** The contribution is included in the insured's contribution to the employees' pension insurance or other employment-related program.

All other insured persons contribute 13,300 yen a month.

**Employees' pension insurance:** 8.675% of basic monthly earnings (6.79% of basic monthly earnings and salary bonuses as of April 2003) according to 30 wage classes; miners and seamen, 9.575% of basic monthly earnings.

If the employer is contracted-out, the contribution is between 8.145% and 8.175% of monthly earnings.

Added special premium: 0.5% of salary bonuses (to be abolished as of April 2003).

Minimum earnings for contribution and benefit purposes are 98,000 yen a month.

Maximum earnings for contribution and benefit purposes are 620,000 yen a month.

#### Employer

**National pension program:** The contribution is included in the employer contribution to the employees' pension insurance or other employment-related program.

**Employees' pension insurance:** 8.675% of payroll excluding salary bonuses (6.79% of payroll including salary bonuses as of April 2003) according to 30 wage classes; miners and seamen, 9.575% of payroll.

If the employer is contracted-out, the contribution is between 8.145% and 8.175% of monthly payroll.

Added special premium: 0.5% of salary bonuses (to be abolished as of April 2003).

Minimum earnings for contribution and benefit purposes are 98,000 yen a month.

Maximum earnings for contribution and benefit purposes are 620,000 yen a month.

#### Government

**National pension program:** One third of the cost of benefits, plus 100% of administrative costs.

**Employees' pension insurance:** The cost of administration.

#### Qualifying Conditions

##### Old-age pension

**National pension program:** Age 65 with 25 years of contributions (including for the insured's dependent spouse, years of own coverage plus years married to an insured person who is covered by any employment-related program).

**Early pension:** An early pension is payable between ages 60 and 64.

**Employees' pension insurance:** Age 60 (age 55 for seamen and miners) with 25 years of coverage.

##### Disability pension

**National pension program:** Total disability requiring constant attendance (Class I) or a degree of disability that severely restricts the person's ability to live independently (Class II). Contributions must have been paid or credited during 2/3 of the period between age 20 and the onset of disability.

**Employees' pension insurance:** Same conditions as for the national pension program for a Class I and Class II disability, and for a Class III disability awarded for a less severe incapacity than that of Class II.

##### Survivor pension

**National pension program:** The deceased was a pensioner, or was insured at the time of death with contributions paid or credited during 2/3 of the period between age 20 and the date of death.

**Employees' pension insurance:** The deceased was insured or was a pensioner (old-age or disability) at the time of death.

### **Old-Age Benefits**

**National pension program (old-age):** If fully insured (480 months of contributions), 804,200 yen a year.

Early pension: The benefit is actuarially reduced for the receipt of a pension between ages 60 and 64.

Deferred pension: The pension is increased for the deferral of a pension at age 66 or older.

Benefit adjustment: Automatic annual cost-of-living adjustment.

**Employees' pension insurance (old-age):** 0.7125% of indexed average monthly wages over the full career times the number of months of coverage.

Pension increment: Pensioners between ages 60 and 64 receive an additional 1,676 yen a month for each month of coverage.

Working pensioners: The pension is reduced for continued employment between ages 60 and 64. The pension is reduced by 20% if the combined total of the monthly wage and 80% of the pension is under 220,000 yen; if the combined total is between 220,000 yen and 370,000 yen, the pension is reduced by 1 yen for every 2 yen earned; if the combined total exceeds 370,000 yen a month, the pension is reduced by 100% of wages over 340,000 yen.

Dependent supplement: 231,400 yen a year for a spouse; 231,400 yen a year for each of the first two children and 77,100 yen a year for each additional child (up to the end of the fiscal year in which the child reaches age 18; age 20 if disabled).

Benefit adjustment: Automatic annual cost-of-living adjustment.

### **Permanent Disability Benefits**

**National pension program (disability):** Benefit is paid according to the assessed degree of disability. For Class I disability, 1,005,300 yen a year; for Class II, 804,200 yen a year.

Dependent supplement: 231,400 yen a year for each of the first two children and 77,100 yen a year for each subsequent child (up to the end of the fiscal year in which the child reaches age 18; age 20 if disabled).

Benefit adjustment: Automatic annual cost-of-living adjustment.

**Employees' pension insurance (disability):** For a Class I disability, 125% of the old-age pension plus additional benefits for dependents; for Class II, 100% of the old-age pension plus additional benefits for dependents; and for Class III, 100% of the old-age pension.

The minimum benefit is 603,200 yen a year.

Dependent supplement (payable to persons with a Class I or Class II disability): 231,400 yen a year for a spouse; 231,400 yen a year for each of the first two children and 77,100 yen for each additional child (up to the end of the fiscal year in which the child reaches age 18; age 20 if disabled).

Disability grant: A lump sum equal to 200% of the old-age pension. The minimum lump sum is 1,206,400 yen.

Benefit adjustment: Automatic annual cost-of-living adjustment.

### **Survivor Benefits**

**National pension program (survivor):** 804,200 yen a year for a widow. No benefit is payable for a widower.

Dependent supplement: 231,400 yen a year for each of the first two children and 77,100 yen a year for each additional child (up to the end of the fiscal year in which the child reaches age 18; age 20 if disabled).

Full orphan: The benefit is the same as for a widow plus dependent supplements and is divided equally among the eligible orphans.

Death grant: A lump sum of between 120,000 yen and 320,000 yen, according to the length of the period of paid contributions.

Benefit adjustment: Automatic annual cost-of-living adjustment.

**Employees' pension insurance (survivor):** 75% of the old-age pension is payable for the death of an insured worker.

Eligible survivors: Widow (aged 35 or older) or widower (aged 55 or older); orphans (up to the end of the fiscal year in which the child reaches age 18; age 20 if disabled); parents (aged 55 or older); grandchildren (up to the end of the fiscal year in which the child reaches age 18; age 20 if disabled); or grandparents (aged 55 or older).

Dependent supplement: 231,400 yen a year for each of the first two children and 77,100 yen for each additional child (up to the end of the fiscal year in which the child reaches age 18; age 20 if disabled). If there are no children, a supplement of 603,200 yen a year is paid for a widow between ages 40 and 65 if she was 35 or older when the insured died.

Benefit adjustment: Automatic annual cost-of-living adjustment.

### **Administrative Organization**

Pension Bureau of the Ministry of Health, Labor, and Welfare provides general supervision of both programs.

Social Insurance Agency administers both programs nationally.

Regional Social Insurance Bureaus and Social Insurance Offices administer contributions and benefits for both programs locally.

### **Sickness and Maternity**

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#### **Regulatory Framework**

**First laws:** 1922 (health insurance), implemented in 1927; 1938 (national health insurance); and 1982 (medical system for the elderly).

**Current laws:** 1958 and 1998 (national health insurance); and 1997 and 2000 (health insurance).

**Type of program:** Dual social insurance system.

### Coverage

**National health insurance:** All residents not covered under employment-related health insurance or special schemes are covered under local government programs operated at the municipality, township, or village level.

Special national health insurance societies provide coverage for self-employed persons.

**Employees' health insurance:** Employees of firms in industry and commerce with five or more employees are covered by the government-managed program; unless the insured is a member of an occupational health insurance society.

Voluntary coverage for other employees.

Special systems for persons aged 70 or older (medical system for the elderly), seamen, private-school teachers, and public employees.

### Source of Funds

#### Insured person

**National health insurance:** National health tax or premium is fixed by the individual carrier but is not to exceed 530,000 yen a year per household. The average annual contribution in 2000 was 82,954 yen per insured person or 166,990 yen per household.

Premiums may be reduced by between 30% and 70% for qualifying low-income residents or for households in a municipality-run program.

**Employees' health insurance:** 4.25% of the basic monthly wage (government-managed program); average of 3.725% of basic monthly wage in 1999 (health insurance society), according to 40 wage classes.

**Special premium:** 0.3% of the insured's salary bonuses (government-managed program). The special premium is fixed by insurance societies on the condition that the total special premium collected from insured persons and their employer does not exceed 1% of salary bonuses.

Minimum basic wage for contribution and benefit purposes is 92,000 yen a month.

Maximum basic wage for contribution and benefit purposes is 980,000 yen a month.

#### Employer

**National health insurance:** None.

**Employees' health insurance:** 4.25% of the basic monthly wage (government-managed program); average of 4.786% of basic monthly wage in 1999 (health insurance society).

**Special premium:** 0.5% of salary bonuses paid to insured employees (government-managed program). The special

premium may be fixed by the insurance society on the condition that the total special premium collected from insured persons and their employer does not exceed 1% of salary bonuses.

Minimum basic wage for contribution and benefit purposes is 92,000 yen a month.

Maximum basic wage for contribution and benefit purposes is 980,000 yen a month.

### Government

**National health insurance:** 50% of the cost of medical care, the cost of administration, and some local subsidies.

**Employees' health insurance:** 13.0% of benefit costs, 16.4% of the cost of health care for the aged, and the cost of administration for the government-managed program as well as part of the cost of administration for health insurance societies.

### Qualifying Conditions

**National health insurance (medical benefits):** Residence in a municipality, township, or village.

**Employees' health insurance (sickness, maternity, and medical benefits):** In covered employment. If an insured person leaves employment but was in covered employment during the previous 12 months, sickness and maternity benefits are continued for the normal duration of entitlement; medical care for the same insured person can be provided for up to 5 years from the first date of treatment.

### Sickness and Maternity Benefits

**National health insurance:** No cash benefits are provided by law, but all insurance carriers provide lump-sum death and birth grants.

**Employees' health insurance (sickness benefit):** 60% of the average daily basic wage, according to wage class. Benefit is payable after a 3-day waiting period for up to 18 months or until the determination of disability. Health insurance societies may provide more generous benefits.

**Maternity benefit:** 60% of the average daily basic wage is paid for 42 days before (98 days for expected multiple births) and 56 days after the expected date of childbirth. The payment of benefit is discontinued or reduced partially if the mother is receiving a wage or cash sickness benefit.

**Birth grant:** A lump sum of 300,000 yen.

**Funeral grant:** A lump sum of 100,000 yen.

### Workers' Medical Benefits

**National health insurance:** Medical care and treatment is usually provided by clinics, hospitals, and pharmacists under contract with, and paid by, the insurance carrier (some carriers provide services directly through their own clinics and hospitals). Benefits include medical treatment, surgery, hospitalization, nursing care, dental care, maternity care (only for a difficult childbirth), and medicines.

There is no limit to duration.

**Cost-sharing:** The insured person pays 30% of the cost of all care up to a ceiling set by a formula that depends on family income. There are special cost-sharing provisions, up to a ceiling, for persons aged 70 or older (between ages 65 and 70 if bedridden) for outpatient and inpatient care.

Inpatients also pay a daily fee toward the cost of food. The daily fee for food depends on family income and the duration of the hospital stay.

**Employees' health insurance:** Medical benefits are the same as under national health insurance.

**Cost-sharing:** The insured pays 20% of the cost of all care up to a ceiling set by a formula that depends on family income.

Inpatients also pay a daily fee toward the cost of food. The daily fee for food depends on family income and the duration of the hospital stay.

### **Dependents' Medical Benefits**

**National health insurance:** Same as for the insured person.

**Employees' health insurance:** For medical benefits, same as for the insured person. Cost-sharing for inpatient treatment (20%) and outpatient treatment (30%) up to a ceiling.

### **Administrative Organization**

Health Insurance Bureau of the Ministry of Health, Labor, and Welfare supervises both programs.

**National health insurance:** Local administration is provided mainly by municipal health insurance funds. The National Health Insurance societies provide administration for some insured persons, including the self-employed. National Health Insurance provides medical benefits.

**Employees' health insurance:** Social Insurance Agency provides the national administration for the government-managed program. Regional Social Insurance Bureaus and Social Insurance Offices administer the program locally. Employees' Health Insurance provides cash and medical benefits. For programs managed by Health Insurance Societies, insurance divisions of prefecture departments and 1,756 Health Insurance Societies provide local administration for affiliated workers.

### **Work Injury**

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#### **Regulatory Framework**

**First law:** 1911.

**Current laws:** 1947, 1980, 1986, 1995, and 2000.

**Type of program:** Compulsory social insurance.

### **Coverage**

Employees of all firms in industry and commerce not included under voluntary coverage or special systems.

Voluntary coverage for employees in agricultural, forestry, and fishery establishments with fewer than five workers.

Special systems for seamen and public employees.

### **Source of Funds**

**Insured person:** None.

**Employer:** 0.55% to 13.5% of payroll, according to a 3-year accident rate.

**Government:** Subsidies, set within the limits of the national budget.

### **Qualifying Conditions**

**Work injury benefits:** There is no minimum qualifying period.

### **Temporary Disability Benefits**

60% of the average daily wage in the preceding 6 months plus a temporary disability supplement equal to 20% of the average daily wage. Benefit is payable after a 3-day waiting period until the end of the 18th month (the employer pays 60% of the average daily wage for the first 3 days).

The minimum benefit is 4,250 yen a day.

From the 19th month, less severely disabled persons receive the same level of benefit as before until recovery; more severely disabled persons receive the injury and disease compensation pension (annual benefit is equal to 100% of the average daily wage in the preceding 6 months multiplied by between 245 and 313 days until recovery varying according to the degree of disability), plus a special supplement based on the worker's annual salary bonus.

**Benefit adjustment:** Automatic annual adjustment for wage changes.

### **Permanent Disability Benefits**

**Permanent disability pension:** Seriously disabled persons (assessed according to grades 1 to 7 of disability) receive an annual pension of between 131 and 313 times the average daily wage in the preceding 6 months. The pension varies with the assessed degree of disability.

Less seriously disabled persons (assessed according to grades 8 to 14 of disability) receive a lump-sum benefit of between 56 and 503 times the average daily wage in the preceding 6 months. The pension varies with the assessed degree of disability.

Constant-attendance allowance (assessed grades of disability 1 and 2): 102,100 yen a month if requiring full-time care (58,150 yen if the care is provided by family members); 53,550 yen a

month if requiring part-time care (29,080 yen if the care is provided by family members).

### **Workers' Medical Benefits**

Medical treatment, surgery, hospitalization, nursing, dental care, medicines, appliances, and transportation.

### **Survivor Benefits**

**Survivor pension:** An annual pension equal to the average daily wage in the preceding 6 months multiplied by between 153 and 245 days, according to number of survivors.

Eligible survivors: Widow or widower, children, parents, grandparents, grandchildren, and dependent brothers and sisters (except for a widow, all must meet specified age or disability requirements).

**Death grant (if no eligible survivors):** A lump sum equal to the average daily wage in the preceding 6 months multiplied by 1,000 days is payable to a nondependent survivor.

**Funeral grant:** 60 days' wages or 305,000 yen plus 30 days' wages, whichever is greater.

### **Administrative Organization**

Ministry of Health, Labor, and Welfare provides general supervision and administration.

Worker's Compensation Division within the Ministry of Health, Labor, and Welfare's Bureau of Labor Standards administers the program through prefecture labor standards offices and local labor standards inspection offices.

## **Unemployment**

### **Regulatory Framework**

**First law:** 1947.

**Current laws:** 1975 and 2000.

**Type of program:** Social insurance system.

### **Coverage**

Employees younger than age 65.

Voluntary coverage for employees in firms in the agricultural, forestry, and fisheries industries with fewer than five regular employees.

Exclusions: Seasonal workers whose term of employment is 4 months or less.

Special systems for casual workers, seamen, and public employees.

### **Source of Funds**

**Insured person:** 0.6% of earnings (0.7% for agricultural, forestry, fishery, or construction workers).

**Employer:** 0.95% of payroll (between 1.05% and 1.15% for agricultural, forestry, fishery, or construction workers).

**Government:** 25% of the cost of benefits.

### **Qualifying Conditions**

**Unemployment benefit:** Six months of insurance during the last 12 months (or 1 year of insurance during the last 2 years for part-time workers). Must be registered with the Public Employment Security Office and be capable of, and willing to, work. The unemployed person must report to the Public Employment Security Office once every 4 weeks.

Unemployment is not due to voluntary leaving, serious misconduct, refusal of a suitable job offer, or nonattendance at recommended training (otherwise, the insured is disqualified from receiving benefit for between 1 and 3 months).

### **Unemployment Benefits**

Between 60% and 80% of the average daily wage (higher percentages are awarded to lower-wage earners); 50% to 80% if between ages 60 and 64. Benefit is payable after a 7-day waiting period for between 90 and 360 days, according to the length of coverage, age, reasons for unemployment, and employment prospects. Additional days of benefit are payable for between 30 and 90 days if the insured is discharged from an industry in recession, is suffering from physical or mental illness, or is undergoing training.

The minimum daily benefit is 3,400 yen (1,728 yen for short-term workers).

The maximum daily benefit is 10,704 yen.

Special daily or monthly allowances: Allowances are provided for vocational training, transportation, moving and lodging expenses while in training, seeking employment outside of the immediate commuting area, and other costs.

Newborn child care allowance: The employment fund pays between 20% and 25% of the average daily wage to one of two working parents who are caring for a newborn child for up to 1 year. There is no requirement to seek work while receiving this benefit.

Government subsidies: The government provides subsidies to employers in order to reduce the need to lay off employees, to encourage the hiring of hard-to-employ older workers, and to finance other measures to reduce unemployment.

### **Administrative Organization**

Ministry of Health, Labor, and Welfare provides general supervision.

Employment Security Bureau in the Ministry of Health, Labor, and Welfare is responsible for the national administration of the program.

Employment Insurance Sections of prefecture Labor Departments and Public Employment Security Offices are responsible for the local administration of the program and the collection of contributions.

## Family Allowances

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### Regulatory Framework

**First law:** 1971 (children's allowance).

**Current laws:** 1981, 1985, 1991, 1994, and 2000.

**Type of program:** Dual employer-liability and social assistance system.

### Coverage

Residents with one or more children under age 6.

### Source of Funds

**Insured person:** None.

### Employer

*Children's allowance:* 70% of the cost (about 0.11% of wages) for children under age 3.

*Special allowance:* 100% of the cost for children under age 3.

### Government

*Children's allowance:* National Treasury, 20% of the cost for employees' children under age 3; prefecture, 5%; and city or town, 5%. National Treasury, 66.6% of the cost for employees' children between ages 3 and 6; prefecture, 16.6%; and city or town, 16.6%. National Treasury, 66.6% of the cost for self-employed and unemployed persons' children between ages 0 and 6; prefecture, 16.6%; and city or town, 16.6%.

*Special allowance:* National Treasury, 66.6% of the cost for employees' children between ages 3 and 6; prefecture, 16.6%; and city or town, 16.6%.

### Qualifying Conditions

#### Family allowances

*Children's allowance:* For a family of four, the parent's income must be less than 5,963,000 yen in the previous year.

*Special allowance:* For a family of four, allowances are provided for private and public employees with income of more than 5,963,000 yen but less than 7,800,000 yen in the previous year.

### Family Allowance Benefits

**Children's allowance:** 5,000 yen a month for each of the first two children and 10,000 yen a month for each subsequent child.

**Special allowance:** 5,000 yen a month for each of the first two children and 10,000 yen a month for each subsequent child.

## Administrative Organization

Ministry of Health, Labor, and Welfare supervises the program through the Equal Employment, Children, and Families Bureau.

Insurance division of prefecture Welfare Department and Social Insurance Office collects contributions.

City or town delivers allowances.