



### **Changes in the Social Insurance System**

From the autumn of 2006, we will start seeing numerous changes in the Japanese social insurance system. The purpose of these changes is to ensure the sustainability of the government health and pension system. From 2007, the number of retirees is expected to increase rapidly while birth rates continue to fall year after year. As a result, the ratio of the elderly dependents rises and the increasing medical and pension expenditures must be funded somehow by the shrinking population. The changes below aim to stabilize this imbalance between revenues and expenditures.

The following summarizes the major changes that go into effect from September, October 2006 and April 2007.

#### **Effective September 2006**

- Welfare pension contribution per employee increased from 14.288% to 14.642% of which the employer and the employee contribute an equal amount of 7.321% each.

#### **Effective October 2006**

- For individuals 70 or over and receiving a salary equivalent to full-time employment, the burden on medical expenses will increase from 20% to 30%, a 10% point rise.
- In addition to out-of-pocket contributions toward medical expenses, inpatients who are 70 or over will be required to pay for their own meals and in-house expenses.
- An increase in ceiling amounts to cover the excess on major medical expenses.
- An increase in the allowance to cover hospital delivery (birth) expenses, from ¥300,000 to ¥350,000.
- A decrease in the allowance to cover funeral expenses (of the employee or his/her dependent) from ¥100,000 to ¥50,000.

#### **Effective April 2007**

- An increase in the injury / sickness and maternity leave allowances from 60% to 2/3 of the employee's average daily wage.
- A decrease in out-of-pocket contributions toward medical expenses, for a child from the age of 3 and up until his/her admission to primary school, from 30% to 20%.
- Suspend injury / sickness and maternity leave allowances for voluntary members of the national health insurance system.
- Suspend extended maternity allowances\* for those who are no longer a member of the national health system. \*(Previously granted as long as the delivery was expected within 6 months after the expiry date.)

- Extend the insurance premium levels to 47, adding 4 levels at the each end of the scale, pulling up the upper limit up to ¥1,210,000 and bringing down the bottom limit to ¥58,000. The former is to anticipate increasing in premium revenues while the latter should encourage part-time workers to join the system.
- Restating the upper limit of an average bonus scale from one time payment of ¥2,000,000 to ¥5,400,000 per year in calculating an insurance contribution.
- Allowing splitting welfare pension entitlements earned during periods of marriage between divorced couples.

### **Changes in**

#### **Equal Employment Opportunity Law**

In June 2006, some new changes to the law have been passed by the government. It redefines the term 'sex discrimination'. Originally the focus was on discrimination toward females, under the new law this also applies to males. It also brings heavier charges against those who were found guilty of the discrimination.

The changes will take effect from July 2007 and shall explicitly forbid any discriminately gender referrals during the process of job advertising, recruiting, job assigning, promotion, training, fringe benefit, retirement, and any other employment situations. Further, it shall be a legal obligation of all employers to discourage sexual harassment at the workplace. Therefore, employers who do not have an appropriate policy in place could face legal consequences.

#### **International Social Security Agreements**

In October 2005, the Social Security Agreement between Japan and the US went into effect. The Agreement grants Japanese nationals (or Americans) working in the US (or in Japan) an exemption to join the US (or Japanese) social security system for up to 5 years upon providing an exemption certificate. Further, the agreement permits summing the periods contributed toward the Japanese and US pension system. In effect, if such periods total 10 years or more, individuals will be eligible for US social security. If such periods exceed 25 years, individuals will also be eligible for Japanese pensions. Similar agreements are also being exchanged between Japan and France, Belgium and are expected to go into force sometime this year. Details are still being confirmed for the agreement with Canada.

## Achievements to Date on Social Security Agreements

(As of March 2006)

Germany	April 1998 – Signed	February 2000 – Effective
United of Kingdom	February 2000 – Signed	February 2003 – Effective
South Korea	February 2004 – Signed	April 2005 – Effective
United States of America	February 2004 – Signed	October 2005 – Effective
Belgium	February 2005 – Signed	Currently working on the final preparation
France	February 2005 – Signed	Currently working on the final preparation
Canada	February 2006 – Signed	Currently working on the final preparation
Australia	Currently in a preliminary discussion	
Netherlands	Currently in a preliminary discussion	

## Outlines of International Social Security Agreements

Country	Type of Insurance System covered by the Agreement	Totalizing Agreement?
Germany	Japan: Pension Germany: Pension	Yes
United of Kingdom	Japan: Pension U.K.: Pension	No
South Korea	Japan: Pension South Korea: Pension	No
United States of America	Japan: Pension and Health US: Pension and Health	Yes
Belgium	Japan: Pension, Health Belgium: Pension, Health, Labor, Employment	Yes
France	Japan: Pension, Health France: Pension, Health, Labor	Yes

## New Services

### HR Support

Is your company in compliance with Japanese Labor Laws? Our HR department will be starting HR documentation compliance support services to our clients. HR documentation is complex and employers are required to document and keep a wide range of information. We are glad to provide you with a free initial 'HR Checklist' listing the required labor documents. Use this list as a tool to evaluate your current HR compliance status. If you would like to receive the HR Checklist, please contact our HR department at :

hrteam@okamoto-co.com

### IT Compliance Support

The need for stronger corporate controls surrounding an IT environment in small to medium size companies is growing. We now provide IT compliance support services to our clients through our CISAs (Certified Information Systems Auditors). Services include:

1. Data protection measures  
(illegal access prevention, data backup and internal control systems evaluation)
2. Information security  
(support for setting up access rights and measures for the prevention of data leakage)
3. Copyright compliance  
(management of licenses of operating systems and/or application software)
4. Establishing IT compliance policies

5. Compliance with e-Document laws (laws relating to electronic document retention)

If you would like to know more about these services, please contact our IT team at :

itteam@okamoto-co.com

### Second Annual Seminar for Office Managers

We would like to invite all of our clients to join our second annual seminar for office managers. In addition to updating issues for the previous year (including accounting, taxation and social insurance), this year we have invited an attorney to discuss legal administration and the privacy information protection act. If you would like to attend the seminar, please reply to

distribution@okamoto-co.com

by Monday, October 10, 2006.

Date: Monday, October 23, 2006

Time: 1:00 p.m. – 6:00 p.m.

Place: Okamoto & Company Training Room

(Please see a map by following the link below)

<http://www.okamoto-co.co.jp>

### Seminar Topics

1. Accounting (concept and flow of documents)
2. Legal Administration
3. Taxation (including new changes)
4. Social Insurance (including labor insurance)

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