

8 Company Benefits

Long-terms Trends in Company Benefit Costs

According to a survey by Nippon Keidanren, the cost of compulsory and non-compulsory company

benefits combined in 2011 accounted for 18.9% of the total value of cash earnings (Table III-19). This ratio has gradually increased since the first half of the 1990s, when it was 15-16%.

Table III-19 Trends in Monthly Benefit Costs and Retirement Benefits per Employee

Category		Total value of cash earnings (yen)	Benefit costs (yen)			Proportion of benefit costs to total value of cash earnings (%)	Retirement benefits (yen)
Survey	Fiscal year		Total	Compulsory	Non-compulsory		
35th	90	482,592	74,482	48,600	25,822	15.4	36,466
36th	91	492,587	77,091	49,865	27,226	15.7	42,786
37th	92	501,188	79,130	50,782	28,348	15.8	36,866
38th	93	500,983	79,543	50,998	28,545	15.9	38,171
39th	94	513,412	82,169	53,291	28,878	16.0	42,908
40th	95	525,651	88,174	58,679	29,495	16.8	45,341
41st	96	542,368	90,989	61,233	29,756	16.8	48,288
42nd	97	541,209	91,828	62,896	28,932	17.0	56,745
43rd	98	546,116	91,575	63,162	28,413	16.8	63,341
44th	99	548,191	92,188	63,763	28,425	16.8	72,775
45th	2000	550,802	93,203	65,423	27,780	16.9	69,256
46th	01	562,098	95,883	68,482	27,401	17.1	80,495
47th	02	558,494	96,755	68,552	28,203	17.3	87,283
48th	03	565,935	100,811	72,853	27,958	17.8	92,037
49th	04	578,054	102,372	74,106	28,266	17.7	80,499
50th	05	583,386	103,722	75,436	28,286	17.8	81,685
51st	06	587,658	104,787	76,437	28,350	17.8	76,605
52nd	07	586,008	103,934	75,936	27,998	17.7	71,551
53rd	08	572,781	103,311	75,621	27,690	18.0	65,839
54th	09	533,379	97,440	71,480	25,960	18.3	67,006
55th	10	541,866	100,076	74,493	25,583	18.5	70,183
56th	11	546,246	103,298	77,744	25,554	18.9	65,000

Source: Nippon Keidanren, *Results of the FY2011 Survey of Company Benefit Costs*

Breakdown of Benefit Costs

Compulsory benefit costs refer to costs such as social insurance premiums that are borne by companies. Consequently, the area where companies

differ considerably is in that of non-compulsory benefit costs, which companies take on voluntarily. Table III-20 shows a breakdown of benefit costs in FY2011.

First, the bulk of compulsory benefit costs consists of the portion of employees' pension insurance, health insurance, and long-term care insurance borne by the employer, which accounts for approximately 90% of compulsory benefit costs, 68% of total benefit costs, and 13% of the total value of cash earnings. A breakdown of non-compulsory benefit costs reveals a relatively high proportion to be accounted for by housing-related expenses, which account for approximately 49% of non-compulsory benefit costs and 12% of total benefit costs. However, the amount spent on many categories of non-compulsory benefit costs is decreasing. Categories in which the amount

has decreased for the last three straight years are "Supplied meals", "Clothing", "Other living support", "Provision and operation of cultural, sporting and recreational facilities", "Employee welfare agency service costs", and "Others".

By the way, non-compulsory benefit costs account for approximately 25% of total benefit costs, but only 4.7% of the total value of cash earnings. In contrast, retirement packages at Japanese companies are substantial and, as shown in the table, expenditure on retirement payments account for approximately 12% of the total value of cash earnings.

**Table III-20 Breakdown of Welfare Expenses in FY2011
(All-industry Monthly Average per Employee)**

Category	Amount (yen)	Change from 2008-2009 (%)	Change from 2009-2010 (%)	Change from 2010-2011 (%)
Total value of cash earnings	546,246	-6.9	1.6	0.8
Benefit costs	103,298	-5.7	2.7	3.2
Compulsory	77,744	-5.5	4.2	4.4
Health and long-term care insurance	27,040	-3.9	3.6	5.6
Employees' pension insurance	42,717	-3.0	2.2	4.0
Employment and workers' accident insurance	7,270	-24.0	20.3	2.5
Child allowance contributions	677	-5.9	1.2	1.8
Other	40	-40.5	145.5	-25.9
Non-compulsory	25,554	-6.2	-1.5	-0.1
(Main category)(Sub-category)				
Housing related	12,567	-4.2	-1.7	1.0
Housing	11,969	-3.5	-1.6	0.9
Home ownership support	598	-16.4	-2.9	3.5
Health and medical care	3,015	-3.5	-3.6	4.6
Operation of medical and health care facilities	2,145	-6.1	-4.2	5.6
Healthcare support	869	3.3	-2.2	2.1
Living assistance	5,897	-8.7	-1.5	0.9
Meals	2,034	-12.3	-0.9	-1.2
Purchases and shopping	274	-13.8	9.3	-6.8
Clothing	388	-17.3	-0.5	-1.5
Insurance	1,030	-0.1	-4.2	4.9
Nursing care	24	-16.7	0.0	-4.0
Childcare	239	17.2	19.8	12.7
Family support	311	3.0	-5.0	-3.7
Asset accumulation	1,039	-14.5	-0.7	3.8
Commuter buses and parking	456	2.3	-9.5	2.0
Other	102	-14.1	-13.3	-8.1
Congratulatory and condolences	811	-9.7	4.9	8.4
Allowance for congratulatory and condolences	739	-11.3	4.0	9.0
Fringe benefits in excess of legal minimum	72	10.9	13.1	4.3
Culture, sport, and recreation	2,060	-8.5	4.1	-2.0
Facilities and operation	987	-6.1	-1.4	-6.4
Subsidization of activities	1,073	-11.0	10.3	2.3
Mutual aid money	227	-14.6	0.0	-7.3
Benefit agency services	293	-12.9	-1.3	-0.3
Other	685	-11.9	-7.2	-32.9
Commuting allowance and commutation costs	9,867	-6.2	2.2	0.6
Retirement benefits	65,000	1.8	4.7	-7.4
Lump-sum retirement allowance	26,893	1.6	5.3	-16.9
Retirement annuity	38,107	1.9	4.3	0.7

Source: Nippon Keidanren, *Results of the FY2011 Survey of Company Benefit Costs*

Retirement Benefits System

In Japan, the monetary allowance in the event of retirement can be divided into the two categories of lump sum retirement allowances and retirement pensions. A look at Table III-21 shows that enterprises that paid retirement benefits accounted for 83.9% of the total in 2008. Among these, only lump sum retirement allowances and only retirement pensions constitute 55.3% and 12.8% respectively, while the figure for cases where these categories are combined is 31.9%. If we look at the relationship to the scale of the company, the smaller the company, the more likely it is that a worker will receive only a lump-sum payment on retirement, while the larger the company, the more likely it is that a worker will receive either a retirement pension or both a lump sum and a pension.

It is generally seen that both lump sum retirement allowances and retirement pensions are paid in proportion to the number of years of continuous service at a specific business. However there is a demarcation done on the basis of the reason for leaving the company. The ratio of payment is low for those workers who have left on their own convenience while the ratio is raised for long-term workers who have retired at the mandatory age after long-term employment and for those who had to resign at a company's request as those seen in recession etc. It is for this reason that the lump sum

retirement allowances and retirement pension have become a factor that promotes the long-term work tenures of workers in Japan. In addition to this, in the past it was largely the case that the amount for the lump sum retirement allowance was large, and the worker received a considerable amount of money at the time of mandatory retirement. However in the course of the last few years the proportion of the retirement pension has been on the rise. Factors behind this include the fact that the aging of employees has led to an increase in the amount paid by companies as a lump sum retirement allowance and the fact that companies can receive tax benefits if they turn their retirement benefits into a pension system.

However, the status of the introduction of retirement benefit systems differs considerably according to the form of employment. According to the General Survey on Diversified Types of Employment carried out in 2010 by the Ministry of Health, Labour and Welfare, whereas the proportion of companies that had introduced a retirement benefit system for their "regular employees" was 58.4%, the proportion that had introduced them for "contract workers (full-time workers on fixed-term contracts)" was 11.8%, and in the case of "part-time workers" it was 8.0%.

Table III-21 Percentages of Enterprises with Retirement Benefit (Lump Sum/Annuity) Schemes and Breakdown by Type

(%)

Enterprise size, industry, and year	All enterprises	Enterprises with retirement benefit (lump sum/annuity) scheme					Enterprises with no retirement benefit (lump sum/annuity)	(Re-grouped) With retirement benefits	
		Lump sum only	Annuity only	Lump sum and annuity	Lump-sum scheme (inc. enterprises with both)	Annuity scheme (inc. enterprises with both)			
All sizes	100.0	83.9	(100.0)	(55.3)	(12.8)	(31.9)	16.1	(87.2)	(44.7)
1,000 employees or more	100.0	95.2	(100.0)	(19.3)	(24.0)	(56.7)	4.8	(76.0)	(80.7)
300-999 employees	100.0	92.2	(100.0)	(30.7)	(23.7)	(45.6)	7.8	(76.3)	(69.3)
100-299 employees	100.0	88.0	(100.0)	(41.1)	(17.7)	(41.2)	12.0	(82.3)	(58.9)
30-99 employees	100.0	81.7	(100.0)	(63.0)	(9.9)	(27.1)	18.3	(90.1)	(37.0)
Mining	100.0	96.4	(100.0)	(64.5)	(15.3)	(20.2)	3.6	(84.7)	(35.5)
Construction	100.0	91.9	(100.0)	(50.6)	(10.1)	(39.2)	8.1	(89.9)	(49.4)
Manufacturing	100.0	88.8	(100.0)	(51.7)	(13.9)	(34.4)	11.2	(86.1)	(48.3)
Electricity, gas, heat supply and water	100.0	100.0	(100.0)	(32.9)	(13.6)	(53.6)	-	(86.4)	(67.1)
Information and communication	100.0	89.3	(100.0)	(42.4)	(17.8)	(39.8)	10.7	(82.2)	(57.6)
Transport	100.0	78.1	(100.0)	(59.8)	(13.7)	(26.5)	21.9	(86.3)	(40.2)
Wholesale and retail trade	100.0	87.3	(100.0)	(55.2)	(12.6)	(32.3)	12.7	(87.4)	(44.8)
Finance, insurance	100.0	95.6	(100.0)	(28.7)	(27.8)	(43.5)	4.4	(72.2)	(71.3)
Real estate	100.0	79.4	(100.0)	(69.6)	(9.9)	(20.5)	20.6	(90.1)	(30.4)
Eating and drinking place, accommodations	100.0	69.9	(100.0)	(71.3)	(8.6)	(20.1)	30.1	(91.4)	(28.7)
Healthcare, welfare	100.0	62.3	(100.0)	(82.2)	(3.4)	(14.3)	37.7	(96.6)	(17.8)
Education, learning assistance	100.0	79.9	(100.0)	(67.7)	(15.6)	(16.7)	20.1	(84.4)	(32.3)
Services(Not otherwise classified)	100.0	72.5	(100.0)	(61.1)	(11.2)	(27.6)	27.5	(88.8)	(38.9)
1989	100.0	88.9	(100.0)	(49.3)	(11.3)	(39.3)	11.1	(88.7)	(50.7)
1993	100.0	92.0	(100.0)	(47.0)	(18.6)	(34.5)	8.0	(81.4)	(53.0)
1997	100.0	88.9	(100.0)	(47.5)	(20.3)	(32.2)	11.1	(79.7)	(52.5)
2003	100.0	86.7	(100.0)	(46.5)	(19.6)	(33.9)	13.3	(80.4)	(53.5)
2008*	100.0	85.3	(100.0)	(53.1)	(13.2)	(33.7)	14.7	(86.8)	(46.9)

Source: Ministry of Health, Labour and Welfare, *General Survey of Working Conditions (2008)*

Notes: 1) Figures in parentheses indicate the proportion as a percentage of enterprises with retirement benefit (lump sum/annuity) schemes.

2) The survey date is as of the end of December in the case of figures for 1999 and earlier, and as of January 1 from 2001 onwards. The years shown in the table represent the survey years.

3) The scope of the survey was expanded from "private enterprises whose main office has 30 or more regular employees" up to 2007 to "private enterprises that have 30 or more regular employees" from 2008.

2008 shows the figures for "private enterprises whose main office has 30 or more regular employees", and should be referred to for the purpose of making comparisons over time.