

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 2013 accounted for 19.3% 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

| Survey | Fiscal year | Category | Total value of cash earnings (yen) | Benefit costs (yen) | | | Proportion of benefit costs to total value of cash earnings (%) | Retirement benefits (yen) |
|--------|-------------|----------|------------------------------------|---------------------|------------|----------------|---|---------------------------|
| | | | | 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 |
| 57th | 12 | | 549,308 | 104,243 | 78,948 | 25,296 | 19.0 | 63,335 |
| 58th | 13 | | 551,441 | 106,265 | 81,258 | 25,007 | 19.3 | 58,377 |

Source: Nippon Keidanren, *Results of the FY2013 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 FY2013.

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 91% of compulsory benefit costs, 70% 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 fallen over the past three years are "Supplied meals", "Family support", "Asset accumulation", "Provision and operation of cultural, sporting and recreational facilities", and "Employee welfare agency service costs".

By the way, non-compulsory benefit costs account for approximately 31% of total benefit costs, but only 4.5% 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 11% of the total value of cash earnings.

**Table III-20 Breakdown of Welfare Expenses in FY2013
(All-industry Monthly Average per Employee)**

| Category | Amount (yen) | Change from 2010-2011 (%) | Change from 2011-2012 (%) | Change from 2012-2013 (%) |
|---|--------------|---------------------------|---------------------------|---------------------------|
| Total value of cash earnings | 551,441 | 0.8 | 0.6 | 0.4 |
| Benefit costs | 106,265 | 3.2 | 0.9 | 1.9 |
| Compulsory | 81,258 | 4.4 | 1.5 | 2.9 |
| Health and long-term care insurance | 29,708 | 5.6 | 4.1 | 5.5 |
| Employees' pension insurance | 44,213 | 4.0 | 1.6 | 1.9 |
| Employment and workers' accident insurance | 6,535 | 2.5 | -9.2 | -1.0 |
| Child allowance contributions | 775 | 1.8 | 13.9 | 0.5 |
| Other | 28 | -25.9 | -5.0 | -26.3 |
| Non-compulsory | 25,007 | -0.1 | -1.0 | -1.1 |
| (Main category)(Sub-category) | | | | |
| Housing related | 12,225 | 1.0 | -2.3 | -0.4 |
| Housing | 11,640 | 0.9 | -2.7 | -0.1 |
| Home ownership support | 585 | 3.5 | 4.0 | -5.9 |
| Health and medical care | 2,962 | 4.6 | 1.5 | -3.2 |
| Operation of medical and health care facilities | 2,056 | 5.6 | -1.4 | -2.8 |
| Healthcare support | 906 | 2.1 | 8.7 | -4.1 |
| Living assistance | 5,799 | 0.9 | -0.1 | -1.6 |
| Meals | 1,951 | -1.2 | -3.5 | -0.6 |
| Purchases and shopping | 374 | -6.8 | 36.1 | 0.3 |
| Clothing | 448 | -1.5 | 14.9 | 0.4 |
| Insurance | 1,011 | 4.9 | -2.1 | 0.3 |
| Nursing care | 22 | -4.0 | -16.7 | 10.0 |
| Childcare | 348 | 12.7 | -1.7 | 48.1 |
| Family support | 247 | -3.7 | 10.9 | -28.4 |
| Asset accumulation | 808 | 3.8 | -12.1 | -11.5 |
| Commuter buses and parking | 480 | 2.0 | 9.6 | -4.0 |
| Other | 109 | -8.1 | -9.8 | 18.5 |
| Congratulatory and condolences | 704 | 8.4 | -10.9 | -2.6 |
| Allowance for congratulatory and condolences | 645 | 9.0 | -9.7 | -3.3 |
| Fringe benefits in excess of legal minimum | 59 | 4.3 | -22.2 | 5.4 |
| Culture, sport, and recreation | 2,002 | -2.0 | 1.5 | -4.3 |
| Facilities and operation | 892 | -6.4 | 0.6 | -10.2 |
| Subsidization of activities | 1,110 | 2.3 | 2.3 | 1.1 |
| Mutual aid money | 270 | -7.3 | 1.3 | 17.4 |
| Benefit agency services | 273 | -0.3 | 3.4 | -9.9 |
| Other | 771 | -32.9 | 5.7 | 6.5 |
| Commuting allowance and commutation costs | 9,810 | 0.6 | 0.5 | -1.1 |
| Retirement benefits | 58,377 | -7.4 | -2.6 | -7.8 |
| Lump-sum retirement allowance | 24,382 | -16.9 | 0.9 | -10.2 |
| Retirement annuity | 33,995 | 0.7 | -5.0 | -6.1 |

Source: Nippon Keidanren, *Results of the FY2013 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 75.5% of the total in 2013. Among these, only lump sum retirement allowances and only retirement pensions constitute 65.8% and 11.6% respectively, while the figure for cases where these categories are combined is 22.6%. 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.

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 | 75.5 | (100.0) | (65.8) | (11.6) | (22.6) | 24.5 | (88.4) | (34.2) |
| 1,000 employees or more | 100.0 | 93.6 | (100.0) | (23.0) | (28.9) | (48.1) | 6.4 | (71.1) | (77.0) |
| 300-999 employees | 100.0 | 89.4 | (100.0) | (31.5) | (27.2) | (41.3) | 10.6 | (72.8) | (68.5) |
| 100-299 employees | 100.0 | 82.0 | (100.0) | (56.0) | (14.0) | (30.0) | 18.0 | (86.0) | (44.0) |
| 30-99 employees | 100.0 | 72.0 | (100.0) | (74.1) | (8.6) | (17.3) | 28.0 | (91.4) | (25.9) |
| Mining and quarrying of stone and gravel | 100.0 | 91.0 | (100.0) | (73.6) | (11.1) | (15.3) | 9.0 | (88.9) | (26.4) |
| Construction | 100.0 | 91.5 | (100.0) | (59.9) | (12.1) | (28.0) | 8.5 | (87.9) | (40.1) |
| Manufacturing | 100.0 | 86.6 | (100.0) | (67.7) | (10.8) | (21.5) | 13.4 | (89.2) | (32.3) |
| Electricity, gas, heat supply and water | 100.0 | 96.3 | (100.0) | (50.0) | (12.3) | (37.8) | 3.7 | (87.7) | (50.0) |
| Information and communications | 100.0 | 76.9 | (100.0) | (47.6) | (16.7) | (35.7) | 23.1 | (83.3) | (52.4) |
| Transportation and postal services | 100.0 | 60.0 | (100.0) | (61.3) | (11.6) | (27.1) | 40.0 | (88.4) | (38.7) |
| Wholesale and retail trade | 100.0 | 82.3 | (100.0) | (62.2) | (14.3) | (23.5) | 17.7 | (85.7) | (37.8) |
| Finance and insurance | 100.0 | 89.2 | (100.0) | (43.4) | (17.3) | (39.3) | 10.8 | (82.7) | (56.6) |
| Real estate and goods rental and leasing | 100.0 | 76.9 | (100.0) | (68.5) | (9.1) | (22.3) | 23.1 | (90.9) | (31.5) |
| Scientific research, professional and technical services | 100.0 | 83.3 | (100.0) | (62.7) | (12.9) | (24.3) | 16.7 | (87.1) | (37.3) |
| Accommodations, food and beverage services | 100.0 | 52.6 | (100.0) | (80.6) | (7.4) | (12.0) | 47.4 | (92.6) | (19.4) |
| Living-related and personal services and amusement services | 100.0 | 53.0 | (100.0) | (67.7) | (10.1) | (22.3) | 47.0 | (89.9) | (32.3) |
| Education, learning support | 100.0 | 74.4 | (100.0) | (85.6) | (11.3) | (3.1) | 25.6 | (88.7) | (14.4) |
| Medical healthcare and welfare | 100.0 | 50.1 | (100.0) | (89.4) | (6.5) | (4.1) | 49.9 | (93.5) | (10.6) |
| Services (not elsewhere classified) | 100.0 | 62.0 | (100.0) | (77.3) | (6.7) | (15.9) | 38.0 | (93.3) | (22.7) |
| 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) |
| 2013** | 100.0 | 75.5 | (100.0) | (65.8) | (11.6) | (22.6) | 24.5 | (88.4) | (34.2) |

Source: Ministry of Health, Labour and Welfare, *General Survey of Working Conditions (2013)*

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.

Figures with a * mark are tabulated on the basis of "private enterprises whose main office has 30 or more regular employees".

Figures with a ** mark are tabulated on the basis of "private enterprises that have 30 or more regular employees" (i.e. regardless of employee location). Caution is required when comparing figures from 2008 onward with those from 2007 and before.