

## CURRENT INFORMATION

### The Growth of Enterprise Welfare in Japan

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#### Introduction

Enterprise welfare is often pointed out as a unique feature of Japanese industrial relations. In addition to lifetime employment, enterprise unionism and seniority wages, it is called the fourth pillar of the Japanese management (Maruo, 1984). According to cultural explanations, which have predominated in the studies of Japanese industrial relations, Japan's economic miracle would never have been possible without those four pillars, which help to encourage high worker morale and identification with the company, and thereby contribute to a productivity increase (Abegglen, 1958; Baba, 1977; Hazama, 1974; Vogel, 1985). The cultural explanations argue that the enterprise welfare in present-day Japan is the direct result of the traditional values peculiar to Japan such as group-oriented mentality or paternalistic employer-employee relations.

In this paper, I propose an alternative explanation. Particularly, I contend that the enterprise welfare prevalent in today's Japanese companies is more directly connected, first, with the turbulent industrial disputes in the immediate postwar period, and later, with the consolidation of enterprise unionism beginning in the mid-1950s. In support of this proposition, I trace the changes in the provision of company benefits, with special attention to the comparison between pre- and postwar periods.

While arguing for an early general growth of enterprise welfare in Japan, culturalists have not provided systematic evidence. They usually rely on case studies of a small number of large companies with exceptionally well-developed enterprise welfare at the early industrialization stage. It is true that several researchers have reported a general trend of company welfare changes (Okada,

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1982; Saguchi, 1974), but unfortunately, their results are very misleading, because they did not perform a deep analysis of the raw data acquired from diverse sources, which employed a different definition of enterprise welfare and a different sampling.

Several critiques exist of the cultural interpretations of the origin of current Japanese enterprise welfare. According to Koji Taira (1970, 1988), company welfare is the product of rational behavior of employers aiming at profit maximization at an early stage of industrialization, rather than something peculiar to Japan.<sup>1</sup> Another critique claims that it was not until the 1920s that company welfare facilities were introduced on a relatively large scale as a result of the advancement of the Japanese labor movement under the Taisho democracy (Mori, 1949; Takasaka, 1959). While accepting those arguments, I further contend that the enterprise welfare popular in current Japanese companies has a more recent origin.

### **Enterprise Welfare in Japan – A Comparative Perspective**

According to cultural explanations, Japan has a unique, well-developed enterprise welfare system. To evaluate this argument, we need to compare the levels of enterprise welfare in Japan and other advanced industrial democracies. A popular index for how much welfare effort is made in companies is the proportion of non-statutory welfare benefits to total labor costs, composed of cash earnings (wages, salaries, bonuses, etc.), statutory and non-statutory welfare benefits, retirement allowances, and training and education costs. Table 1 shows the ratios of cash earnings and welfare costs to the total labor costs in manufacturing companies. If retirement allowances are counted as enterprise welfare, as used to be the case in prewar Japan and usually is in most Western countries, the amount spent on company welfare in Japan is 7.1 percent of total labor costs. This rate is larger than that of Italy, Germany and Sweden, but smaller than that of the USA and France. Therefore, we cannot say that enterprise welfare in Japan is particularly benevolent compared to Western countries in general. But, if the ratio of company welfare costs to that of statutory benefits is compared, Japan becomes a unique case: the amount of company welfare costs is almost equal to that of statutory costs. By contrast, company welfare costs are equivalent to 12 percent of statutory welfare costs in Italy, 15.5 percent in Sweden, 17.5 percent in

**TABLE 1**  
**Components of Labor Costs in Selected OECD Countries (manufacturing companies; in percentages)**

	Cash Earnings	Welfare Benefits		
		Statutory	Non-statutory	Retirement Allowances
Japan	84.3	7.6	3.1	4.0
France	68.1	19.7	4.0	3.9
Germany	76.6	17.7	0.2	2.9
Italy	70.2	26.7	3.2	—
Netherlands	76.9	16.6		6.6
Sweden	75.4	21.3		3.3
UK	83.1	7.7		6.6
USA	82.6	6.6	5.7	4.9

Figures for the Netherlands, Sweden and UK are the total of non-statutory welfare costs and retirement allowances. Education and training costs are not included. Japan: firms with more than 30 employees, 1985. Germany, UK, France: firms with more than ten employees, 1984. Italy: 1972. The Netherlands: 1975. Sweden: 1976. Source: Rodosho (1988).

Germany and 40.1 percent in France. Until recently, company welfare costs in Japan were always larger than statutory welfare costs, and still are in large companies, as seen in Table 2.

Furthermore, the categories of company welfare are relatively simple in Western countries, where most of company welfare costs go to private insurances and pensions. Conversely, they are comprehensive in Japan, e.g. housing, health services, company loans, education, food, recreation, relief funds, etc. Another difference between Japan and European countries is that Japanese blue-collar

**TABLE 2**  
**Ratios of Welfare Costs to Cash Earnings in Large Companies in Japan**

Year	Cash Earning (yen)	Statutory Expenditure (%)	Non-statutory Expenditure (%)	Retirement Allowance (%)
1961	37,048	5.2	6.6	4.4
1966	55,431	6.1	6.9	5.1
1971	107,971	6.0	5.8	4.0
1976	241,964	7.4	5.6	5.0
1981	340,045	8.7	5.3	5.7
1986	415,488	9.3	4.9	7.9
1991	492,587	10.1	5.5	8.7

Source: Nikkeiren (1993).

workers enjoy a level of enterprise welfare similar to that of white-collar employees, whereas their Western counterparts do not.<sup>2</sup>

In short, enterprise welfare has exercised a much stronger influence on the livelihoods of wage workers in Japan than in other advanced industrial democracies. In Japan, enterprise welfare means far more than mere fringe benefits. It has been a substitute for the low levels of statutory welfare services.

## **Research Design**

### *Definition*

Generally, enterprise or company welfare includes all kinds of company benefits for employees, except for cash earnings. The main components are statutory welfare, non-statutory welfare and retirement allowances. In this analysis, however, the term 'enterprise welfare' is used in a narrower sense, referring only to the non-statutory welfare part of the total labor costs. Hereafter, company welfare including statutory and non-statutory parts and retirement allowances will be called 'comprehensive enterprise welfare'. The main enterprise welfare facilities cover housing, health, meals, financial support, education and cultural activities.

Following the guidelines of the Japan Ministry of Labor and the Japan Employers' Association, I define company welfare costs as the money spent by employers on the management of company welfare facilities for their employees (Rodoshō, 1964; Nikkeiren, 1955a). Specific items included in this category are administrative costs, salaries of the personnel managing the facilities, costs for necessities (medicines, food, furniture, etc.), depreciation of the welfare facilities, congratulation/relief money, light and heating costs, taxes, rents, etc. Payment in kind (bus or train tickets for commuters, snacks, etc.) is also included.<sup>3</sup> By contrast, money spent on the building and renovation of welfare facilities (hospitals, dormitories, family apartments, cafeterias, auditoriums, commuter buses) are not included because these facilities are the employers' property.

In prewar Japan, all allowances were counted as company welfare costs. But again, following the above-mentioned guidelines and the usages in several current studies, I confine enterprise welfare to non-cash benefits. Therefore, all types of allowances,

which are today regarded as a part of wages, are excluded from enterprise welfare.

### *Method*

Two items are compared, during three different periods. As indices of enterprise welfare, average non-statutory welfare costs and the provision of welfare facilities in all companies are used. The periods of comparison are the 1930s, late 1940s and mid-1960s.

More specifically, to measure changes in enterprise welfare costs, I examine the average ratios of non-statutory welfare costs to cash earnings per employee. To measure changes in the provision of welfare facilities, I present the percentages of companies providing welfare facilities among all the companies surveyed. Particular attention is paid to housing, medical and financial facilities, because these three categories are the key enterprise welfare facilities in any period.

**Data.** One of the first systematic surveys on enterprise welfare costs was made by the Japan Manufacturing Industry Association (Nippon Kogyo Kurabu) in 1932. This survey has a statistical problem due to both the miscalculation of ratios, as well as a choice of samples which were very selective. Statistics were taken from a small number of top-class companies having unusually well-developed company welfare facilities. Moreover, the survey adopted a different definition of enterprise welfare from the one used today. Many items were included in the enterprise welfare category which are no longer considered in today's analyses. Therefore, to make the data presented in the survey comparable with those of postwar surveys, several adjustments should be made.

For company welfare facilities, I depend on the survey performed in 1934 by the Labor Division of Japan, Bureau of Domestic Affairs (Shakaikyoku Rodobu, 1934) and in 1942 by the Ministry of Welfare (Koseisho, 1942).

Several systematic surveys exist on postwar enterprise welfare. For welfare costs, Nikkeiren's reports are often cited. Their problem, however, is that they rely on a relatively small number of large companies. On the other hand, the Ministry of Labor (Rodoshō) provides data sets ranging from 1949 to the present, which are based on large samples covering small to large companies. I use the

Rodosho data for the postwar trend of welfare costs and welfare facilities. Nikkeiren reports are referred to only when necessary.

### Development of Enterprise Welfare in Japan

Although several researchers point out that a few large companies already had a relatively developed welfare facility at the end of the 19th century (Hazama, 1968; Hyodo, 1980; Saguchi, 1957), there are no systematic data showing a general trend until the 1930s. On the other hand, it is reported that welfare facilities proper began to be adopted by many companies during the 1920s, in response to the pressure from a rapidly growing workers' movement (Mori, 1949; Takasaka, 1959). For example, it was in this period that the well-known retirement allowances (lump-sum payments) were introduced to companies on a large scale. My analysis of the prewar period is based on the 1930s, for which proper data are available. In this section, I examine whether an obvious change occurred in the provision of enterprise welfare between the three different time periods.

#### *Changes in Enterprise Welfare Costs*

**Prewar period.** According to the surveys of the Japan Manufacturing Industry Association, the ratio of non-statutory welfare costs to cash earnings was 16.7 percent in 1925 and 23.9 percent in 1931, which seems extremely high. When a small number of non-manufacturing companies are excluded, the 1931 ratio decreases to 18.6 percent.<sup>4</sup> Several further adjustments should be made. First, all kinds of allowances (retirement, severance, overtime, family, housing, etc.) should be discounted as enterprise welfare costs. Second, the costs for workplace safety facilities and for management-labor meetings should be included in production costs. The results are presented in Table 3.

There are several more items to be excluded, although their exact amount is not known. First, costs for job training and so-called mental cultivation (which was usually for anti-labor movements and anti-socialist propaganda) are included in the education/cultural activities category. Second, as in most prewar surveys, health costs might include costs for ventilation, lighting, heating

**TABLE 3**  
**Welfare Costs in Manufacturing, January to June 1931 (total amounts spent in all companies, in yen)**

Cash Earnings	Welfare Benefits		
	Statutory	Enterprise	Retirement Allowance
54,348,144 (100.0%)	1,643,126 (3.0%)	4,210,525 (7.7%)	4,714,858 (8.7%)

As mentioned in Appendix, retirement/severance allowances suddenly appeared in the early 1930s. Usually, their ratio to cash earnings was around 4 percent. Also, since the provision of some of those allowances was prescribed by a government law, the actual amount of retirement/severance allowances as part of 'comprehensive company welfare' would have been much smaller than presented in Table 3.

*Source:* Nippon Kogyo Kurabu (1932).

and restrooms, all of which must be counted as production costs (Kyochokai, 1926). Third, relief funds might include items required by law (e.g. survivor's aid, aid to the disabled, recuperation costs, funeral expenses, etc.).

In sum, the actual ratio of non-statutory welfare to cash earnings for employees of top-class manufacturing companies in 1931 is estimated at just above 6 percent. (For more details, see Appendix.)

**Postwar period.** The postwar period is divided into two stages: the stage of labor militancy, from 1945 to the early 1950s, and the stage of enterprise unionism, from the mid-1950s to the mid-1960s.

*First stage:* According to the 1949 survey by the Ministry of Labor, the ratio of non-statutory expenditure to cash earnings in manufacturing companies with more than 30 employees was 6.5 percent. Two adjustments are necessary. First, payment in kind (e.g. commuting bus/train tickets, snacks, etc.) included in cash earnings should go to non-statutory expenditures. Next, we have to focus on large companies. The results are presented in Table 4.

If the companies with more than 500 employees are taken as the basis for comparison, enterprise welfare was equivalent to 9.3 percent of cash earnings. But an examination of the companies with 1000-plus employees would be more practical. Then, the ratio increased by 3–6 percent during the 18 years. However, the actual difference would be larger than this, because the prewar data were collected from a small number (106) of carefully selected top-class companies. In fact, the data Nikkeiren collected from 44 selected

**TABLE 4**  
**Welfare Costs in Manufacturing by Size, 1949 (per person, per month, in yen)**

Size	Cash Earnings	Non-statutory Expenditure	Statutory Expenditure
30-49	5835	221 (3.8%)	290 (5.0%)
50-99	6463	198 (3.1%)	326 (5.0%)
100-299	7084	467 (6.6%)	404 (5.7%)
200-499	7484	456 (6.1%)	398 (5.3%)
500-999	8181	640 (7.8%)	443 (5.4%)
1000+	8288	887 (10.7%)	454 (5.5%)
30+	7476	558 (7.5%)	403 (5.4%)
500+	8235	764 (9.3%)	449 (5.4%)

*Source:* Rodosho (1949).

large manufacturing companies show that the ratio was 12.0 percent (Y1661/13,851) in 1951 (Nikkeiren, 1953). In this case, enterprise welfare costs in large companies almost doubled between 1932 and 1951.<sup>5</sup>

*Second stage:* The 1964 Ministry of Labor survey indicates that the Japanese companies spent less on enterprise welfare during the mid-1950s to the mid-1960s. The ratio of non-statutory expenditure (payment in kind included) to cash earnings for manufacturing companies with more than 30 employees was 6.7 percent of cash earnings, which is 0.8 percent less than the ratio in 1949. As seen in Table 5, the ratio in the large companies with over 500 employees decreased from 9.3 to 7.1 percent.

There are, however, several problems we have to consider when comparing the ratios between the two periods. First, the results of the surveys up to 1949 were based only on those companies in the survey having a welfare facility, whereas those of the 1964 survey were based upon all surveyed companies (Rodosho, 1957). About

**TABLE 5**  
**Welfare Costs in Manufacturing by Size, 1964 (per person, per month, in yen)**

Size	Cash Earnings	Non-statutory Expenditure	Statutory Expenditure
30-99	24,601	1467 (5.9%)	1374 (5.6%)
100-499	28,462	1863 (6.5%)	1755 (5.7%)
500+	36,450	2604 (7.1%)	1898 (5.2%)
30+	30,271	2020 (6.7%)	1630 (5.4%)

*Source:* Rodosho (1964).



23 percent of the firms surveyed had no welfare facility of any kind and were excluded in the calculation of non-statutory costs in 1949. Second, the wage level was kept extremely low in 1949 as the result of Japan's defeat in the Second World War.<sup>6</sup> The real wage index of 1949 was 58.9 while that of 1964 was about 140, when the real wage level of 1955 is taken as the basis. Finally, as we see in the following section, the growth of company benefits in the 1960s became increasingly concentrated on financial facilities (e.g. company loans), but subsidies to these facilities were generally not counted because of the difficulty in calculation. From the consideration of the above circumstances, we can estimate that the real level of non-statutory expenditures kept rising, although slowly, through the mid-1960s.<sup>7</sup>

### *Development of Company Welfare Facilities*

Since the data on enterprise welfare costs are highly affected by wage level and sampling, another index is necessary for a proper comparison of company welfare for a different period. In this section, I examine how widely welfare facilities were adopted by companies in each period.

**Housing facilities.** Housing facilities have been the most popular and most expensive welfare facilities. Generally, the number of companies with housing facilities has kept rising. The two main housing facilities are family houses/apartments and dormitories. In 1939, 25.3 percent of companies with 100-plus employees and 44.4 percent of companies with 500-plus workers had a company house. By contrast, the corresponding figures in 1964 were 61.1 and 88.6 percent, respectively. The ratio of the average rent for a family house to the average wage was 2.5–7.4 percent (Y1.24–3.72/50) in 1932, whereas it was 1.3 percent (Y108/8416) in 1949 and 1.7–4.0 percent (Y574–1335/33,089) in 1964. Dormitories were particularly prevalent in the prewar period: 67.8 percent of factories with more than 500 employees had such facilities in 1939. The proportion suddenly dropped to 36.2 percent in 1964. But this does not mean a deterioration of housing facilities for single employees. In the prewar period, the dormitory was a facility used not only for the accommodation of single workers, but also served to control them. Single workers were still supervised by the company even after

work hours in these military-style dormitories. In the postwar period, single apartments were preferred to dormitories. In 1964, over 70 percent of the companies with 500-plus employees provided single housing facilities, which alone exceeded the number of prewar large companies providing dormitories. The housing conditions for single employees seemed much improved between 1949 and 1964. The proportion of companies with dormitories rose from 27.0 percent in 1949 to 39.9 percent in 1964. Moreover, the number of companies of 30-plus employees with single housing facilities increased from 21.0 percent in 1949 to 27.0 percent in 1964.

Today, housing allowance is seen as a part of employees' wages, but in the past, it came under a company's welfare facilities. In 1939, slightly less than 6 percent of factories with 100-plus employees had such an allowance. On the other hand, more than 37 percent of factories of the same size provided such a benefit in 1964. Commuting allowance was provided in only 0.4 percent of the companies with 100-plus employees in 1939, while this figure increased dramatically in 1964 to 77 percent of companies with 30-plus employees.

**Medical/dining facilities.** Medical facilities waxed and waned during the time periods in question. The proportion of companies with 100-plus employees having such facilities went up from 31.4 percent in 1932 to 52.3 percent in 1949. But, it fell to 37.8 percent in 1964. In the case of large companies with more than 500 employees, the proportion changed from 77.9 percent in 1939 to 96.6 percent in 1949 and to 90.1 percent in 1964. The decrease between 1949 and 1964 can be explained by a rapid development of statutory health insurance during the 1950s. The National Health Insurance system covering all citizens was implemented in the late 1950s.

While the provision of medical facilities decreased in companies of all sizes, medical benefits did not deteriorate, as shown in the change of the average number of doctors, from 1.6 in 1949 to 1.5 in 1964, of the average number of nurses from 2.3 to 2.1, and of the average number of beds from 2.8 to 3.4. In fact, the reduction was caused by a sudden decline in the number of medical treatment rooms, which usually have no bed and no full-time doctor. Among the companies with 30-plus employees, 14.1 percent had such a facility in 1949, while only 7.8 percent had it in 1964.

The provision of cafeterias did not change much between the pre- and postwar periods. More than 76.3 percent of factories with

500-plus employees had a dining facility in 1939. The number dwindled a little in 1949, mainly owing to the difference in sampling. The figure bounced back to 87.2 percent in 1964.

**Financial facilities.** The company loan, which serves to assist employees in the purchase of a house, the education of children, and for other general purposes, is the most developed area in the postwar period, particularly since the 1960s. It was available at 11.9 percent of factories with 100-plus employees in 1932. The proportion slowly grew to 15.3 percent in 1949, and jumped to 52.5 percent in 1964.

The annual interest rate was on average 10 percent in 1932 and the average annual interest rate of all banks was 7.8–11.5 percent in 1930. In 1949, the average annual interest rate fell to 1.2 percent, while the average amount per case was Y3300 (average monthly wage in manufacturing was Y7541). The average annual interest rate on private loans in general was 3.6–14.6 percent in 1950. In 1964, the average interest rate was 5.1 percent (general) to 6.4 percent (house purchase), while the average annual interest on private loans was 7.9 percent in 1965. The average loan amount was Y362,834 for a home purchase, and Y39,954 for other purposes. It should be noted that the average monthly wage in manufacturing was Y30,271.

Congratulation money and relief funds have experienced considerable change since the Second World War. About 24 percent of companies with more than 100 employees gave injury compensation payments to employees and their families, and 17.6 percent of them distributed congratulation money. The ratio rose to higher than 80 and 90 percent, respectively, in 1964. The average amount per employee was Y0.04 per month in 1932 and Y57 in 1964. The ratio of the congratulation money and relief fund to the average wage was 0.08 percent in 1931 and 0.17 percent in 1964.

**Retirement allowances (lump-sum payments).** Retirement allowances were a key enterprise welfare facility in the prewar period. Since no government pension was provided for most workers, retirement allowances were the only source of support after retirement. Even though there were statutory regulations for retirement allowances, their provision was up to the employer's discretion. After the Second World War, however, retirement allowances were no longer regarded as non-statutory welfare. They emerged as an

important issue of collective bargaining under the aegis of a strong labor movement in the immediate postwar period. Now, retirement allowances constitute comprehensive company welfare, in addition to statutory and non-statutory welfare. But they are still regarded as symbolizing the richness of enterprise welfare in Japanese companies.

About 17.1 percent of companies with more than 30 employees had regulated for retirement allowances in 1935. But the actual proportion of the companies providing retirement allowances went up to 30.4 percent, when the companies providing it by custom are included. The figure was 52.7 percent in companies with more than 100 employees. The average amounts of retirement allowances are presented in Table 6.

In the postwar period, the Ministry of Labor performed a comprehensive survey on retirement allowances in 1951. According to this, 82.3 percent of companies with more than 30 employees in all industries had a retirement fund. By size, 90.3 percent of companies with 100–499 employees and 95.7 percent of those with more than 500 had such an allowance – figures much higher than those of 1935. The amount of retirement allowance also increased significantly, as seen in Table 7.

In 1964, 92 percent of factories with more than 30 employees had a retirement fund (lump-sum payment only). About 98 percent of factories with 100-plus and 99.9 percent of those with 500-plus employees provided such an allowance. A retirement allowance was in place in 30.4 percent of companies with 30-plus employees in 1935, 82.3 percent in 1951, and 92 percent in 1964. Retirement allowances in the form of a lump-sum payment was not as popular as thought in the prewar period. It was not until the 1960s that it was provided by almost every company.

**TABLE 6**  
**Average Amount of Retirement/Severance Allowance in Factories and Mines, 1935**  
**(unit: one day's wage)**

Reason for Retirement	Terms of Service (Years)				
	1–2	4–5	9–10	10–15	15–20
Dismissed by employer	27	67	161	194	296
Employee's own reasons	16	44	119	144	239

*Source:* Shakaikyoku Rodobu (1936).

**TABLE 7**  
**Average Retirement Allowance in Factories and Mines, 'Dismissed by Employers'**  
**Cases, in 1947 (unit: one day's basic wage)**

	2	Terms of Service (years)			
		5	10	15	20
Factory	43.6 (37.1)	122.8 (93.9)	289.4 (204.3)	483.5 (336.0)	701.6 (484.0)
Mine	35.0 (35.3)	100.0 (89.7)	243.3 (182.4)	400.0 (283.7)	593.3 (410.9)

Figures in parentheses are one day's standard wage.

Source: Koseisho (Ministry of Welfare), 'Taisho Teate Shikyu' (Provision of Retirement Allowances) (1947), quoted in Tokyo Chiho Rodo Iinkai (1948).

## Explanation

Two events can be singled out as the source of the expansion of enterprise welfare in the postwar period: labor militancy in the immediate postwar period and the consolidation of cooperative enterprise unionism in the labor movement starting in the early 1950s.

### *Labor Militancy*

The Japanese labor movements exploded in the immediate postwar period. They were extremely militant. But their organization was mainly enterprise based. While there was a strong movement toward industrial unions, individual unions focused on the economic benefits of their members in particular companies. With few statutory welfare benefits, wages still extremely low and without a strong industrial unions base, workers' demands were naturally for company welfare benefits. Since they were very strong and militant and the government, disarmed by the Supreme Command for the Allied Powers, was unable to control the radicalized labor movement, employers had to make some concessions.<sup>8</sup>

A typical example is found in the issue of retirement allowances, which were the main target of labor unions at that time. Among 910 labor disputes occurring in 1946, 133 (14.6%) included a demand for the establishment or increase of retirement allowances. The figure grew to 21.1 percent in 1949 (199/944). As mentioned above the provision of retirement allowances in the past was entirely up to

the employer's discretion. But workers came to regard such allowances as obligatory or as compensation for unpaid wages in the postwar period. They claimed larger retirement allowances, as their right. The provision and amount of retirement allowances became a main issue in the collective bargaining process. The result was a rapid increase in the provision of retirement allowances. Table 8 shows that 24,222 companies had a formal regulation on the provision of retirement allowances in 1951. Among them, just below 10 percent had such a regulation before the Second World War. Most companies introduced it in the postwar period, especially between 1948 and 1949, when labor militancy was strong.

### *Cooperative Enterprise Unionism*

Owing to the diverse measures taken by the conservative government and the employers, the attempt to create industrial unionism of the late 1940s resulted in defeat. During the early 1950s, pro-company enterprise unions increasingly replaced the militant, industrial-oriented unions. In collective bargaining or in management-labor councils, the main concern of union leaders was to get high wages and generous company welfare benefits. In some cases, employers gave material rewards to encourage the establishment of a cooperative second union. At least in this period of radical change, the provision of generous enterprise welfare was an interest common to both sides.

During or just after the formation of pro-company unions, many

**TABLE 8**  
**First Year of Introducing Retirement Allowances in Japanese Companies**

Size	Number	Prewar	1945	1946	1947	1948	1949	1950	1951 <sup>a</sup>
30-99	16,002 (100)	1400 (9)	372 (2)	239 (1)	1113 (7)	5436 (34)	3651 (23)	2308 (14)	1528 (14)
100-499	6900 (100)	831 (12)	105 (2)	206 (3)	510 (7)	2048 (30)	1699 (25)	862 (13)	639 (9)
500+	1320 (100)	89 (7)	12 (1)	42 (3)	130 (10)	245 (19)	387 (30)	270 (20)	145 (11)
Total	24,222 (100)	2320 (10)	444 (2)	487 (2)	1753 (7)	7729 (32)	5737 (24)	3440 (14)	2312 (10)

Percentages in parentheses.

<sup>a</sup> Through May.

proposals for occupational welfare were put forward. For example, in 1953, 449 proposals regarding enterprise welfare were presented by either employers or employees in 84 factories with 100-plus employees (5.3 cases per factory). Housing was at the top of the list with 128 cases (28.5%), and livelihood subsidies (83) and recreation/education followed (80). Among those 449 proposals, 78 (17.4%) were dealt with via collective bargaining, 119 (26.5%) in a management-labor council for mutual consultations, and 50 in other formal/informal meetings. One interesting finding is that only 4.5 percent (20) of the proposals were totally rejected by either party (Nikkeiren, 1955b).

As a result, many new welfare facilities came into being. Table 9 shows that for the most part company subsidies, for home purchase (own-home plan) were not introduced until after 1955. For example, among the 453 large companies providing home loans in 1967, 72 percent of them had not introduced such a scheme until after 1955. Before 1955, only 3.2 percent of the companies had a special saving plan for the purchase of homes, and 10 percent of them could offer lower priced homes. Sales of sites at low prices did not start until 1955. Moreover, before 1950, the housing allowance was established in only 11 percent of the companies (25/229).

## Conclusion

There were two waves of enterprise welfare growth in the postwar period. Lack of systematic data on the early industrialization stage prevented researchers from figuring out how much effort toward enterprise welfare had been made in Japanese companies before the rise of the labor movement in the 1920s. It seems impossible to

**TABLE 9**  
**Introduction of Own-home Plans in Large Companies**

Item	Total	Pre-1955	1956-60	1961-5	1966-7
Special savings	220	7	31	126	56
House loan	458	128	126	173	31
Sale of house	31	3	4	9	15
Sale of site	41	-	5	26	10

*Source:* Nikkeiren (1968).

estimate the independent effect of cultural practices peculiar to Japan on the growth of enterprise welfare. But the analysis of the 1934 survey still tells us that there was a big change in company welfare expenditure between the pre- and postwar periods.

The growth of non-statutory welfare costs, particularly in large companies, was relatively slow in the postwar period. This does not mean a stagnation of enterprise welfare. The proportion of companies with 30-plus employees having some form of welfare facility grew from 78 percent in 1948 to 99.7 percent in 1964. The apparent standstill is mainly due to a rapid rise in wages caused by favorable economic conditions. During the 1950s and 1960s, small companies became incorporated into enterprise unionism, thus leading the way in enterprise welfare growth.

Since the 1960s, rapid economic growth has allowed an increase in the wage levels of Japanese workers, which had long remained low. In addition, improvements in social security programs have required more contributions from employers, as well as workers. The result has been a reduction in the proportion spent on enterprise welfare and an increase of statutory welfare.

Again, such a tendency does not mean a deterioration of enterprise welfare. Rather, the expansion of welfare facilities has continued. About 16 percent of companies in all industries with more than 30 employees had an 'own-home plan' (including a company loan for the purchase of homes) in 1964. The figure grew to 34.8 percent in 1972 and to 61.4 percent in 1980. The proportion of companies having a company insurance plan was 26.1 percent in 1964. But it jumped to 62.4 percent in 1973. Canteen facilities also increased from 40.5 percent in 1964 to 75.8 percent in 1972. On the other hand, the ratio of the companies having housing facilities went from 71 percent in 1964 to 73.5 percent in 1972 and down to 57.6 percent in 1980 (Nippon Seisansei Honbu, 1984). Thus, the postwar tendency of favoring financial support has continued.

## Appendix

The 1932 survey was based on 129 samples selected from 147 large companies, who responded to the questionnaire distributed by the Japan Manufacturing Industry Association. 218 companies did not respond; 106 manufacturing companies responded. The company sizes were not specified, but the average number of employees was about 2700. The original ratios of welfare benefits to cash earnings in manufacturing were:



Cash Earnings	Non-statutory Expenditures	Statutory Expenditures
Y53,580,609	Y9,979,298 (18.6%)	Y1,643,126 (3.1%)

Among the non-statutory expenditures, the amount of all allowances (Y5,482,393) should go to cash earnings or retirement allowances. The exact ratio is unknown. But the early 1930s was a period of worldwide economic depression. In Japan, employees were dismissed on a large scale. It is likely that the sudden increase in allowances (from 30% in non-statutory expenditures in 1925 to 60% in 1931) resulted from the rapid growth of retirement and severance allowances, as pointed out in the survey. In the 1934 survey by the Japanese Bureau of Domestic Affairs, the ratio of retirement and severance allowances to all allowances in manufacturing was 86 percent in 1932, and this figure is used in my analysis. Moreover, costs for workplace safety facilities and management-labor meetings, which amounted to 286,380 yen, should be discounted.

The adjusted amounts and ratios are shown in Table 3 of the text. The exact amounts of the remaining items to be excluded from non-statutory expenditures cannot be specified. They were included in education/cultural activities costs (Y394,213), health costs (Y898,860) and relief benefits (Y293,258), which altogether amount to Y1,586,331.

We can safely say that the ratio of non-statutory welfare to cash earnings was between 4.8 and 7.7 percent in 1931.

## Notes

1. He argues that employer paternalism, usually attributed to unchanging Japanese traditions, itself resulted from employers' rational responses to labor market conditions characterized by acute labor shortage and high labor turnover in the early industrialization period. To avoid labor turnover, and, thereby, to minimize the consequent economic loss, employers had to depend on such paternalistic means as generous fringe benefits, job security, a variety of bonuses and other benefits for employees. See, for example, Taira (1970, 1988).

2. For example, the ratio of enterprise welfare to total labor costs for wage workers was 51.4 percent of salaried workers in Germany, 69.6 percent in France, 44 percent in Belgium and 30.4 percent in Luxemburg in 1969 (Okamoto, 1982).

3. Payment in kind is conventionally categorized as non-statutory company benefits as seen in Nikkeiren's surveys, as well as in surveys of Western countries. But Rodosho put it in the wages category in the 1949 survey and, since 1964, has placed it in the comprehensive company welfare category, in which statutory and non-statutory welfare and retirement allowances are also included. This study adheres to this conventional manner.

4. Enterprise welfare costs of mines and banks have been higher than those of manufacturing companies. Since the average ratio of enterprise welfare of a particular period is highly affected by the inclusion of non-manufacturing firms in samples, I deal with manufacturing companies only.

5. As shown in the Appendix, among the 365 companies to which the Japan Manufacturing Industry Association sent the questionnaire, only 147 companies (40%) returned it. It is very possible that the other 60 percent did not respond because they did not have any welfare facilities. Also, among the 147 companies, 18 companies were excluded from the statistics because they made no provision for welfare facilities. Only 35 percent of the original sample were used in the calculation of welfare costs in 1932. On the other hand, the 1949 survey, which was based on 5800 companies, used about 60 percent of its original sample (in the case of large companies, the proportion would be much higher). Therefore, the actual difference in welfare costs between the two periods would be much larger than presented.

6. The situation was almost identical in the early 1930s, when Japan suffered from the worldwide economic depression. See Appendix.

7. This argument is supported by several data. First, according to Nikkeiren, the ratio of non-statutory expenditures to cash earnings in all industries was 11.6 percent (¥1715/14,819) in 1951, and suddenly dropped to 9.3 percent (¥1818/19,495) in 1952 mainly because of a rapid wage increase. It further decreased to 7.4 percent in 1953. Whereas welfare expenditures remained almost stationary (¥1824), cash earnings showed an increase of 27 percent (¥24,750). After that, the figure remained at 8.5 percent through 1955. In 1955, cash earnings were almost identical (¥23,967), but non-statutory costs grew fast (¥2042). The ratio remained at 8.6 percent until 1958. See Nikkeiren (1969). Moreover, according to the 1957 Enterprise Welfare Facilities survey by the Ministry of Labor, the ratio of non-statutory welfare costs to cash earnings was 5.5 percent in factories with more than 30 employees and 6.9 percent in those with more than 500 employees. These figures increased to 6.7 and 7.1 percent, respectively, in 1964. The overestimation of the ratio of welfare costs to cash earnings of 1949 due to a low wage level is also clearly indicated by the fact that the ratio of statutory welfare to wages remained almost steady between 1949 and 1964 – that is, at 5.4 percent in the companies with 30-plus employees. In the large companies, the ratio of 1949 is even 0.2 percent higher. But all social security programs were considerably expanded during the 1950s, which means an increasing burden on employers, as shown in the rise of the ratio of statutory welfare costs since then (e.g. 6.0% in 1968, 7.0% in 1975 and 8.8% in 1981 in manufacturing companies with 30-plus employees).

8. For the labor movement of this period, see, for example, Moore (1983), Sato (1976), Shiota (1974) and Suehiro (1954).

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