Increasing Employer Contribution Rates as a Means of Revitalizing Employee Stock Ownership Plans

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Most listed Japanese companies have an employee stock ownership plan[1] but the number of members has failed to increase in recent years. One way to deal with this situation and encourage more employees to join might be to increase employer contributions to such schemes.

This report considers the legal implications of such an increase and tries to estimate its impact on the companies themselves.

1. An Overview of Employee Stock Ownership Plans

1) The decline in membership

Employee stock ownership plans are intended (1) to encourage employees to invest in their own company and, thereby, (2) to enhance employee benefits and encourage employees to take more interest in the way their company is run. What this means in practice is that an employee stock ownership plan is set up which employees can opt to join and to which they pay regular, fixed contributions which are used to purchase ordinary shares issued by the company.

In order to encourage their employees to purchase shares in them, most companies match employee contributions to such a plan by up to a certain ratio.[2] For tax purposes, employer contributions are regarded as part of a plan member's salary and taxed at source: either once a month as part of his salary, if paid every month, or once a year as a bonus, if paid once a year. Employers can treat their contributions as a deductible expense.

1 Japanese ESOPs are different from US ESOPs. For further details, see Figure 8.

2 According to the Tokyo Stock Exchange's "Survey of Employee Stock Ownership Plans for Fiscal 2002," 93.6% of companies with such plans contribute to them.

Although employee stock ownership plans existed in Japan before the Second World War, they were not very common, and many of those that did exist ceased to do so in the aftermath of the War. As the economy recovered, companies began to set up plans again, and the number gradually increased. According to a 1967 survey by the then Ministry of Labor, however, only 130 (or 13.9%) of the 1,286 companies listed on the Tokyo Stock Exchange (First and Second Sections) or the Osaka Stock Exchange (First Section) had done so.[3]

It was the easing of restrictions on foreign ownership of Japanese companies in July 1967 ("Stage One of the Deregulation of Capital Transactions") that led to an increase in the number of companies introducing such plans. While companies and their banks began to hold shares in each other in order to prevent a takeover by foreign investors, a growing number of companies introduced employee stock ownership plans in order to ensure that more of their shares were in safe hands. It was during this period that the present system took shape.

As the risk of a foreign takeover receded, employee stock ownership plans increasingly came to be regarded as a benefit and were introduced by many more companies. Today more than 96% of Japanese companies are believed to have such plans.

Although such plans are now widespread, however, the number of their members has failed to grow in recent years. After peaking at 1,839,000 in fiscal 1997, the number declined to 1,792,000 by the end of fiscal 2002 (see Figure 1). No doubt this can be explained partly by the fact that the number of employees has declined as a result of rationalization. However, only 51.3% of employees (i.e., barely more than half) contribute to such plans.[4] Moreover, this figure applies only to parent companies. If consolidated subsidiaries are included, the number of employees eligible to contribute is higher. This means that the current membership rate is actually on the low side. Another point to bear in mind is that the average monthly contribution is ¥10,473.[5] Given that this includes contributions from managers, the amount is not particularly high.

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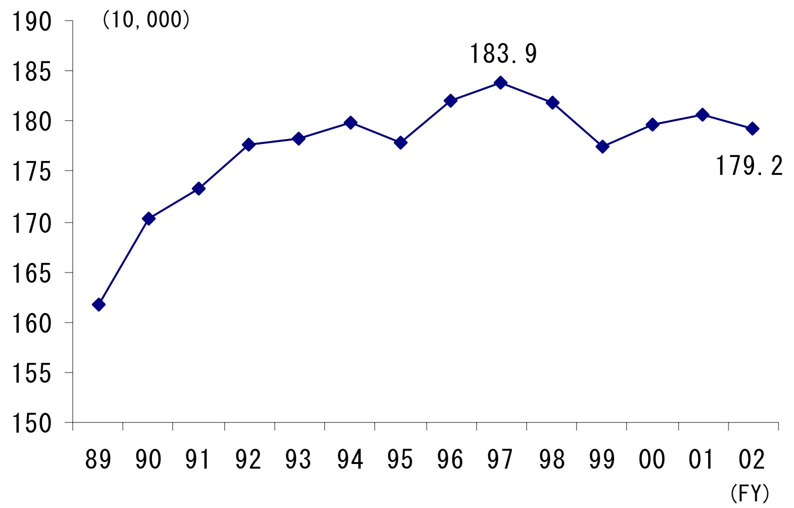
3 See Nomura Securities, "Mochikabu Seido no Un'ei Jitsumu" [Administering an Employee Stock Ownership Plan], Commercial Law Center, 1990.

4 Tokyo Stock Exchange, "Survey of Employee Stock Ownership Plans for Fiscal 2002."

5 See Nomura Securities, "Mochikabu Detabukku 2003" [ESOP Databook 2003].

Figure 1 Membership of Employee Stock Ownership Plans in Japan



Note: Based on data from companies listed on the Tokyo Stock Exchange. The number of members includes employees working for subsidiaries, etc.

Source: Tokyo Stock Exchange, "Survey of Employee Stock Ownership Plans for Fiscal 2002."

2) Distribution of employer contributions and the impact of an increase in their contribution rate

One way of remedying this situation would be for employers to increase their contribution rate. According to a survey by the Tokyo Stock Exchange, the average employer contribution rate is 6.6%. Of the 1,667 companies surveyed, 824 contribute 5% of what their employees contribute (see Figure 2), while 426 contribute at least 10%. However, only 18 companies contribute 20% or more.

Figure 2 Employer Contribution Rates

Contribution rate (%)	0	Less than 2	2-4	4-6	(of which, 5)	6-8
Number of companies	106	5	95	851	824	129
Ratio (%)	6.4	0.3	5.7	51.0	49.4	7.7

Contribution rate (%)	8-10	10-15	(of which, 10)	15-20	20-plus	Total
Number of companies	55	399	384	9	18	1667
Ratio (%)	3.3	23.9	23.0	0.5	1.1	100.0

Note: The figures for employer contributions do not include subsidies to cover the cost of brokerage and administration fees.

Source: Tokyo Stock Exchange, "Survey of Employee Stock Ownership Plans for Fiscal 2002."

If the employer contribution rate was increased, total employee contributions would also probably increase as more employees joined and existing members increased their contributions. Of the 21 companies with administration agreements with Nomura Securities that increased their contributions to their employee stock ownership plans between December 2000 and April 2003, 13 saw their membership rates rise during the following six months while 16 saw their employees' total contributions increase (Figure 3).

Figure 3 Impact of Increasing Employer Contributions

		Overall	Increase of 5%-plus	Increase of less than 5%
Membership rate	Increase	13	10	3
	Decrease	8	3	5
Employee contributions	Increase	16	10	6
	Decrease	5	3	2

Note: Based on the 21 companies with administration agreements with Nomura Securities that increased their contributions to their employee stock ownership plans between December 2000 and April 2003.

Source: Nomura Securities.

2. The Legal Issues Surrounding Any Increase in Employer Contribution Rates

The question arises whether any increase in employer contribution rates would have legal implications. Employer contributions have been the subject of debate before, and the conclusion has been that they do not present any problems. As well as touching on these issues, this section suggests a new approach to setting employer contribution rates, which have been capped at 20%.

1) Principle of shareholder equality

According to the principle of shareholder equality, all shareholders have a legal right to be treated equally in proportion to the number of shares they own. Employer contributions benefit only those shareholders who are members of stock ownership plans rather than shareholders in general. On this account employer contributions have been held by some to violate the principle of shareholder equality.

However, the general view is that members of stock ownership plans are eligible for employer contributions in their capacity as employees rather than as shareholders. This means that such contributions are part of an employee's benefit package and do not violate the principle of shareholder equality.

2) Buying shareholder votes

Under Article 294.2 of the Commercial Code it is illegal for employers to use company assets to try to buy shareholder votes in order to bolster their own position. This raises the question whether employer contributions to employee stock ownership plans can be construed as a payment to shareholders to vote in the interests of the employer.

According to Japanese case law, members of employee stock ownership plans are entitled (1) to vote in proportion to their equity free of any interference and (2) to withdraw and dispose of their shares in round lots provided this is permitted by plan rules. If it is permitted and this can be construed as an employee benefit, employer contributions to such plans do not constitute a pecuniary favor.[6]

3) The arguments for and against employer contribution rates in excess of 20%

This raises the question what contribution rate can be construed as an employee benefit. In its "Guidelines on What Constitutes a Pecuniary Favor" the Tokyo Bar Association's Company Law Study Group expresses the view that contributions paid by an employer to enable employees to purchase shares in their company do not constitute a pecuniary favor designed to influence the way they exercise their voting rights so long as the amount is within the bounds of what constitutes an employee benefit. Similarly, the Guidelines do not consider a contribution rate of 3%-20% of a plan's accumulated reserves (including reserves from bonus payments) to be problematical. However, this section of the Guidelines appeared in 1983—more than 20 years ago. In the opinion of some, there is no longer any case for a cap of 20% on contributions. To support their view, they adduce three arguments.[7]

First, Japanese companies are now allowed to purchase their own shares, whereas, when the Guidelines first appeared, this was only permitted by way of exception. This suggests that there may have been concerns that companies might try to circumvent the restriction by boosting their contributions to employee stock ownership plans. However, Japanese companies are now allowed to purchase their own shares provided the amount (or number of shares) does not exceed that stipulated in their articles of incorporation and their profit available for dividend. This would suggest that companies are not risking infringing the restrictions on purchasing their own shares

6 Judgment of Fukui District Court, 29 March 1985.

7 See Yoh Ohta, "Heisei 15nen Shoho Kaisei ni Kansuru Jitsumujo no Mondaiten to Kongo no Kadai" [The 2003 Amendments to the Commercial Code: Practical Problems and Outstanding Issues], Jurist, No. 1258, 15 December 2003.

provided the total amount of their own stock purchases and their contributions to employee stock ownership plans does not exceed their profit available for dividend.

The second argument adduced by those who argue that there is no longer any case for a cap of 20% on employer contributions is that these contributions are benefits (i.e., remuneration in the broad sense of the term). In practice employer contributions used to purchase shares in the company and remuneration in the form of company shares are one and the same thing. This would suggest that there is little substantive reason to question employer contributions to employee stock ownership plans provided the total amount of such contributions and the company's purchases of its own shares does not exceed the profit available for dividend.

The third argument is that what Article 294.2 of the Commercial Code ("Restrictions on Pecuniary Favors to Shareholders") restricts is not the actual amount of employer contributions but any attempt by an employer to influence how the members of an employee stock ownership plan vote. According to this argument, employer contributions do not constitute a pecuniary favor provided the employer does not use them to try to buy members' votes.

Another point is that the argument that employer contributions are unproblematic provided they do not exceed 3%-20% of a plan's accumulated reserves is based solely on the fact that this was the general level of contributions when the Tokyo Bar Association's Guidelines first appeared. According to this line of argument, employee remuneration schemes are now more varied and it is only right and proper (indeed, high time) that this should be reflected in employer contribution rates.

3. An Estimate of the Impact on Companies Themselves

The previous section presented the view that there was no legal reason why an employer could not increase its rate of contribution to its employee stock ownership plan by 20% or more. However, companies need to consider the likely impact of such an increase on their businesses before making a decision.

Two possible consequences of increasing contribution rates are an increase in employee benefit costs and an increase in share purchases by the employee stock ownership plan. While the former would mean an increase in the company's costs and might, depending on the amount, make it difficult for the company to increase its contribution rates, the latter could make some companies more aware of the role of their employee stock ownership plans as investors at a time when Japan's network of cross-shareholdings is disintegrating.

The rest of this section therefore attempts to estimate the impact of increasing employer contribution rates. The following conditions have been assumed.

Companies

One of the 2,424 companies listed on the First and Second Sections of the Tokyo, Osaka and Nagoya Stock Exchanges (1,500 on the First Section of the Tokyo Stock Exchange, 924 elsewhere) as of end-November 2003.

Companies were excluded if their financial data for fiscal 2002 were unusable, if their fiscal year was irregular, or if they were no longer listed (e.g., as a result of failure or merger).

Number of employees

The number of those employed by the parent company was used except in the case of holding companies, where the number employed by the group was used. It was assumed that 10% of the employees were section or department managers and that three out of every 10 of these were senior (i.e., department) managers. (According to the Ministry of Health, Labor and Welfare's "Basic Survey on Wage Structure 2002," approximately 10% of the employees of companies with 100 or more employees were managers, while approximately one out of every 3.2 employees was a department manager.)

Market capitalization

The figure for market capitalization used to calculate the percentage of shares acquired by an employee stock ownership plan (= total employee and employer contributions for one year ÷ market capitalization × 100 (%)) was that as of end-November 2003.

Membership rate, per capita monthly employee contribution, employer contribution rate

Case 1: 50%, ¥10,000, 6.6% (same as current situation)

Case 2: 50%, ¥10,000, 20%

Case 3: 50%, ¥10,000, 50% (senior managers)/30% (managers)/20% (non-managers)

Case 4: 90%, ¥30,000 (senior managers)/¥20,000 (managers)/¥10,000 (non-managers), 20%

Case 5: 90%, ¥30,000 (senior managers)/¥20,000 (managers)/¥10,000 (non-managers), 50% (senior managers)/30% (managers)/20% (non-managers)

In each case it was assumed that employees made three months' worth of contributions on each of the two occasions each year when they received a bonus.

1) Cost to the employer

On the basis of the above assumptions we calculated the total cost to a company of its contributions to its employee stock ownership plan and compared this with its employment costs and profits. Our findings were that in Case 1 (roughly the same conditions as the current situation) employer contributions amounted to less than 0.5% of the employment costs of 99% of the companies listed on the First Section of the Tokyo Stock Exchange (Figure 4) and to less than 3% of the recurring profits of 87% of the companies (Figure 5).

Figure 4 Percentage of Companies Whose Contributions Amounted to Less Than 0.5% of Their Employment Costs

	TSE 1st Sect		TSE/OSE/NSE	
Case 1	1498 companies	99.9%	2421 companies	99.9%
Case 2	1484 companies	98.9%	2396 companies	98.8%
Case 3	1481 companies	98.7%	2389 companies	98.6%
Case 4	1094 companies	72.9%	1598 companies	65.9%
Case 5	660 companies	44.0%	874 companies	36.1%

Note: For further details, see Figure 9. "TSE," "OSE" and "NSE" stand for Tokyo Stock Exchange, Osaka Securities Exchange and Nagoya Stock Exchange, respectively.
Source: Estimate by NRI.

Figure 5 Percentage of Companies Whose Contributions Amounted to Less Than 3% of Their Recurring Profits

	TSE 1st Sect		TSE/OSE/NSE	
Case 1	1311 companies	87.4%	2062 companies	85.1%
Case 2	1206 companies	80.4%	1855 companies	76.5%
Case 3	1192 companies	79.5%	1824 companies	75.2%
Case 4	1045 companies	69.7%	1538 companies	63.4%
Case 5	971 companies	64.7%	1415 companies	58.4%

Note: For further details, see Figure9. "TSE," "OSE" and "NSE" stand for Tokyo Stock Exchange, Osaka Securities Exchange and Nagoya Stock Exchange, respectively.
Source: Estimate by NRI.

We then increased the employer contribution rate to 20% for all the companies to see what effect this would have (Case 2). The result was that employer contributions amounted to less than 0.5% of the employment costs of 98% of the companies listed on the First Section of the Tokyo Stock Exchange and to less than 3% of the recurring profits of 80% of the companies.

Employee stock ownership plans can also be regarded as an incentive system. We therefore increased the employer contribution rate to 50% for senior managers, 30% for managers and 20% for non-managers to see what effect this would have (Case 3). The result was that employer contributions amounted to less than 0.5% of the employment costs of 98% of the companies listed on the First Section of the Tokyo Stock Exchange and to less than 3% of the recurring profits of 79% of the companies.

Cases 1-3 assume that the employer contribution rate is the only factor that changes. However, an increase in the employer contribution rate could be expected, for example, to attract new members to an employee stock ownership plan or to induce existing members to increase their own contributions. In such cases, the cost to the employer would be greater than in Cases 2 and 3.

We therefore increased the membership rate to 90% and the average employee monthly contribution to ¥30,000 for senior managers and ¥20,000 for managers to see what effect this would have (Cases 4 and 5).[8] The result was that employer contributions amounted to less than 0.5% of the employment costs of 72% of the companies listed on the First Section of the Tokyo Stock Exchange in Case 4 and of 44% in Case 5, and to less than 3% of the recurring profits of 69% of the companies in Case 4 and of 64% in Case 5. However, in both Case 4 and Case 5, 20% or more of the companies found themselves either contributing at least 5% of their recurring profits to their employee stock ownership plans or making a recurring loss.

However, even where the cost to the employer was greatest (Case 5), employer contributions amounted to less than 0.7% of the employment costs of 90% of the companies. According to the Ministry of Finance's "Financial Statement Statistics of Corporations," employment costs (i.e., total employee remuneration and benefits) declined by 6.8% (or 1.4% a year) between fiscal 1997 and fiscal 2002. This would suggest that companies should be able to absorb any increase in costs resulting from an increase in their contributions to employee stock ownership plans.

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8 These amounts are roughly 3%-5% of the wage figures (excluding overtime) in the Ministry of Health, Labor and Welfare's "Basic Survey on Wage Structure 2002."

2) Shares acquired by employee stock ownership plans as a percentage of shares issued

Assuming the same conditions as in Cases 1-5, we then calculated the number of shares acquired by employee stock ownership plans over a 12-month period as a percentage of shares issued. Where the level of employee contributions was low (Cases 1-3), the number of shares acquired by the employee stock ownership plans of at least 70% of the companies listed on the First Section of the Tokyo Stock Exchange and of approximately 60% of all the companies listed on the Tokyo, Osaka or Nagoya Stock Exchanges over a 12-month period amounted to less than 0.5% of shares issued (Figure 6).

Figure 6 The Number of Shares Acquired by Employee Stock Ownership Plans over a 12-Month Period as a Percentage of Shares Issued

TSE 1st Sect

		Case 1	Case 2	Case 3	Case 4	Case 5
Number of shares acquired as % of shares issued	less than 0.5%	76.7%	73.3%	72.7%	43.9%	43.0%
	0.5-1%	17.3%	18.7%	19.0%	28.5%	28.3%
	1-1.5%	3.8%	4.7%	4.9%	12.7%	13.0%
	1.5-2%	1.2%	2.0%	2.1%	6.5%	7.0%
	2-3%	0.7%	1.0%	1.1%	5.0%	5.2%
	3%-plus	0.2%	0.2%	0.2%	3.4%	3.5%

TSE/OSE/NSE

		Case 1	Case 2	Case 3	Case 4	Case 5
Number of shares acquired as % of shares issued	less than 0.5%	62.9%	58.7%	58.2%	32.4%	31.6%
	0.5-1%	22.0%	23.1%	23.2%	25.5%	25.1%
	1-1.5%	8.0%	8.7%	8.7%	14.3%	14.6%
	1.5-2%	3.6%	4.7%	5.0%	9.1%	9.4%
	2-3%	2.2%	3.0%	3.1%	8.8%	9.0%
	3%-plus	1.3%	1.8%	1.8%	9.9%	10.4%

Note: "TSE," "OSE" and "NSE" stand for Tokyo Stock Exchange, Osaka Securities Exchange and Nagoya Stock Exchange, respectively.
Source: Estimate by NRI.

However, where there was an increase in both membership rates and employee contributions (Cases 4 and 5), the percentage of shares acquired by employee stock ownership plans increased significantly. In Case 4, 56.1% and, in Case 5, 57.0% of the employee stock ownership plans of the companies listed on the First Section of the Tokyo Stock Exchange acquired at least 0.5% of their companies' shares. The figures for all the companies listed on the Tokyo, Osaka or Nagoya Stock Exchanges were 67.6% and 68.4%, respectively. If the number of shares already owned by these companies' employee stock ownership plans is added, the members of these plans have the potential to become influential shareholders.

The above calculations do not allow for the possibility that plan members with enough shares in their company (i.e., a round lot) might sell them. This means that the actual increase in the percentage of a company's shares acquired by its employee stock ownership plan is likely to be less than the above calculations suggest.

In this connection it is perhaps worth mentioning that, while the total value of the shares acquired by the employee stock ownership plans of the companies listed on the First Section of the Tokyo Stock Exchange was only ¥397.9 billion and by those of all the companies listed on the Tokyo, Osaka or Nagoya Stock Exchanges only ¥441.5 billion in Case 1, in Case 5 the figures were ¥939.2 billion and ¥1,042.3 billion, respectively. This compares with total purchases by Japanese investment trusts and insurance companies in 2003 on the Tokyo, Osaka and Nagoya Stock Exchanges of ¥3,025.1 billion and ¥1,016.8 billion, respectively. This suggests that, if the scenario in Case 5 turns out to be correct, employee stock ownership plans may find themselves playing a role comparable to that of these investors.

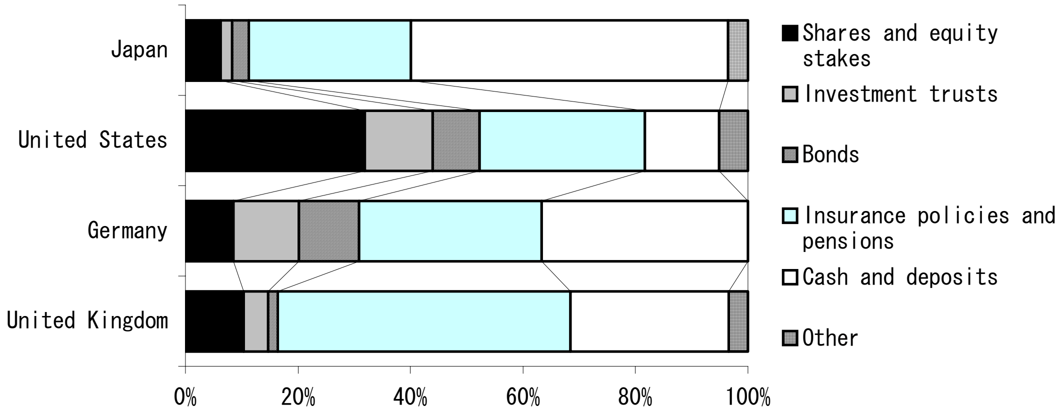
4. Employee Stock Ownership Plans: Opportunities and Challenges

To conclude, let us consider some of the opportunities employee stock ownership plans offer employers. The following are three of the benefits that could result from revitalizing these plans.

First, by acquiring shares in their employer through membership of such a plan, employees could acquire a taste for equity investment. Equities account for a small proportion of household financial assets in Japan compared with other countries: only 6.2% as of the end of 2002 (Figure 7). This is generally explained as a result of a predilection for financial products where the initial investment is guaranteed and a belief that investing in equities is difficult. Employee stock ownership plans, where employees purchase shares in their own company, could therefore serve as a gentle introduction to equity investment in general.

Second, an employee stock ownership plan can also be used as part of a company's remuneration scheme. For example, employers might do well to consider linking their contribution rates to an employee's position in the company as one way of assessing performance (cf. Cases 3 and 5 above). Also, if companies wanted to link their contribution rates to company performance, they might consider setting a minimum and maximum rate. This would have the additional advantage that the cost to the employer would actually decline if the company's performance deteriorated.

Figure 7 International Comparison of Composition of Household Financial Assets (as of end-2002)



Source: Bank of Japan, Federal Reserve Board, Deutsche Bundesbank and Bank of England.

Third, employee stock ownership plans as they currently exist in Japan could be modified along US lines, as has been proposed by the Japan Committee for Economic Development (Keizai Doyukai) and the Council on Economic and Fiscal Policy. US employee stock ownership plans are basically similar to their Japanese equivalent in that (1) employees are encouraged to acquire shares in their employer as a means of building up a portfolio of financial assets and (2) employers support the schemes.[9] However, they differ in some respects (e.g., they enjoy preferential tax treatment; employees are not allowed to sell their holdings until they retire; and all employees are obliged to become members). While this would require a number of changes, some involving legislation, the debate will, hopefully, continue.

It is quite clear, as we have seen, that employee stock ownership plans offer a number of advantages. However, as well as boosting their contributions, employers also need to ensure that their employees are well informed. By revitalizing their employee stock ownership plans, companies also have the opportunity to foster a healthy interest in the business among their employees. Indeed, a number of companies do make an effort to cater for their shareholder-employees' needs by organizing briefing sessions for them and giving them greater powers of control.[10] If other companies were to follow such examples, membership rates would increase.

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9 For further details of US employee stock ownership plans, see Masahiko Igata, Akiko Nomura and Tetsuya Kamiyama, "Beikoku ESOP no Gaiyo to Wagakuni e no Donyu — Insentibu no Donyu, Mochiai Hokai no Shinten, Wariyasu Meigara no Hochi ni Taisuru Kento Kadai" [An Overview of Employee Stock Ownership Plans in the United States and the Introduction of Such Plans in Japan], Shihon Shijo Kuwotari [Capital Market Quarterly], Winter 2001.

10 "Kiro ni Tatsu Jugyoin Mochikabukai, SRL, Shain Kabunushimuke Keiei Setsumeikai — Keiei Kanshi e" [At a Crossroads, SRL, Briefing Sessions for Shareholder-Employees: Keeping a Closer Eye on Management], Nikkei Sangyo Shimbun, 1 June 1999, p. 21.

Ultimately, if a company finds it difficult to persuade its employees to become shareholders, it should expect to find it doubly difficult to interest the general investor. This makes the efforts of many companies to revitalize their employee stock ownership plans all the more important.

Figure 8 The Difference between ESOPs in Japan and the US

	Japan	US
Participation	Voluntary	Basically all employees are covered
Who makes contributions	Employees	Employers
To sell employees' holdings	Allowed	Not allowed until retirement age
Tax incentives	No	Yes
ESOPs can borrow funds to purchase shares	No	Yes

Figure 9 Employer Contributions as a Percentage of Employment Costs and Recurring Profits

Employer Contributions as a Percentage of Employment Costs (TSE 1st Sect, 1,500 companies)

	Case 1		Case 2		Case 3		Case 4		Case 5	
Less than 0.2%	1487	99.1%	589	39.3%	449	29.9%	42	2.8%	17	1.1%
0.2-0.3%	8	0.5%	796	53.1%	861	57.4%	139	9.3%	74	4.9%
0.3-0.4%	3	0.2%	82	5.5%	148	9.9%	375	25.0%	190	12.7%
0.4-0.5%	0	0.0%	17	1.1%	23	1.5%	538	35.9%	379	25.3%
0.5-0.6%	0	0.0%	3	0.2%	4	0.3%	275	18.3%	459	30.6%
0.6-0.7%	0	0.0%	3	0.2%	2	0.1%	73	4.9%	236	15.7%
0.7%-plus	2	0.1%	10	0.7%	13	0.9%	58	3.9%	145	9.7%

Employer Contributions as a Percentage of Employment Costs (TSE/OSE/NSE, 2,424 companies)

	Case 1		Case 2		Case 3		Case 4		Case 5	
Less than 0.2%	2404	99.2%	782	32.3%	579	23.9%	52	2.1%	22	0.9%
0.2-0.3%	13	0.5%	1376	56.8%	1421	58.6%	178	7.3%	97	4.0%
0.3-0.4%	4	0.2%	206	8.5%	339	14.0%	496	20.5%	239	9.9%
0.4-0.5%	0	0.0%	32	1.3%	50	2.1%	872	36.0%	516	21.3%
0.5-0.6%	0	0.0%	8	0.3%	10	0.4%	523	21.6%	756	31.2%
0.6-0.7%	0	0.0%	5	0.2%	6	0.2%	177	7.3%	455	18.8%
0.7%-plus	3	0.1%	15	0.6%	19	0.8%	126	5.2%	339	14.0%

Employer Contributions as a Percentage of Recurring Profits (TSE 1st Sect, 1,500 companies)

	Case 1		Case 2		Case 3		Case 4		Case 5	
Less than 1%	1207	80.5%	887	59.1%	858	57.2%	510	34.0%	434	28.9%
1-2%	79	5.3%	251	16.7%	263	17.5%	371	24.7%	360	24.0%
2-3%	25	1.7%	68	4.5%	71	4.7%	164	10.9%	177	11.8%
3-4%	12	0.8%	45	3.0%	48	3.2%	91	6.1%	114	7.6%
4-5%	7	0.5%	22	1.5%	26	1.7%	38	2.5%	57	3.8%
5%-plus	13	0.9%	70	4.7%	77	5.1%	169	11.3%	201	13.4%
Loss	157	10.5%	157	10.5%	157	10.5%	157	10.5%	157	10.5%

Employer Contributions as a Percentage of Recurring Profits (TS/OSE/NSE, 2,424 companies)

	Case 1		Case 2		Case 3		Case 4		Case 5	
Less than 1%	1860	76.7%	1274	52.6%	1210	49.9%	678	28.0%	567	23.4%
1-2%	149	6.1%	443	18.3%	469	19.3%	579	23.9%	542	22.4%
2-3%	53	2.2%	138	5.7%	145	6.0%	281	11.6%	306	12.6%
3-4%	24	1.0%	77	3.2%	93	3.8%	171	7.1%	194	8.0%
4-5%	11	0.5%	47	1.9%	47	1.9%	78	3.2%	122	5.0%
5%-plus	40	1.7%	158	6.5%	173	7.1%	350	14.4%	406	16.7%
Loss	287	11.8%	287	11.8%	287	11.8%	287	11.8%	287	11.8%

Note: For further details of the underlying assumptions, see text of report.
Source: Estimate by NRI.