The risk of an in-house savings plan is increasing

The risk of an in-house savings plan becomes clear, in many cases, when a company fails.
In Japan the in-house savings plan system spread widely during the high-growth era. For an employee, there is the merit that the interest rates of an in-house savings plan are added to the deposit interest rate of a bank, and it has been considered safer due to the term "deposit." For a company, there was a merit of conducting dealings with a main bank etc. advantageous, by turning an in-house savings plan to a bank deposit.
However, since an in-house savings plan is used for raising funds for a company and appropriated for a circulating funds, equipment funds, etc., it was literally treated in many cases as part of corporate finance, and has also produced the situation where an in-house savings plan does not correspond with a breakdown of corporate management. The first example is Sanyo Special Steel in 1965. Ignited by payment of an in-house savings plan not having been performed at the time of bankruptcy of Sanyo Special Steel, the so-called "in-house savings plan primary regulation notice" was taken out in January, 66 for preservation of an in-house savings plan, and taking the guarantee by the financial institution, establishment of the right of pledge, a fiduciary contract setup, or establishment of a deposit preservation organization about 50 percent or more of each one of amount of deposit came to be called for. Still, due to the twin oil crises of the 70s, since corporate management got worse and the return of non-ability of an in-house savings plan happened in succession, "the law wages pay and concerning reservation etc." was enacted in 1976, and the contents of notification about in-house savings plan protection were authorization-by-law-ized. After 2000, the drawer of an in-house savings plan is difficult at the time of bankruptcy of SOGO and Niigata Engineering.
That is, an in-house savings plan is a loan which an employee makes to a company, although the name of deposit is attached. An employee will assume
the same risk as in purchasing a kind of bond offered through private placement which an office company publishes in the form of an in-house savings plan. That is, an in-house savings plan differs greatly from much less risky bank deposits, and the potential risk is held to be used as default on an obligation.

**The so-called background risk lurks in the system between a household economy and a company.**

Then, does the household economy correctly recognize the in-house savings plan to be “risk assets”? Although it has been pointed out that in the household economy of Japan, concerning the rate of possession of risky assets compared with Britain and U.S., such as stocks and stock investment trusts, since the amount of possession is low, the household economy should make potential the risk lurking in the system between a household economy and a company -- if it becomes, a recognized possibility that the investment in stock etc. will become low, will come out. It is the risk other than stock price changes which household economies hold, i.e., a background risk (Gollier [2002]), background risk strongly influences portfolio selection. Some of which have a risk in the system between a household economy and a company have an employment custom called not only an in-house savings plan but the seniority system, an in-house shareholding plan, an in-house loan, a business annuity, etc. Then, we obtained the result that actual proof analysis using the micro-data concerning financial assets was performed, the systems (in-house savings plan etc.) relevant to the financial assets of a household economy were taken up among the systems between a household economy and a company and such a system has controlled the demand of the household economy to risk assets called stocks. One would expect that the system between such household economies and companies changes with mobilization of employment, advance of restructuring, etc. gradually from now on, and a possibility that the risk-taking capability of a household economy will increase will also be considered in the meaning.

**An in-house savings plan system and the financial system of Japan.**

Then, let’s look at particular changes of the in-house savings plan system, which is a system unique to Japan, among the systems between a household economy and a company. First of all, there is a financial system of Japan in the background of in-house savings plan spread. The artificial low-interest rate policy was implemented from the high-growth era till the 1980s, and the
deposit interest rate was fixed. Since the minimum was made into 6.0% with the labor ministerial ordinance and the interest rates of something extra attached in-house savings plan interest rates to the deposit interest rate in many cases, for an employee, it was seem as more beneficial to use an in-house savings plan rather than it deposits with a bank. Moreover, the role of a kind of property formation system to an employee can also be pointed out. When investment volition turned an in-house savings plan to a bank deposit through the 60s and the 70s for the company as well there was a merit of conducting dealings with a main bank etc. advantageous. Salary transfer of the deposit of the company itself, an in-house savings plan, and an employee etc. is because it was going to secure the profit by taking over the dealings covering corporate activity at large rather than a bank takes profit for each loan issue of every.

Transition of an in-house savings plan
If long-term transition of an in-house savings plan is (refer to Fig. 1), 31,405 and the total deposit amount the number of enforcement places of business in 66 years 859,600 million yen, It increases the amount of money gradually per 5,520,000 depositors and one person that it was 160,000 yen (a worker average household income including-tax annual income in those days was about 870,000 yen). The amount of money became 480,000 yen (this annual income of 3,330,000 yen), and 3 times for 66 years 1976 after the first oil crisis per 49,857 enforcement places of business, the total deposit amount of 3,141 billion yen, and one person, and the depositor total also became 6,500,000 people. Although stock-sharing plans for the employees consist of 1,810,000 members and the holdings amount of money of 2,336 billion yen also in the 2001 fiscal year, and it will turn out that the number of depositors and amount of an in-house savings plan of those days was large for 76 years even if based on consumer prices rising about 3.85 times from the 76 fiscal year to the 2001 fiscal year, in an in-house savings plan, a depositor total, the number of places of business, and the total deposit amount are decreasing with a peak in the 70s.
The rate of possession of an in-house savings plan exceeds that of investment in trust funds.

We will examine positioning of the in-house savings plan in the portfolio selection of a household economy. To the rate of in-house savings plan possession of a worker in the household economy being 26.0% in 1996, the stock rate of possession is 20.5%, stock investment trust is 8.0%, and the rate of possession of an in-house savings plan had far exceeded them both (See Figure 2). Although the rate of possession of an in-house savings plan dwindled every year, still, it is 20.6% and had exceeded 17.9% of the holding ratio for company stock in 1988. In 1997 the rate dropped to 15.9%, but it has since reversed with 16.8% of stocks for the first time, the rate of possession of an in-house savings plan is still a level greatly following a line with exceeding stocks in investment of trust funds. It is the same tendency even if it sees the market share occupied to the whole financial-assets balance.
As to the matter of which the rate of possession and market share of an in-house savings plan are falling in the long run, it is after that the household economy shifted funds to worker's property accumulation savings with tax benefits gradually, and the system revision in 1995 a floor rate first. It is possible that it was reduced successively (however, unchanging to at least 2002 being 1.84% of time deposits, and 1.04% of ordinary deposits, and being [ at least ] more advantageous than a bank deposit). Moreover, it should be considered as a factor that lease restrictions also stopped the financing of a company being shifted from indirect financing to direct financing focusing on big business and becoming a problem by improvement in capital ratio. However, it will attract attention that the in-house savings plan still has bigger weight than stock investment trust and a bond investment trust in the financial assets of the household economy.

(Reference)