

## News from Aon

# More Japanese Companies Choose Voluntary Programmes Over Outright Dismissals Amidst A Slowing Economy: Aon Pulse Survey

**TOKYO, November 11, 2020** — [Aon plc](#) (NYSE: AON), a leading global professional services firm providing a broad range of risk, retirement and health solutions, has published a new [Japan Severance Practice Pulse report](#) about the practices of companies conducting workforce reductions to cope with the slump in the current economy.

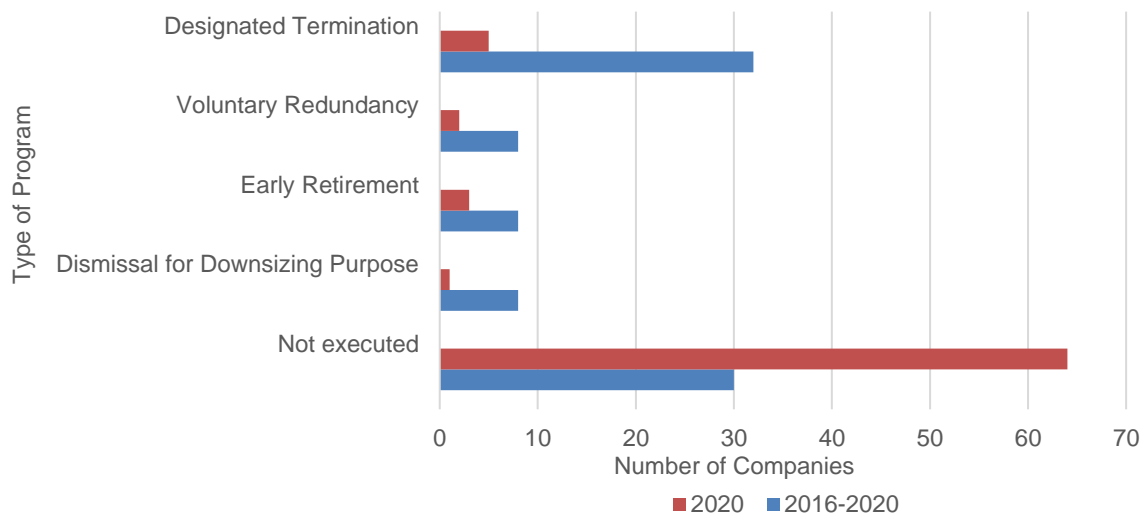


Figure 1: Though not many companies have conducted workforce reduction this year, in the coming months Aon foresees more companies beginning their reduction exercises.

According to Aon’s study of 75 companies in Japan, 15% have cut down their workforce as on August 31, 2020. Most have chosen various kinds of Voluntary Redundancy programmes over Designated Terminations with outright dismissals the least popular option. However, the workforce reduction programmes instituted by companies differ significantly by severance pay, benefits and other perquisites. For example, Voluntary Redundancy programmes offer greater benefits to employees compared to Designated Termination.

**Tomohiro Soga**, Labor and Social Security Attorney, and Representative Director, Retirement Solutions in Japan for Aon, said, “The reason that companies in Japan usually offer greater benefits for Voluntary Redundancy is to first solicit applicants, and procure their self-nominations and/or consent for the programme, before moving on to the Designated Termination programme.”

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### More companies choose voluntary programmes over outright dismissals

In Aon's recent report, only one among the 75 participating companies opted for dismissal for the purposes of downsizing. This underscores that programmes that require mutual agreement between the company and its employees are still much more prevalent than outright dismissals. This year, only two of the participating companies chose Voluntary Redundancy, a common workforce reduction measure. The Early Retirement programme, generally regarded as part of employee benefits, was used by three of the participating companies as a workforce reduction measure.

### Benefits differ greatly among programmes

All participating companies reported that they pay severance to their employees in the Voluntary Redundancy programmes. Each programme's benefits have their own unique feature; however, the benefit levels for Voluntary Redundancy remain higher than that of Designated Termination. Companies use different methods to calculate the severance packages for Voluntary Redundancy and Designated Termination programmes. For example, when calculating severance and benefits, companies factor in employee age for Voluntary Redundancy but use only the number of years of service for Designated Terminations.

The definition of pensionable pay is also different for voluntary versus designated programmes. More than 60% of companies that offer the Voluntary Redundancy programme include other pay components, such as allowances and bonuses, into the calculation of pensionable pay. In contrast, most companies that opt for Designated Termination use only the employee's base salary as pensionable pay.

"Navigating a workforce reduction is a tricky and sensitive process. To successfully conduct such a workforce exercise, business leaders must be equipped with the right type of programmes and benefits while also complying with the nation's labor laws," adds **Soga**.

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### About the Survey

Participating companies ranged from less than 100 employees to 10,000 or more. Nearly all of the companies surveyed are multinational companies operating in Japan.

Industry	Representation	Number of Companies
Commercial & Professional Service	6.7%	5
Consumer Goods & Retail	6.7%	5
Entertainment	0.0%	0
Finance	10.7%	8
Healthcare Equipment & Services	5.3%	4
Heavy Industries	1.3%	1
Hotels, Restaurants & Leisure	0.0%	0
Information Technology	9.3%	7
Manufacturing & Mining	20.0%	15
Pharmaceuticals, Life Sciences & Biotechnology	14.7%	11
Real Estate	2.7%	2
Telecommunications & Media	4.0%	3
Transportation	1.3%	1
Others	17.3%	13
Total		75

### About Aon

[Aon plc](#) (NYSE: AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

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