

## Outline of the 2014 NPA Remuneration Recommendation

### Main points of this year's Remuneration Recommendation

#### Increase of Monthly Remuneration and of Bonuses for the first time in Seven Years

1. Increase the salary schedule level to make up for the remuneration differential between the public sector and the private sector (0.27%) with an emphasis on young employees from the viewpoint of reviewing the distribution of remuneration among age groups.
2. Increase bonuses by 0.15 times as much as monthly remuneration.  
An increase to the Diligence Allowance in order to promote remuneration based on performance. No increase to the End-of-Term Allowance.

#### Comprehensive Review of the Remuneration System including the Design of Salary Schedules and Allowances

1. Decrease the salary schedules by 2%, on average, considering the remuneration levels in the private sector in regions.
2. Review the Area Allowance. (Review the grading, etc., review the designation of payment areas based on new data.)
3. Distribute remuneration based on employees' duties and performance. (Increase the Wide Area Transfer Allowance and the Family-Unattended-Transfer Allowance, etc.)
  - ◇ Implement in 3 years from April 2015.  
Take transitional measures for the decrease of salary for 3 years.  
To ensure the financial resources needed for phased implementation, restrain pay step increases by 1 step in January 2015.

### I. Basic Concepts of the Remuneration Recommendation

- The remuneration of national public employees may be changed at any time by the Diet to better suit the general conditions of society. The NPA's duty, as stipulated in the National Public Service Act, is to report at least once a year and recommend such changes as needed.
- The NPA Remuneration Recommendation ensures appropriate remuneration for national public employees as a compensatory measure for restrictions placed on basic labor rights.

It provides the basis upon which efficient administration is maintained.

- Since the public sector is exempt from the deterrent mechanism of the market that serves as a restriction to determine remuneration, the most rational standard to determine public-sector remuneration is to maintain accordance with the private sector, in which remuneration is concluded by industrial negotiations, etc. and reflects factors such as economic and employment circumstances.

## II. Remuneration Revision Based on the Remuneration Differential between the Public and Private Sectors, etc.

### 1. Remuneration Comparison between the Public and Private Sectors

An interview survey was conducted of approximately 500,000 individual remunerations in about 12,400 private offices. (Survey completion rate: 88.1%)

- ◇ In order to respond to changes of organizational structure in the private sector, the survey covers the individual remuneration of employees whose positions are classified between the main positions (department director, division director, unit chief and officer) from this year onwards.

#### **<Monthly Remuneration>**

The NPA surveyed remuneration paid in April 2014 in both the public and private sectors, and compared groups of data that demonstrate equivalent major remuneration-determining factors: position, working area, educational background and age.

- Remuneration differential between the public and private sectors

Increase monthly remuneration of the public sector by 1,090 yen, i.e. 0.27%.

The average age of national public employees entitled to Salary Schedule for the Administrative Service (I) is 43.5, and their average remuneration is 408,472 yen.

Breakdown of the 1,090 yen increase: Basic Salary: 988 yen

Rebound: 102 yen

- ◇ Rebound: The consequential change in allowances which is calculated with fixed rates on basic salary, etc.

**< Bonuses >**

The NPA compared payment rates (ratios to monthly remuneration) in the private sector from August 2013 through July 2014 with those in the public sector.

- Bonuses paid in the private sector (4.12 months)
- Bonuses (End-of-Term Allowance and Diligence Allowance) paid in the public sector (3.95 months)

**2. Contents and Concepts of Remuneration Revision**

**<Monthly Remuneration>**

**(1) Salary schedules**

① Salary Schedule for the Administrative Service (I)

• Revision rate: 0.3%, on average

Revise this schedule with an emphasis on young employees from the viewpoint of reviewing the distribution of remuneration among age groups.

• Initial salary:

Increase it by 2,000 yen for initial salary of the 1st grade considering that there is a differential between the public and private sectors.

② Other salary schedules

Revise them in balance with Salary Schedule for the Administrative Service (I)

(No revision for Salary Schedule for Designated Service.)

**(2) Recruitment Incentive Allowance**

Revise it considering the revision of Salary Schedule for Medical Service (I).

**(3) Commuter Allowance**

Increase it by 100-7,100 yen based on the distance category to the Commuter Allowance for employees who use private transportation, considering the payment situation in the private sector, etc.

**(4) Cold Area Allowance**

Revise the payment areas based on new weather data. (Mesh Data of average year, 2010)

**< Bonuses >**

Increase the payment rates to match the private sector (from 3.95 to 4.10 times as much as monthly remuneration).

Increase the Diligence Allowance for the promotion of remuneration based on performance.

**Rates for general officials**

Time of payment Fiscal Year	June	December
FY 2014		
End-of-Term Allowance	1.225 (Paid)	1.375 (No revision)
Diligence Allowance	0.675 (Paid)	0.825 (Currently 0.675)
FY 2015 onward		
End-of-Term Allowance	1.225	1.375
Diligence Allowance	0.75	0.75

(Unit: Payment rates)

**[Time of Implementation]**

Monthly Remuneration:

April 1, 2014, for salary schedules, Recruitment Incentive Allowance and Commuter Allowance

April 1, 2015, for Cold Area Allowance (Required transitional measures)

Bonuses: Date of promulgation

**III. Comprehensive Revision of the Remuneration System**

Recommend a comprehensive revision of the remuneration system including the design of salary schedules and allowances in order to deal with the following issues:

- Review for appropriate response to the situation of remuneration in the public and private sectors in regions with low private sector remuneration.
- Review the remuneration level of employees in their late 50's considering the remuneration differential between the public and private sectors.
- Review the allowances considering the features of public organization and the demand for

smooth personnel management, etc.

1. Review the distribution of remuneration among regions, and age groups

**[Review the salary schedules, etc.]**

① Salary Schedule for the Administrative Service (I)

Decrease the salary schedule level by 2%, on average, considering the gap between the remuneration differential between the public and private sectors at the national level, and the differential between the group of 12 prefectures with the lowest private sector remuneration and the public sector. (2.18 points, on average, during 2012 through 2014)

Maintain salary levels of 1st grade (all pay steps) and initial salaries in 2nd grade.

Decrease the upper pay steps at not less than 3rd grade (maximum of about 4%) considering the remuneration differential between the public and private sectors for employees in their late 50's.

Establish additional pay steps at 5th and 6th grades from the viewpoint of ensuring a chance for a pay step increase based on performance for employees in their 40's and early 50's.

② Salary Schedule for Designated Service

Decrease the level by a rate about the same as the average revision rate of Salary Schedule for the Administrative Service (I).

③ Salary schedules except for ① and ②

Decrease the level of such salary schedules to basically balance them with Salary Schedule for the Administrative Service (I), considering the incumbent situation of employees in their late 50's at each salary schedule.

Maintain the level of Salary Schedule for Medical Service (I).

Establish additional pay steps in the Public Security Service, etc.

④ Others

Revise the allowances for committee members, special advisors, senior advisors, etc.

Abolish the reduced payment measure (by 1.5%) of salary, etc. for employees who are over the age of 55 (not lower than the 6th grade of Salary Schedule for the Administrative Service (I) and its equivalents in other salary schedules.)

**[Review the Area Allowance]**

① Categorization and Payment rate

Establish one more category.

Review the payment rate according to the decrease in the salary schedule level.

Grade 1 area: 20%, Grade 2 area: 16%, Grade 3 area: 15%, Grade 4 area: 12%, Grade 5 area: 10%, Grade 6 area: 6%, Grade 7 area: 3%

※ Basically pay the Area Allowance in the areas where the index of wages is not less than 93.0 (currently not less than 95.0).

※ Revise the payment rate of Grade 1 area (Tokyo special wards) within the current remuneration level. (There is a certain limitation to balancing remuneration among regions, taking account of supplying administrative services at the same level for all parts of Japan and of the demands for smooth personnel management, etc.)

② Payment areas

Revise them based on the data of “Basic Survey on Wage Structure (2003-2012)”

(Shift within 1 grade up or down.)

③ Exception

Increase the maximum payment rate to 16% (currently 15%) for employees working in offices within large-scale airport districts and the payment rate to 16% (currently 15%) for doctors according to the revised maximum payment rate, 16% (excluding the rate in the Grade 1 area).

2. Distribution of remuneration based on the duty and performance

(1) Wide Area Transfer Allowance

Secure the remuneration level of wide area transferring employees to ensure smooth personnel transfers and that the right personnel are in the right place.

Increase the rate to 10% (currently 6%) in the case that the distance between the previous office and the new office is not less than 300 km, and to 5% (currently 3%) in the case that the distance is not less than 60 km and less than 300 km.

(2) Family-Unattended-Transfer Allowance

Increase the basic amount (by 7,000 yen, currently 23,000 yen) taking into account that the allowance level of the public sector is lower than that of the private sector.

Increase the additional amount equivalent to the cost of traveling home 12 times a year (currently 9 times).

Establish new two distance categories based on the economic burden of long distance transferring.

### (3) Headquarters Duty Adjustment Allowance

Increase Headquarters Duty Adjustment Allowance to secure human resources at headquarters.

Increase: 

{	Unit chiefs: equivalent to 6% of basic monthly salary (currently 4%)	}
	Officers: equivalent to 4% of basic monthly salary (currently 2%)	

### (4) Special Work Allowance for Managerial Personnel

Managerial personnel work for long hours till very late at night on weekdays.

Pay it within 6,000 yen per a service, in the case of working unavoidably in the middle of the night (0 a.m. -5 a.m.) for temporary or emergency countermeasures against disasters, etc.

### (5) Others

Continue considering the effect of pay step increases based on personnel evaluation results taking account of the operating status of personnel evaluation, etc.

Observe the situation of employment and remuneration in the private sector, etc., with regard to remunerations for technical service and labor service.

## 3. Time of Implementation, etc

Switch salary schedules on April 1, 2015.

Increase the payment rate of the Area Allowance step by step.

Other measures will be implemented systematically by April 2018.

Take transitional measures to mitigate radical changes. (Maintain current remuneration level for 3 years.)

Restrain pay step increase (by 1 step) on January 1, 2015, to ensure the financial resources for the first year of the revision.

#### IV. Connection between employment and pensions, and remuneration of reappointed employees

##### ○ **Connection between employment and pensions**

- Approximately 70% of reappointed employees in the public sector are short-time employees and generally take charge of complementary duties.
- The starting age of pension payments will be raised to 62 in fiscal year 2016, and an increasing number of applicants for reappointment is expected.

Take the following measures: utilization of employees' ability and experience outside of public service; utilization of employees within public service by flexible work management and operation of fixed number of positions; review on personnel management including retirement management before the age of 60.

- Continuing to make efforts to grasp the operating status of the reappointment system and problems in the reappointment system, as well as ascertaining in detail the situation of continuous employment, etc. in the private sector and the overall situation of personnel management, including that before the mandatory retirement age, the NPA actively improves appropriate systems for the connection between employment and pensions based on the Submission of Opinions (2011).

##### ○ **Remuneration of reappointed employees**

- Pay Family-Unattended-Transfer Allowance to reappointed employees based on the increased number of employees who transfer with a change of residence and on the situation of equivalent allowance in the private sector. (Time of implementation: April 1, 2015)
- The NPA grasped the individual remuneration of reappointed employees in the private sector who are paid no public pension this year for the first time. The NPA shall observe the trends and continue to review the remuneration system of reappointed employees, based on each ministry's operating status of reappointment system from now on.