

Outline of the 2007 NPA Remuneration Recommendation

Points of the 2007 Remuneration Recommendation:

The Revision of Monthly Remuneration to make up for the remuneration differential between the public sector and the private sector (0.35%)

(i) Monthly Basic Salary

An increase of the monthly basic salary for young employees, chiefly the starting salary. (No increase of the monthly basic salary for middle-aged and older employees.)

(ii) Others

An increase of the Family Allowance per child and retrospective revision of the pay rates for the Area Allowance for fiscal 2007.

An increase of the End-of-Term and Diligence Allowance (bonus). (By 0.05 times as much as monthly remuneration)

The establishment of the Specialized Staff Salary Schedule as part of the Reform of the Remuneration Structure.

Efforts for the Reform of Public Employee Remuneration

In the 2005 Recommendation Report, the NPA expressed that it would implement overall reform of the remuneration system to facilitate an appropriate remuneration distribution structure among areas, thorough implementation of the duty-based remuneration system, and promotion of the performance-based remuneration system. The five-year Reform of the Remuneration Structure was designed to reduce basic salary levels from fiscal 2006 (by 4.8%) and introduce new allowances, so that the Reform of the Remuneration Structure shall be completed by fiscal 2010.

In addition, in order to reflect the remuneration level of the private sector to that of the public employees more appropriately, at the 2006 Recommendation, the NPA entirely revised the method of comparing the remuneration of the public sector with that of the private sector, such as replacing the scale criteria of comparative private enterprises from "not less than one hundred employees" with "not less than fifty employees."

The NPA intends to devote all its efforts to ensure an appropriate public employee remuneration system that can gain public support through promoting the Reform of the Remuneration Structure for public employees.

I. Basic Concept of the Remuneration Recommendation

<Significance and Function of the Remuneration Recommendation>

The NPA Remuneration Recommendation functions to ensure appropriate remuneration for national public employees as a compensatory measure for restrictions of fundamental labor rights. It provides the basis for maintaining efficient administration.

<Principle of Following the Private Sector>

Since it is difficult to determine national public employee remuneration levels by market mechanisms, the most reasonable method of determination is to follow the private sector's remuneration rates, which are determined by labor-management negotiations and reflect the current economic and employment situation.

II. Remuneration Revision based on Remuneration Differential between the Public and the Private Sectors

1. Remuneration Comparison between the Public and the Private Sectors

A field survey was conducted on approximately 430,000 individual remunerations of about 10,200 private enterprise establishments. (Survey completion rate: 89.4 %.)

<Monthly Remuneration>

The NPA surveyed actual remuneration paid for April 2007 in the national public sector and the private sector, and compared the equivalent groups of data that hold the same major remuneration-determining factors such as post level, age, educational background, and area of service.

Remuneration Differential between the Public and the Private Sectors:

1,352 yen, 0.35% [Administrative Service (I) -- Employee average monthly remuneration: 383,541 yen, Average age: 40.7 years old]

Distribution of Revision

Basic Salary: 387 yen	Family Allowance: 350 yen
Area Allowance: 560 yen	Rebound (the change of allowance calculated at the fixed rate of basic salary, etc. which is consequently revised in accordance with the revision of a basic salary): 55 yen

<Bonus>

The NPA surveyed actual bonus payments (payment rates) in the private sector, which were paid from August 2006 to July 2007, and compared the actual bonus payment rates of the private sector with the average annual payment rate of the End-of-term and Diligence Allowance in the national public sector, which is provided as a multiplier to a monthly remuneration.

Private Sector's Payment Rate:

4.51 times as much as a monthly remuneration (End-of-term and Diligence Allowance in the national public sector: 4.45 times as much as monthly remuneration.)

2. Contents and Concept of Remuneration Revision

<Monthly Remuneration>

(1) Salary Schedule Revision is limited to remuneration for young employees with focus on the starting salary (No revision in the monthly basic salary for middle-aged and older employees)

Administrative Service (I) Salary Schedule

Revision rate: 1st Grade: 1.1%, 2nd Grade: 0.6%, 3rd Grade: 0.0%,
4th Grade and above: No revision

Starting salary: Level I: 181,200 yen (Currently 179,200 yen)
Level II: 172,200 yen (Currently 170,200 yen)
Level III: 140,100 yen (Currently 138,400 yen)

Other Salary Schedule

Revision is in balance with the Administrative Service (I) Salary Schedule (excluding the Designated Service Salary Schedule, etc.).

(2) Family Allowance The NPA considered payments in the private sector, etc. and promotion of countermeasures for the declining birth rate, and it recommended an increase of the monthly Family Allowance per child by 500 yen (6,000 yen to 6,500 yen).

(3) Area Allowance The NPA gradually implements the revision of the remuneration distribution structure among areas as part of the Reform of the Remuneration Structure. The NPA partially brought forward revision of the Area Allowance pay rate for areas where the difference between the Area Allowance pay rate and the City Allowance pay rate as of March 31, 2006 was 6% or above (an additional 0.5% increase on the already implemented revision for this fiscal year).

[Time of Implementation] April 1, 2007

<End-of-Term and Diligence Allowance (bonus)>

The NPA recommended an increase of the bonus rate to match the private sector (from 4.45 to 4.5 times as much as monthly remuneration).

(Rates for general public employees) (Unit: Multiplied by as much as the monthly remuneration)

Time of payment Fiscal Year	June	December
FY 2007		
End-of-Term Allowance	1.4 (Paid)	1.6 (No revision)
Diligence Allowance	0.725 (Paid)	0.775 (Currently 0.725)
FY 2008 onward		
End-of-Term Allowance	1.4	1.6
Diligence Allowance	0.75	0.75

[Time of Implementation] The day of promulgation

<Other Issues>

(1) Housing Allowance

The NPA will review the Housing Allowance, including consideration of abolishing the allowance for employees who own a house.

(2) Remuneration for Part-Time Employees

The NPA will make efforts to ascertain actual remuneration for part-time employees and will consider measures needed to provide appropriate remuneration based on their duties. The issue of part-time employees needs further consideration, including issues concerning their status.

III. Reform of Remuneration Structure (Matters to be carried out in Fiscal 2008)

1. Establishment of the Specialized Staff Salary Schedule

The Specialized Staff Salary Schedule should be created to provide an environment for introducing human resources management based on multiple career-paths, aimed at utilizing highly-specialized knowledge and experience accumulated by public employees to respond to diversification, complexity and sophistication of public administration, as well as amending the tendency toward early retirement and responding to lengthened periods in service. (To be enforced on April 1, 2008)

(Salary)

- The three-grade Specialized Staff Salary Schedule is applied to public employees specified in the rules of the NPA who engage in support duties for policymaking and planning, etc. through surveys, research and information analysis, etc. that require highly-specialized knowledge and experience in specific fields of administration. Each grade level is based on levels ranging from assistant division director to division director of the central Office and Ministries.

(Allowances)

• The Managerial Allowance is not paid to Specialized Staff. Also, the Overtime Allowance, etc. is not applied to 2nd- and 3rd-grade Specialized Staff.

• The Specialized Staff Adjustment Allowance is paid to certain employees of the 3rd-grade who engage in particularly important and difficult duties requiring an extremely high level of specialized knowledge and experience (10% of the monthly basic salary).

(Working Hours)

• A flextime system should be introduced for Specialized Staff. In this system, the head of each ministry and government agency assigns working hours every four weeks based on applications submitted by Specialized Staff.

2. Revision of the Area Allowance Pay Rate, etc.

• The pay rates of the Area Allowance shall be revised gradually by fiscal 2010. During the period from April 1, 2008 to March 31, 2009, provisional pay rates shall be applied (up 1–2.5% from fiscal 2007 pay rates).

• The pay rates of the Wide-Area Transfer Allowance shall be raised in fiscal 2008, completing the system. (3% in the case the distance between the previous office and the new office is equal to or more than 60 km and less than 300 km, or 6% in the case the distance is not less than 300 km)

• The NPA will further promote performance reflection in pay raises and the Diligence Allowance.