

(August 11/2009)

Outline of the 2009 NPA Remuneration Recommendation

○ Points of this year's Remuneration Recommendation:

Both monthly salaries and bonuses shall be reduced.

~ Average annual remuneration shall be reduced ∇ 154,000yen (∇ 2.4%), this is the biggest decrease after ∇ 165,000yen (∇ 2.6%) in 2003.

- ① **The monthly remuneration shall be reduced in order to eliminate the minus differential. That is, the public sector remuneration exceeds that of the private sector.**
 - **Reduction of the Monthly Basic Salary**
 - **Reduction of the Housing Allowance concerning one's own house**
- ② **The End-of-term and Diligence Allowances ("bonus") shall be reduced by 0.35 months of salary.**
- ③ **Based on the revision of the Labor Standard Act concerning extra wage rate, Overtime Allowance shall be revised.**

I Basic Concept 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.

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 the Public-Private Remuneration Differential

1. Public-Private Remuneration Comparison

A field survey was conducted on approximately 460,000 individual remunerations for about 11,100 private establishments. (Survey completion rate: 87.8%)

〈Monthly Remuneration〉

The NPA surveyed actual remuneration paid for April 2009 in the national public and private sectors, 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. The survey also reflects the conditions of private corporations which implemented the cancellation of base-up, wage cut, etc.

- **Public-Private Differential:** ▽863 yen ▽0.22%

[Administrative Service (I) current remuneration: 391,770 yen, average age: 41.5]

(Salary ▽596 yen, Housing Allowance ▽209 yen, Rebound** ▽58 yen)

** “Rebound” means the change in the amount of allowances caused by the revision of the basic salary, when allowances like the Area Allowance are calculated as a certain proportion of the basic salary.

〈Bonus〉

The annual bonus payments from August 2008 through July 2009 in the private sector were compared with the public sector annual bonus.

- Private sector payment : 4.17 months of salary
(Public sector payment: 4.50 months of salary)

2. Contents and Concept of Remuneration Revision

〈Monthly Remuneration〉

Considering the size of the Public-Private Differential among other factors, the monthly remuneration shall be reduced.

(1) Salary Schedules: With the exception of young employees and medical service (I), reduction in all service salary schedules

① Administrative Service (I) Salary Schedule:

In principle, the monthly salary of all grades shall be reduced by the same rate (average ▽0.2%), however, the monthly salary for young employees including starting salary (a part of grade 1 ~ 3) shall not be reduced, and on the other hand, the monthly salary for employees higher than grade 7 shall be reduced 0.1% more than the average.

② Designated Service Salary Schedule:

Reduced to a certain level based on the managerial employees of the Administrative Service (I) (rate of change: ▽0.3%)

③ Other Salary Schedules

Reduced to basically keep in balance with the Administrative Service (I).

(2) Housing Allowance

The Housing Allowance shall not be paid to employees who live in their own houses.

(3) Allowance for committee members, special advisors, senior advisors, etc.

The maximum payment shall be reduced based on the revised situation of the Designated Service Salary Schedule from 35,300 yen to 35,200 yen.

〈End-of-term and Diligence Allowances (Bonus)〉

The bonus payment shall be reduced to the equivalent of the private sector payment rate: from 4.5 to 4.15 months of salary.

(Bonus payments in number of months of salary for general employees)

	June Term	December Term
Current Fiscal Year (2010)		
End-of-term Allowance	1.25 (already paid)	1.5 (currently 1.6)
Diligence Allowance	0.7 (already paid)	0.7 (currently 0.75)
Fiscal Year 2011		
End-of-term Allowance	1.25	1.5
Diligence Allowance	0.7	0.7

[Timing of Implementation and other matters]

The above mentioned revisions shall take effect on the first day of the following month when the revised Remuneration Law is published (in cases where the Law is published on the first day of the month, the same day is the day it takes effect). To eliminate the public-private differential during the period from this April to the day before the revised Law takes effect, the payment of the End-of-term Allowance in December shall be adjusted accordingly.

〈Overtime Allowance and other matters〉

Based on the revision of the Labor Standard Act concerning extra wage rate, in

order to strongly suppress especially heavy overtime work, and also in order to give those employees who are ordered to perform heavy overtime work an opportunity to take rest, the extra wage rate shall be raised to 150% in cases where employees are ordered to do overtime work over 60 hours per month. Also, a new system shall be established in which certain days or hours can be designated as times when the employees do not have to work in regular work hour and in this case those extra high wages rate can be adjusted. Concerning work on Sundays and other times, NPA shall undertake necessary reviews based on the situation in the private sector in the future.

III Reform of the Remuneration Structure

- In 2010, the revision of the distribution of remuneration and the introduction and implementation of new systems which were planned in the original reform program of the remuneration structure will be completed. After that, NPA will examine how well employees' work performance is reflected in remuneration and how well the revised remuneration is distributed among areas, and embark on addressing other problems including the remuneration system in light of employment in higher aged described in IV.
- After 2011, NPA will consider measures to reallocate the margin which has been produced in the process of reform into raising remuneration for the young or reviewing of allowances.
- In light of the remuneration differential between the public and the private sectors in different regions, distribution of remuneration among regions has been improved compared to the situation before the reform (Maximum gap of 4.8 to 2.6 in 2009). When NPA examines the situation of this matter at the final stage after 2011, the impact of Area Allowance and Wide Area Transfer Allowance must be taken into consideration.

IV Employment Issue of those of Higher Ages ~ Toward the realization of compulsory retirement at the age of 65 ~

1. Employment and Pension

- It is an important issue both in the public and private sectors that employment and pensions are well connected. In the private sector, measures must be taken to secure employment for workers until the age of 65.
- The Basic Act for National Civil Service Reform stipulates that the government shall consider measures to raise stepwise the compulsory retirement age up to 65.

2. Basic Point of View

- In order to fully utilize employees' ability until the age of 65 and thus secure the efficiency of public service, it is appropriate to gradually raise the compulsory retirement age to 65 starting from the fiscal year of 2013 in tune with the increase of the age at which pension payments begin.
- For that, it is necessary to suppress the increase of total remuneration by reviewing the salary system, to consider policy to utilize personnel in order to raise public service efficiency and organizations' vitality, and to respond to other challenges as soon as possible, taking into consideration the final report of "Study Group on Senior Public Worker Employment Issues" headed by Atushi Seike, Professor of Keio University.
- Considering the preparation period for implementation, legislation shall be completed in 2011. As the extension of the compulsory retirement age has an impact on the broad area of public service, such review and study should be undertaken by the whole government with cooperation by NPA and others concerned. The NPA shall tackle the issue so that it can propose its view on legislation concerning this matter in 2010.

3. Concrete Issues to be addressed

(1) Review of remuneration system

A remuneration level and remuneration system for public employees during their early sixties with consideration for the situation of employment and remuneration in the private sector shall be established. Together with this, the salary curve and pay increase system for employees younger than 60 shall be reviewed.

(2) Policies to maintain organizational vitality

The following matters shall be examined to utilize human resources better, such as introduction of a system in which employees at high rank managerial posts must be removed from those posts at a certain age before compulsory retirement, building up a system in which senior employees' expertise can be better utilized, providing high age government employees work outside the public service or bringing back work outsourced outside the public service into the government.

(3) Other matters to be considered

Compulsory retirement age for exceptional cases, introduction of decreased work hour system, measures to assist in early retirement and review of retirement allowance will be considered.