

Outline of the 2008 NPA Remuneration Recommendation

○ **Points of the 2008 Remuneration Recommendation (No revision of monthly salary and bonus this year)**

① **(i) Monthly Basic Salary**

No Revision of Monthly Remuneration because of the tiny remuneration differential between the public sector and the private sector (0.04%)

(ii) Others

Special Improvement in remuneration for medical doctors

② **No revision of the End-of-Term and Diligence Allowance (bonus). (Almost in balance with payment level of the private sector)**

③ **The steady enforcement of the Reform of the Remuneration Structure. (Establishment of the Headquarters Activities Allowance)**

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 440,000 individual remunerations of about 11,000 private enterprise establishments. (Survey completion rate: 89.0 %.)

※ Increasing the subject of the survey by about 900 private enterprise establishments and more carefully survey for 100 or more employees on an establishment-wide basis across the country

<Monthly Remuneration>

The NPA surveyed actual remuneration paid for April 2008 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:**

136 yen, 0.04% [Administrative Service (I) -- Employee average monthly remuneration: 387,506 yen, Average age: 41.1 years old]

○ **Special Improvement in Remuneration for Medical Doctors (To be enforced on April 1, 2009)**

Although it is becoming increasingly difficult to recruit medical doctors for national medical facilities, the remuneration levels of national medical doctors is seriously below in private hospitals and National Hospital Organizations. Therefore recruitment incentive allowance should be improved for attracting young and middle-aged medical doctors (average increase of 11% to the remuneration level in National Hospital Organizations on annual salary base).

<Bonus>

The NPA surveyed actual bonus payments (payment rates) in the private sector, which were paid from August 2007 to July 2008, 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:**

4.50 times as much as the monthly remuneration (End-of-term and Diligence Allowance in the national public sector: 4.50 times as much as monthly remuneration.)

2. Other Issues

(1) Housing Allowance

The NPA will consider the Housing Allowance, aiming to express the abolishment of the allowance for employees who own a house at the next NPA Remuneration Recommendation, and will continue to consider the allowance for employees who live in a rented house, apartment or room, the basis of the actual state of employees who pay a high rent.

(2) Family Unattended Transfer Allowance

The NPA will consider improvements, based on the actual state of economic expenses and the payment state of comparable allowances in the private sector.

(3) Remuneration for Part-Time Employees

The NPA will formulate guidelines that contain several points for consideration on determining the remuneration for part-time employees. The issue of part-time employees needs further consideration, including issues concerning their status, by the whole government.

III. Reform of Remuneration Structure

- The NPA is proceeding with the reform of the whole remuneration system including salaries and allowances. So far the revisions of remuneration distribution structure among areas, the control of the seniority-based remuneration increase and so on have been carried out steadily.
- After completing the period of Reform of Remuneration Structures, the NPA will consider what the remuneration distribution structure among areas should be, and necessary revisions for further advancing the principle of ability and achievements on remuneration. Moreover, the NPA will consider the appropriate pay level and structure, accompanied by consideration concerning the employment problems facing employees who are in their early sixties. The NPA will prepare the overall consideration for addressing these problems.

1. Matters to be carried out in FY 2009

(1) Establishment of the Headquarters Activities Allowance

Considering the distinctiveness and hardship of headquarters' duties, for example planning and framing national administrative measures, negotiating with foreign countries, coordinating relevant administrative organs and coping with the Diet, and the recently difficult situation for recruitment at headquarters in each ministry, the Headquarters Activities Allowance should be provided for headquarters' assistant directors, unit chiefs, and officers, in place of the existing managerial allowance for headquarters' assistant directors. (To be enforced on April 1, 2009)

- The amount of the Headquarters Activities Allowance for the participants of Salary Schedule for the Administrative Service (I)
 - Assistant Directors . . . The monthly amount of Managerial allowance, multiplied by 18% (17% in FY 2009)
 - Under Unit Chief . . . The monthly Salary at pay steps corresponding to the average of employee's distribution at each grade, multiplied by 4% (2% in FY 2009) for Unit Chief, or 2% (1% in FY 2009).

(2) Revision of Area Allowance Pay Rate

The Area Allowance pay rates shall be revised gradually by FY 2010. During the period from April 1, 2009, to March 31, 2010, the provisional pay rates shall be increased by 1%–3%.

2. Advancing Performance-Based Remuneration

Accompanied by the introduction of a new performance appraisal system, the NPA will take the following measures:

- Utilizing the latest appraisal results for step increase, evaluation of work performance in Diligence Allowance and assessment in end-of-term allowance for designated services.
- Preparation for the reduction of pay and grade system for an employee who fails to produce a good performance record based on a new performance appraisal system.

The NPA will take measures for immediately utilizing each appraisal once each appraisal is fixed.