

Outline of the 2016 NPA Remuneration Recommendation

○ Main points of the 2016 NPA Remuneration Recommendation

Raise of Monthly Remuneration and of Bonuses

1. To make up for the remuneration differential between the public and private sectors (0.17%), the salary schedule level should be raised, and the raising of Headquarters Duty Adjustment Allowance planned in the Comprehensive Review of the Remuneration System should be made.
2. Bonuses should be raised by 0.10 times as much as monthly remuneration; an increment should be allocated to Diligence Allowance, considering the payment situation in the private sector, etc.

Reform of the Remuneration System

1. Headquarters Duty Adjustment Allowance should be further raised in the phased implementation of the Comprehensive Review of the Remuneration System.
2. The amount of Family Allowance for spouses should be the same as that for other dependents, and the Family Allowance for children should be raised.
3. The 4th grade should be added to Salary Schedule for Specialized Staff.

I. Basic Concepts of the Remuneration Recommendation

1. The Significance and the Role 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.

2. Revision of the Remuneration Level in Accordance with Principle of Balancing Working Conditions with Those in the Private Sector

- 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 labor-management negotiations, etc. and reflects factors such as economic and employment circumstances.
- Comparing the remuneration in the public sector with that in the private enterprises by their simple average amounts is not appropriate; instead, it is appropriate to compare the two, assuming the impact of the remuneration-determining factors is the same in both. The NPA compares remunerations of persons in the public and private sectors who are equivalent in terms of type of job and major remuneration-determining factors, namely, position, working area, educational background and age, and calculates the weighted average for each sector, using the distribution of public employees.
- Most private enterprises with 50 or more employees have such positions as department director, division director, and unit chief, which enables the NPA to compare the remuneration in these enterprises with that in the public sector, between persons with the equivalent major remuneration-determining factors. Further, the NPA's field survey method, which underpins the accuracy of the survey data, is only possible with the manageable number of offices subject to the survey under the existing criteria.

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

1. Remuneration Comparison between the Public and Private Sectors

A field survey was conducted of approximately 490,000 individual remunerations in about 11,700 private offices. (Survey Completion rate: 87.7%)

<Monthly Remuneration>

The NPA compared remuneration for April 2016 in both the public and private sectors.

- Remuneration differential between the public and private sectors: 708 yen, i.e. 0.17%
- The average remuneration of national public employees to whom Salary Schedule for the Administrative Service (I) (hereinafter referred to as “Admin. (I) Schedule”) is applied is 410,984 yen, and their average age is 43.6.
- The revision described in 2 will fill the differential by raising the monthly remuneration of public employees by the average of 708 yen, whose breakdown is as follows:

- Basic Salary: 448 yen
 - Headquarters Duty Adjustment Allowance: 206 yen
 - Rebound: 54 yen
- (The consequential change in allowances which are calculated with fixed rates on basic salary, etc.)

<Bonuses> *"Bonuses" in the public sector refer to End-of-Term Allowance and Diligence Allowance

The NPA compared the payment rate (ratio to monthly remuneration) in the private sector from August 2015 through July 2016 with the annual payment rate in the public sector.

- Payment rate of bonuses paid in the private sector: 4.32
- Payment rate of bonuses in the public sector: 4.20

2. Contents and Concepts of Remuneration Revision

<Monthly Remuneration>

(1) Salary Schedules

① Admin. (I) Schedule (Average revision rate: 0.2%)

The monthly salary amounts at the steps that serve as initial salary step for those recruited by Comprehensive Service Examination and General Service Examination (for university graduate level and for high school graduates) should be raised by 1,500 yen considering that there is a differential of initial salary between the public and the private sectors ,etc. As for the steps applied to young employees, the monthly salary amounts should be raised by the same amount. For others, the monthly salary amounts should be raised basically by 400 yen.

② Other Salary Schedules

Other salary schedules should be revised in balance with Admin. (I) Schedule. (No revision for Salary Schedule for Designated Service)

(2) Headquarters Duty Adjustment Allowance

The amount of the allowance should be raised from the viewpoint of promoting the Comprehensive Review of the Remuneration System smoothly.

Revised amount of the allowance:	
Unit Chiefs:	equivalent to 4.5% of standard monthly salary amount (currently 4%)
Officers:	equivalent to 2.5% of standard monthly salary amount (currently 2%)

(3) Recruitment Incentive Allowance

The amount of the allowance should be raised, considering the revision of Salary Schedule for Medical Service (I), from the viewpoint of securing appropriate working conditions for medical doctors.

< Bonuses >

Bonuses should be raised to match the private sector (from 4.20 to 4.30 times as much as monthly remuneration).

An increment should be allocated to the Diligence Allowance for the promotion of remuneration based on performance considering the payment situation in the private sector, etc.

Revised payment rates for general officials

Time of payment Fiscal Year	June	December
FY 2016		
End-of-Term Allowance	1.225 (Paid)	1.375 (No revision)
Diligence Allowance	0.80 (Paid)	0.90 (Currently 0.80)
FY 2017 onward		
End-of-Term Allowance	1.225	1.375
Diligence Allowance	0.85	0.85

[Time of Implementation]

- Revision of Monthly Remuneration: April 1, 2016
- Revision of Bonuses: Date of promulgation of the act to realize this recommendation

III. Revision of the Remuneration System etc.

1. Comprehensive Review of the Remuneration System

- In order to deal with issues involved in the remuneration of national public employees, the NPA released its plan for the review of the distribution of remuneration among regions and among age groups, and the distribution of remuneration based on one's duty and performance in the 2014 NPA Remuneration Recommendation. This comprehensive review of the remuneration system, including the design of salary schedules and allowances, has been implemented since April 2015, stepwise over 3 years.
- In FY 2017, Headquarters Duty Adjustment Allowance should be raised to the amount equivalent to 5.5% of the standard monthly salary amount for Unit Chiefs, and to 3.5% for Officers.

2. Review of Family Allowance for Spouses (Implemented stepwise from April 1, 2017)

Considering the changes of circumstances involved in allowances for spouses in the private and public sectors, the following revision should be made.

- The amount of Family Allowance for spouses (currently 13,000 yen) should be decreased to the same amount of that for other dependents. Utilizing the generated resources, the Family Allowance for children should be raised. (The revised amount of the allowance: 6,500 yen for spouses, parents, etc.; 10,000 yen for children)
- Employees at the level of headquarters' Division Director (personnel at the 9th and 10th grades in the Admin. (I) Schedule or at the equivalent grades in other salary schedules) should not be provided with Family Allowance for dependents other than children. For employees at the level of the headquarters' Director of Office (personnel at the 8th grade in the Admin. (I) Schedule or at an equivalent grade in other salary schedules), the amount of Family Allowance for dependents other than children should be 3,500 yen.
- The decrease in the amount of Family Allowance for spouses should be implemented stepwise from the viewpoint of minimalizing its influence on recipients. Consequently, Family Allowance for children should be raised stepwise as well, within the range of the resources generated as a result of the decrease.

The NPA will discuss necessary reviews of the Family Allowance for spouses of national public employees according to the circumstances of revisions of the tax and social security systems and revisions of allowance for spouses in the private sector.

3. Addition of the 4th Grade to Salary Schedule for Specialized Staff (Implemented from April 1, 2017)

- The government is planning to establish new specialized staff positions, whose responsibility will be to support planning and developing cross-sectional important policies, and whose level of classified job ladder is higher than those of existing specialized staff positions, in the Minister's secretariat or other bureaus of the ministries in FY 2017. Given the expertise, importance, and difficulty of these new positions, the 4th grade should be added to the Salary Schedule for Specialized Staff.

- The monthly salary of the 4th grade should exceed that of the highest pay step of the 3rd grade of the same Salary Schedule to a certain extent, while it should be less than that of the first pay step of the Salary Schedule for Designated Service considering that the Specialized Staff are not supposed to do managerial work.
- Pay step increase in the 4th grade should be granted only when the work performance is especially good (by one step). With regard to the performance ratio for Diligence Allowance, those at the 4th grade should be subject to the same rules as the rules for those at the 3rd grade of Salary Schedule for Specialized Staff, which are intended to reflect work performance more clearly than in other Salary Schedules.

4. Others

(1) Remuneration for Reappointed Employees

- As for Diligence Allowance for reappointed employees, the performance ratio for “Excellent” should be higher than that for “Good” by a certain degree so that the work performance can be reflected more clearly in payment.
- The NPA will continue to make necessary reviews of the remuneration system of reappointed employees, observing such trends as the increasing number of reappointed employees and longer period of their service, and bearing in mind trends in the private sector and the operating status of the reappointment system in the ministries.

(2) Treatment of Remuneration Associated with the Establishment of Family Care Hours System

The NPA will ensure that the time period during which an employee is off duty due to taking of the Family Care Hours approved to them will not immediately have an adverse impact on pay step increase or Diligence Allowance. The same will apply to taking Family Care Leave, Childcare Leave, etc.

(3) Remuneration for Part-time Employees

The NPA will continue to guide the ministries to provide working conditions to their part-time employees in conformity with the guideline that the NPA published in 2008.