

**Outline of the Submission of the Opinion by the NPA on the Revision of the National Public Service Act, etc., to Gradually Raise the Mandatory Retirement Age to 65**

- In order to maintain high-quality administration services, it is absolutely necessary to fully utilize the abilities and experience of elderly public employees. The NPA therefore propose to gradually raise the mandatory retirement age of national public employees to 65.
- In consideration of the actual situation of employment of elderly employees in the private sector, the annual remuneration of the employees over 60 years old should be set at 70% of the one they received before the age of 60.
- Vitality of organizations should be maintained by thoroughly implementing ability and performance-based personnel management and introducing “fixed-age stepdown system from certain managerial posts”.
- We also aim to offer various workstyle options to employees over 60 years of age by introducing a short-time work system.

**1. Background for the consideration on raising the mandatory retirement age of national public employees**

- In 2011, the NPA submitted its opinions that a gradual raise of the mandatory retirement age to 65 would be appropriate.  
In 2013, the government decided in a cabinet meeting that it would reappoint public employees (if the employee wishes so) to a full-time position until they reach the pension eligibility age, and examine once again the possibility of gradually raising the mandatory retirement age at each time when the starting age for pension eligibility age is raised gradually.
- In the “Basic Policy on Economic and Fiscal Management and Reform 2017” (cabinet decision), the government mentioned that it “will proceed with detailed examination of raising the mandatory retirement age of public employees.” By examining the matter at the meeting among related administrative organs taking into account the opinion by the NPA, the government reached a conclusion that it is appropriate to examine in a direction to gradually raise the mandatory retirement age to 65 and summarized the points of discussion for the matter. In February 2018, the government requested the NPA for examination of raising the mandatory retirement age based on the points of discussion.
- The government also mentioned that it “will examine the matter towards a gradual raise of the mandatory retirement age of public employees to 65” in the “Basic Policy on Economic and Fiscal Management and Reform 2018”.

## **2. Necessity of raising the mandatory retirement age**

- With the rapid aging of the population and low birthrate, the size of young workforce has been declining. It is therefore an important challenge for the whole society to create a place for motivated and competent elderly citizens to fully perform activities. A given number of private companies are raising the mandatory retirement age and full-time employment is offered for the elderly employees in most of the cases.
- Regarding the public service, the number of reappointed employees increased significantly due to the implementation of mandatory reappointment since FY 2014. About 70% of the reappointed administrative service employee (Administrative Service (I)) are appointed as unit chief or senior officer or equivalents and approximately 80% are working part-time. If the situation is unchanged and the percentage of reappointed employees continue to increase, ability and experience of the employees may not be fully utilized, and the efficiency of public services may decline as a result. Employees may also be concerned about their livelihood due to the prolonged time without pension.
- In order to appropriately respond to the complex administrative issues and to maintain the high quality administrative services, full utilization of ability and experience of the employees over 60 years of age is absolutely necessary, and the mandatory retirement age need to be gradually raised to 65. With this approach, the comprehensiveness and continuity of personnel management from employment to retirement are ensured and employment and pension schemes are connected securely.
- It is necessary to work on the enhancement of full-time reappointment even during the period before starting to raise the mandatory retirement age, from the perspective of assuring a smooth process.

## **3. Concrete measures for raising of mandatory retirement age**

### **(1) Revision of the mandatory retirement age system**

- Prompt implementation is required on the premise that a certain length of preparation period is ensured and raising of mandatory retirement age to 65 is implemented gradually.
- The current reappointment system (full time/part-time) should be maintained during the period of gradual raising of mandatory retirement age, to ensure employment until the age of 65 (the age from which a full amount of pension is provided).
- A new scheme should be established, in which the personnel authority interviews employees in advance to ask his/her intended workstyle after the age of 60.

**(2) Introduction of fixed-age stepdown system from certain managerial posts**

- “Fixed-age stepdown system from certain managerial posts” should be introduced for the time being in order to avoid the aging of managerial official and maintain the vitality of organizations.
- Certain managerial officials are to be demoted or transferred to another position (appointment change) by the first April 1<sup>st</sup> after the employee reaches the age of 60. As an exception, if the appointment change causes significant negative impact on administration of public services, the employee will be allowed to stay in the position that is normally subject to fixed-age stepdown or to be transferred to other fixed-age stepdown subjected positions.

**(3) Introduction of short-time working system for reappointed officials before the mandatory retirement age**

- A new system which enables employees to work part-time (if the employee wishes so) shall be introduced to realize various working styles of employees after the age of 60. It is considered that this will contribute to secure the room for new employment and promotion of young and mid-level employees and to maintain vitality of organization.
- In order for employees working part-time to utilize their ability and experience, it is necessary to examine how to establish duties and how to perform personnel management that contribute to achieve this purpose.

**(4) Remuneration for the employees over 60 years of age**

- According to the “Basic Survey on Wage Structure,” the average annual remuneration of the private enterprise workers in their early 60s (supervisory, clerical and technical workers (regular staff)) is about 70% in their later 50s. Also, according to the “Fact-finding Survey of Job-by-Job Pay Rates in the Private Sector,” in private Enterprises that have extended the mandatory retirement age and reduced the amount of remuneration of employees over 60 years old, the percentage of the average level of annual remuneration of the employees over 60 years of age is in the 70s of that they received before 60.
- Based on these situations, the level of remuneration of the employees over 60 years of age should be set at 70% of that they received before 60. The annual remuneration of the employees who are subject to appointment change based on the “ fixed-age stepdown system from certain managerial posts” can be 50-60% of that they received before the appointment change.
- More specifically, the monthly salary of the employees over 60 years of age is set at 70% of that they received before 60, and the amount of allowances that are related to the level of monthly salary are set at 70% of what they received before 60, in principle (on the other hand, the amount of allowances such as family

allowance will not be reduced.) The salary of the employees subject to appointment change based on the “fixed-age stepdown system from certain managerial posts” will be 70% of the monthly salary they received before the appointment change (with the maximum limit of the highest monthly salary applied to the grade after the appointment change.)

- The reduction of remuneration of the employees over 60 years of age will be a temporary measure, and the ideal way of remuneration system as well as the remuneration curve before the 60 years of age will be examined in a continuous manner based on the trend of remuneration in the private sector

\*The above-mentioned systems shall be, even during the period of gradual raising of mandatory retirement age, reviewed and revised as necessary based on the verification of its actual situation after the implementation of the new mandatory retirement age system from the perspective of ensuring smooth personnel management, while paying attention to the implementation status of “fixed-age stepdown system from certain managerial posts”, progress of thorough implementation of ability and performance-based personnel management, and change in motivation towards work by employees.

Also for the related remuneration system, review and revisions will be made as necessary according to the status of mandatory retirement age system and remuneration for elderly workers in private enterprises, and the impact by change in personnel structure on personnel management of the Cabinet Office and each ministry.

#### **4. Initiatives related to the raise of mandatory retirement age**

##### **(1) Thorough implementation of ability and performance-based personnel management**

- The entire personnel management practices need to be reviewed and revised by taking such measures as to thoroughly implement ability and performance-based personnel management throughout the service period of employees. Strict promotion management should also be encouraged based on the personnel evaluation. The NPA will make necessary examination on this matter.
- Personnel evaluation system should be appropriately implemented so that change of status such as demotion and dismissal is carried out in a timely and strict manner for the employees with poor performance. The NPA will also review and revise change of status as necessary and provide necessary support to the Cabinet Office and each ministry.
- It is important to make efforts to develop employees’ abilities from the time of employment in a well-planned manner and grant opportunities to her/him so

that s/he can experience a wide variety of duties and to hear from each employee about her/his future career plans at each stage of their career.

**(2) Measures that should be taken by entire public administration bodies to raise mandatory retirement age smoothly**

- Efforts should be made to create an execution framework so that employees in staff positions can fulfill necessary roles properly and to establish a dual career path, and should examine the establishment of duties where employees over 60 years of age can utilize their ability and experience.
- Actions should be taken so that employment of new employees can continue with a necessary size and in a well-planned manner even during the period of gradual raising of the mandatory retirement age.
- Necessary measures need to be examined to support early retirement as voluntary choice of employees, from the perspective of measures relating to retirement allowances and utilizing the ability and experience of the elderly employees outside the public sector.