

Outline of the 2013 NPA Report on Remuneration, etc.

Main points of this year's Report on Remuneration, etc.

No Revision of Monthly Remuneration and Bonuses

1. The Act Concerning the Revisions and the Temporary Special Provisions of the Remuneration of National Public Employees (hereinafter "the Special Provisions Act") implements measures to reduce payments of remuneration of national public employees from the amount provided in the Remuneration Act.

Thus, the differential of monthly remuneration between the public and private sectors was calculated both on the original (i.e. amount provided in the Remuneration Act) and on the reduced (i.e. taking the Special Provisions Act into consideration) amount.

- Measures to reduce payment of remuneration have been implemented as a temporary special measure until the end of fiscal year 2013 to cope with the unprecedented disaster (the Great East Japan Earthquake), apart from the revision to match the remuneration level in the private sector. The necessity of reviewing the remuneration level, as last year, was therefore examined based on the differential of the original amount.
 - Because of the insignificantly small differential (0.02%), an appropriate revision of remuneration, including salary schedules, would be difficult to implement, and hence no revision of monthly remuneration will be made.
2. End-of-Term Allowance and Diligence Allowance (Bonuses) paid in the public sector are equivalent to the ones in the private sector, hence no revision will be made.
 - This decision takes into account the fact that bonuses have also been reduced in payment based on the Special Provisions Act.

Comprehensive Review of the Remuneration System

After the expiration of the Special Provisions Act, the NPA shall be ready to implement a comprehensive review of the remuneration system. The review shall consider the following aspects and include areas such as the structure of salary schedules and designing of allowances.

1. Respond to the changes of organizational structure in the private sector
2. Review the distribution of remuneration among regions

- 3. Review the distribution of remuneration among age groups**
- 4. Pay Remuneration based on employees' duties and performance**

I. Basic Concepts of the Remuneration Recommendation

- The Remuneration of national public employees may be changed at any time by the Diet to better meet the general conditions of the society. It is the duty of the NPA 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 an efficient administration is maintained.
- 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 the accordance with the private sector, whose remuneration is concluded by industrial negotiations, etc. and reflects factors such as economic and employment circumstances, etc.

II. Remuneration Revision Based on the Public-Private Remuneration Differential

An interview survey was conducted of approximately 490,000 individual remunerations in about 12,500 private offices. (Survey completion rate: 88.6%)

- ✧ In order to more widely seize the trends of remuneration in the private sector and reflect them into the remuneration of national public employees, the survey covers all industries from this year onwards.

<Monthly Remuneration>

The NPA surveyed remuneration paid in April 2013 in both the national public and private sectors, and compared groups of data that demonstrate equivalent major remuneration-determining factors: position, working area, educational background and age. The survey also reflected the conditions of private corporations that cancelled regular base pay increases, cut wages, or took any similar actions.

With consideration to the measures of reduced payments of remuneration that have been taken based on the Special Provisions Act, the differential of monthly remuneration between the public and private sectors was calculated both on the original and on the reduced monthly amount.

○ **Public-Private Differential on Monthly Remuneration:**

(Before the application of the special payment reduction)	76 yen, 0.02%
(After the application of the special payment reduction)	29,282 yen, 7.78%

〔 The average age of national public employees entitled to the Administrative Service (I) Salary Schedule is 43.1, and their average remuneration is 405,463 yen (before the reduction) and 376,257 yen (after the reduction), respectively. 〕

- Taking into account that the differential between the public and private sectors is insignificant enough that an appropriate revision of salary schedules and allowances would be difficult to implement, monthly remuneration shall not be revised.
- In terms of the comparison between the public and private sectors that creates the basis of the recommendation, measures to reduce payment of remuneration have been implemented as a temporary special measure until the end of fiscal year 2013 to cope with the unprecedented disaster (the Great East Japan Earthquake), apart from the revision to match the remuneration level in the private sector. The comparison was therefore conducted based on the differential of the original amount, stipulated on the Remuneration Act.

<Bonuses>

Payment rates (counted as number of extra months that monthly remuneration is paid to employees) in the private sector from August 2012 through July 2013 are aggregated, and then compared with the number of months of payment in the public sector.

- End-of-Term Allowance and Diligence Allowance in the public sector (3.95 months in total (before the reduction)) are equivalent to the ones paid in the private sector (3.95 months) and thus shall not be revised.
- This decision also takes into account that bonuses have also been reduced in payment based on the Special Provisions Act.

Note: Payment of the allowance in the public sector after the reduction is equivalent to 3.56 months

III. Comprehensive Revision of the Remuneration System, etc.

Eight years have passed since the NPA submitted its recommendation on the Remuneration Structure Reform, and since then the socio-economic environment surrounding Japan has significantly changed. Regarding the remuneration of Japanese national public employees, a number of future challenges have arisen that require further engagement.

In order to seek the public's understanding on the remuneration of national public employees, as well as to secure the necessary human resources in the public sector and to maintain and promote the motivation of employees and the vitality of organizations, the NPA shall endeavor to comprehensively review the remuneration system including the structure of salary schedules and allowances, and reach a conclusion at the earliest possible time.

- Respond to the Changes of Organizational Structure in the Private Sector

The NPA will examine the possibility of widening its coverage to workers who can be categorized as holding positions between directors and division directors, as well as division directors and unit chiefs, in the comparison of public and private sector remunerations.

- Review the Distribution of Remuneration Among Regions

There has been some criticism that remuneration of public employees in rural areas is comparatively high. Therefore, the NPA shall examine the possibility of further reviewing this, considering the actual situation of remuneration in the public and private sectors at the local level.

- ◇ The remuneration differential between the public and private sectors at the national level and the remuneration differential of the twelve prefectures with the lowest private sector remuneration is approximately two and a half percentage points.

- Review the Distribution of Remuneration Among Age Groups

In accordance with reviewing the distribution of remuneration among regions, the NPA shall also examine the possibility of implementing necessary measures to review the remuneration curve with a particular emphasis on the remuneration level of employees in their 50s, and notably in their late 50s. This review should take into account the trends of the private sector remuneration.

- Pay Remuneration Based on Employees' Duties and Performance
 - Appropriately Implement Personnel Evaluation and Reflect the Results in Remuneration

It is critical to ensure an appropriate implementation of personnel evaluation. Meanwhile, the NPA shall examine how its results can be associated with step increases.
 - Appropriately Design Remuneration for Laborers, etc.

It is necessary that the number of employees entitled to the Administrative (II) Salary Schedule (Guards, Drivers, etc.) shall be further reduced through outsourcing. However, the NPA pursues revisions of remuneration of laborers, whose positions are not suitable for outsourcing and would still require employment by the government, taking into account the remuneration in the private sector.
 - Design Suitable Allowances

The NPA shall conduct necessary examination of allowances considering how people work in the public sector, as well as trends of allowances payment in the private sector.

- ◇ Recuperation of Step Increases Restricted Due to the Remuneration Structure Reform

Employees under the age of 45 will be subject to the recuperation of step increases on April 1 2014, which will award them a maximum of one additional step increase.

IV. Association Between Employment and Pensions

Taking into account the Cabinet Decision, it is necessary for government ministries and agencies to ensure association between employment and pensions, based on the current reappointment system.

- Measures to Ensure Association Between Employment and Pensions
 - Conduct awareness raising activities and career preferences hearings for employees
 - Assign reappointed employees into positions enabling them to utilize their skills and expertise
 - Cope with grievances concerning the reappointment

- Take the senior age employment issue as an opportunity to review the overall personnel management and the operational system of administrative tasks, etc.
- Remuneration of Reappointed Employees
 - Regarding the review of remuneration and allowances for reappointed employees, the NPA shall first examine in 2013 the remuneration level of reappointed employees in the private sector who do not receive any pensions. The NPA will then examine the possibility of reviewing the remuneration of reappointed employees, taking into account their duties and working styles.
 - In the private sector, the majority of enterprises do not alter the remuneration of reappointed employees according to their entitlements to pensions. Furthermore, most enterprises pay family-unattended-transfer allowances to employees assigned to a position requiring a residential move.
- ✧ Based on the timely assessment of the operation of reappointment, it is necessary to conduct reconsideration by fiscal year 2016, when the starting age of pension payments will be raised to the age of 62. The reconsideration includes the alternative of gradually raising the retirement age that was presented in the NPA's opinion in September 2011.

V. Request to Ensure Fairness in Remuneration

Remuneration from April 2014 onwards, when the measures of reduced payment of remuneration expires, shall be ensured a fair level, in accordance with the private sector that the NPA reported this year. The NPA requests that the Diet and the Cabinet show respect for the purpose and role of the NPA recommendation system, and ensure a fair remuneration level in accordance with the private sector.