

## Outline of the 2011 NPA Remuneration Recommendation

- Main points of this year's Remuneration Recommendation:
- Monthly wages shall be reduced. Bonuses shall be kept at the same level.
- Average annual remunerations shall be reduced by 15,000 yen (-0.23%).
1. Due to the Great East Japan Earthquake, the Survey of Remuneration in the Private Sector was delayed by two months and conducted in only 44 prefectures, excluding Iwate, Miyagi and Fukushima.
    - The impact of the lack of data in the three Tohoku prefectures mentioned above on monthly wages is limited, since public-private comparisons are conducted by the Laspeyres method within the area-defined categories used to determine area allowances.
    - A revision of the End-of-Term and Diligence Allowances (bonuses) shall not be conducted, since the lack of data in the aforementioned prefectures did not allow for a conclusion to be reached on the revision of bonuses for national public employees.
  2. Salary schedules shall be revised downward to eliminate the public-private differential where public sector remuneration exceeds that of the private sector by 0.23%, targeting employees in their 40s and above (mainly those in their 50s).
  3. The amount paid as a transitional measure for Remuneration Structure Reform shall be reduced by half (up to ¥10,000) in FY 2012 and abolished on April 1, 2013. (Resources generated by the abolition of this measure shall be used with a main focus on young employees to get back step increases which have been restrained in order to come up with finances to implement the Reform.)

### I. Basic Concepts of the Remuneration Recommendation

- The Remuneration of national public employees may at any time be changed by the Diet to bring it into accord with the general conditions of society. It is the duty of the National Personnel Authority to report and recommend such changes as needed.
- The NPA Remuneration Recommendation functions to ensure appropriate remuneration for national public employees as a compensatory measure for restrictions placed on basic labor rights. It provides the basis on which an efficient administration is maintained.
- Since it is difficult to determine the levels of national public employees' remuneration by market mechanisms, the most rational standard of determining them for Recommendation is to follow the remuneration levels in the private sector, which are determined by labor-management negotiations etc. reflecting the current economic and employment

situation etc.

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

### 1. Public-Private Remuneration Comparison

An interview survey was conducted of approximately 430,000 individual remunerations in about 10,500 private offices. (Survey completion rate: 90.5%)  
(Due to the Great East Japan Earthquake, offices located in the prefectures of Iwate, Miyagi and Fukushima were excluded from the survey.)

#### <Monthly Wages>

The NPA surveyed the actual remuneration paid in April 2011 within the national public and the 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, and so forth given severe business conditions.

#### ○Public-Private Differential on monthly wage:

Public monthly wages should be decreased by 899 yen, i.e., by 0.23%.

[Administrative Service (I) Salary Schedule current average remuneration: 397,723 yen; average age: 42.3]

Breakdown of the 899 yen reduction: Monthly wages should be decreased by 816 yen, necessitating automatic decreases in Area Allowance, etc., by 83 yen.

#### <Bonus>

Payment rates (the number of months of monthly wages comprising a bonus) are calculated based on the result of a nation-wide aggregation of the total amount of bonuses paid and the total number of people receiving bonuses at each office in the private sector over the previous year.

#### ○No Revision of End-of-Term Allowance and Diligence Allowance

(Currently 3.95 months of wages)

The survey results this year show that the payment rate in the private sector, except for the three Tohoku prefectures, is 3.99 months (3.987 months). However, an aggregation of the last three years of survey data excluding data from the three Tohoku prefectures results in a private sector bonus amount 0.004 to 0.007 months higher than if three Tohoku prefectures data is included in the aggregation. Furthermore, the bonus payment situation this summer in these three Tohoku prefectures is considered to have been austere. Given the situation, the NPA did not reach a decision on recommending a revision of bonuses.

## 2. The Contents and Concept of the Remuneration Revision

### <Monthly Wages>

In order to eliminate the public-private differential, salary schedules shall be revised downward.

#### (1) Salary Schedules

##### 1. Administrative Service (I) Salary Schedule:

This schedule shall be revised downward for employees, targeting those in their 40s or above, focusing on those in their 50s whose monthly wages exceed those of equivalent employees in the private sector. (Reduction in the amount given within each step typically covering incumbents in their 50s: up to -0.5%, reduction in the amount given within each step typically covering incumbents in their 40s: up to -0.4%)

##### 2. Designated Service Salary Schedule:

This schedule shall be revised downward in line with the rate by which managerial employees' salary amounts within the Administrative Service (I) Salary Schedule have been reduced (-0.5%).

##### 3. Other Salary Schedules:

Schedules shall be revised downward in consideration of maintaining balance with the Administrative Service (I) Salary Schedule (excluding the Medical Service (I) Salary Schedule, etc.).

※ The amount paid as a transitional measure for the Remuneration Structure Reform shall also be reduced in consideration of this year's rate of change in salary schedules, etc.

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

The maximum amount of payment shall be reduced based on the revised situation of the Designated Service Salary Schedule, etc. (from 35,100 yen to 34,900 yen).

### [Timing of Implementation and Other Matters]

The above mentioned revisions shall take effect on the first day of the month following the month when the revised Remuneration Act is published (in the event that the Act is published on the first day of the month, it will take effect on that same day).

To eliminate the public-private differential during the period from the previous April to the day before the revised Act takes effect in annual remuneration, the payment of the End-of-term Allowance in December 2011 shall be adjusted. To be concrete, the amount of monthly salary of April multiplied by the adjustment rate (-0.37%) and then multiplied by the number of months from April to the previous month when the revised Act takes effect, plus the amount of Bonus paid in June multiplied by the adjustment rate, is to be deducted from

the amount of the End-of-Term Allowance in December for those affected.

### III. The Revision of the Remuneration System, etc.

#### ○ Abolition of the Amount Paid as a Transitional Measure for Remuneration Structure Reform, etc.

- The amount paid as a transitional measure for Remuneration Structure Reform shall be reduced by half (up to ¥10,000) in FY 2012 and abolished on April 1, 2013.
- Resources generated by the abolition of this transitional measure shall be used, with a focus on young employees, for getting back step increases which have been restrained during the Remuneration Structure Reform period. The step increases will be implemented as follows: in April 2012, up to two steps for employees below the age of 36, up to one step for employees between the ages of 36 and 41. In April 2013, up to one step increase will be given to employees below the age to be specified in an NPA rule.

#### ○ Policies under consideration

- While the remuneration level differential of employees in their 50s between the public and the private sectors is partially to be attributed to differences in promotion management in the two sectors, the NPA intends, from the next fiscal year and after, to review the system for grade/step increases to the direction of reducing the remuneration differential of aged employees between the two sectors, keeping an eye on the raising of the mandatory retirement age.
- In response to changes in the industrial and organizational structure etc., of the private sector, the NPA will consider expanding the range of industries covered in the Survey of Remuneration in the Private Sector, etc.
- With regard to the establishment of new grades in the Specialized Staff Salary Schedule, the NPA will consider the issue following Government work to prepare positions for this Schedule.

#### ○ Others

- As the Survey of Remuneration in the Private Sector was not carried out in the three Tohoku prefectures, the review of the policy for the regional re-distribution of remuneration using the differential in the area of Hokkaido-Tohoku was not conducted. The final validation based on complete nation-wide data will be done next year or the year after.

### IV. The NPA's Opinion on Measures to Reduce Payments of the Remuneration of National Public Employees

With regard to the "Bill concerning the Temporary Special Provisions of the Remuneration of National Public Employees" submitted by the Cabinet to the Diet in June this year, the NPA

raised questions from the viewpoint of its relationship with the current legal system for remuneration revision, agreements of employees within the process of submission of that bill, the period during which measures of reduced payment of the remuneration are taken, etc., and requested a thorough deliberation on this issue in the Diet.