

## Outline of the 2017 NPA Remuneration Recommendation

### ○ Main Points of the 2017 NPA Remuneration Recommendation

#### Raise of Monthly Remuneration and Bonuses

1. To make up for the remuneration differential between the public and private sectors (0.15%), the salary schedule level should be raised, and the rise of Headquarters Duty Adjustment Allowance planned in the Comprehensive Review of the Remuneration System should be conducted.
2. Bonuses should be raised by 0.10 times as much as the monthly remuneration; an increment should be allocated to Diligence Allowance, considering the payment situation in the private sector, etc.

#### Comprehensive Review of the Remuneration System

1. Headquarters Duty Adjustment Allowance should be raised.
2. The pay step increase which was restrained on January 1, 2015 should be restored targeting mainly the young employees by utilizing the resources generated as a result of the abolition of a transitional measure, etc.

## I. Basic Concepts of the Remuneration Recommendation

### (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. It is NPA's duty, stipulated in the National Public Service Act, 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.
- Since the public sector is exempt from the deterrent of market mechanism which serves as a restriction to determine remuneration, the most rational standard to determine public-sector remuneration is to maintain accordance with the private sector, where remuneration is concluded by labor-management negotiations, etc. and reflects factors such as economic and employment circumstances.

### (Current Method to Compare the Remuneration of the Private and Public Sectors, etc.)

- It is appropriate to compare the remuneration of the public and private sectors by considering the remuneration-determining factors, such as position, working area, educational background and age. It is inappropriate to compare them by the simple average amount.
- 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. Furthermore, 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 530,000 individual remunerations in about 12,400 private offices. (Survey Completion rate: 87.8%)

#### <Monthly Remuneration>

The NPA compared remuneration for April 2017 in both the public and private sectors.

- The remuneration differential between the public and private sectors: 631 yen, i.e. 0.15%
- 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 410,719 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 631 yen, whose breakdown is as follows:

- Basic Salary: 456 yen
  - Headquarters Duty Adjustment Allowance: 119 yen
  - Rebound: 56 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 2016 through July 2017 with the annual payment rate in the public sector.

- Payment rate of bonuses paid in the private sector: 4.42
- Payment rate of bonuses paid in the public sector: 4.30

## 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 the Comprehensive Service Examination and the General Service Examination (for university graduate level and for high school graduates) should be raised by 1,000 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 the Admin. (I) Schedule. (No revision for the Salary Schedule for Designated Service)

#### (2) Headquarters Duty Adjustment Allowance

The amount of the allowance should be raised by 900 yen for those at the Unit Chief level and 600 yen for the Officer level from the viewpoint of promoting the Comprehensive Review of the Remuneration System smoothly.

#### (3) Recruitment Incentive Allowance

The amount of the allowance should be raised, considering the revision of the 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 4.30 to 4.40 times as much as the monthly remuneration).

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

(Revised payment rates for general employees)

Time of payment Fiscal Year	June	December
FY 2017		
End-of-Term Allowance	1.225 (Paid)	1.375 (No revision)
Diligence Allowance	0.85 (Paid)	0.95 (Currently 0.85)
FY 2018 onward		
End-of-Term Allowance	1.225	1.375
Diligence Allowance	0.90	0.90

[Time of Implementation]

- Revision of Monthly Remuneration: April 1, 2017
- Revision of Bonuses: Date of promulgation of the act to realize this recommendation

### III. Comprehensive Review 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 in the 2014 NPA Remuneration Recommendation for the review of the distribution of remuneration among regions and age groups, and the distribution of remuneration based on one's duty and performance. This comprehensive review of the remuneration system, including the review of the salary schedules and allowances, has been implemented since April 2015, stepwise for 3 years.
  - ※ The reduced payment measures of salary, etc. by 1.5% for employees over the age of 55 (not lower than the 6th grade of the Admin. (I) Schedule and its equivalent in other salary schedules) should be abolished on March 31, 2018, and the transitional measure for mitigating radical changes as a result of the lowering of the salary schedule levels caused by the review should also be withdrawn on the said date.
- In FY 2018, Headquarters Duty Adjustment Allowance should be raised to the amount equivalent to 6% of the standard monthly salary amount for those at the Unit Chief level, and to 4% for the Officer level.
- The pay step increase which was restrained on January 1, 2015 should be restored targeting mainly the young employees by utilizing the surplus of the

resources generated as a result of the abolition of the transitional measure, etc. The pay step of employees under the age of 37 as of April 1, 2018 should be raised by one step on the said date.

## 2. Others

### (1) Housing Allowance

The NPA will consider necessary reviews on Housing Allowance based on the actual status of employees' rent coverage and payment situation in the private sector, etc., taking into account the trend of the increasing number of employees who receive the allowance.

### (2) Remuneration for Reappointed Employees

The NPA will continue to consider reviews on the remuneration for reappointed employees from the viewpoint of ensuring smooth human resources management in each ministry. In this regard, the NPA will take into consideration the remuneration trend of reappointed employees in the private sector and operational status of the reappointment system in each ministry while paying attention to the consistency with the concrete review toward the raise of the mandatory retirement age.

### (3) Remuneration for Part-time Employees

The NPA revised the guideline on the remuneration of part-time employees in July, 2017 to encourage each ministry to make efforts to provide their part-time employees with remuneration equivalent to the Diligence Allowance, etc. The NPA will guide each ministry to make early improvements of their part-time employees' working conditions in line with the guideline.