

Part 1.

Major Trends in Personnel Administration in the Past Year

Chapter 1. Ensuring Proper Remuneration for Public Employees

- On Aug. 8, 2017, the NPA made a report and recommendation to the Diet and the Cabinet concerning a revision to basically balance the remuneration level of public employees to that of private sector employees (the principle of balancing working conditions with those in the private sector), based on the principle of meeting changing conditions as established in the National Public Service Act. In addition, the NPA made a report on the issues to be implemented in FY2018 concerning the comprehensive review on the remuneration system that has been underway on a full scale since Apr. 2015.
- On Nov. 17, 2017, the government made a cabinet decision to carry out a remuneration revision in accordance with the NPA Recommendation and to complete the comprehensive review on the remuneration system. The “Act on the Partial Revision of the Act concerning the Remuneration of Regular Service Employees” (Act No. 77 of 2017) (hereinafter referred to as the “Act Concerning the revision of the Remuneration Act”) was enacted on Dec. 8, 2017 and promulgated as well as enforced on December 15, 2017. (The revision of the end-of-term and diligence allowances in FY2018 and onward along with the measures to recover from curbed pay step increase were enforced on Apr. 1, 2018.)
- Concerning a raise of the mandatory retirement age of national public employees, the government summarized the points taking into account the NPA’s opinions in 2011 as well. In Feb. 2018, the Prime Minister requested the President of the NPA to conduct a study on this issue. The NPA is carrying out the study on the revision of personnel management systems following the raise of the retirement age in consideration of the points summarized and the study request made by the government while listening to the opinions of all parties concerned.
- In accordance with the results of the Survey to Compare Retirement Allowances between the Public and Private Sectors, which was presented by the NPA on Apr. 19, 2017, the “Act for the Partial Revision of the National Public Employees’ Retirement Allowance Act, etc.” (Act No. 79 of 2017), which stipulated lowering the retirement allowance of national public employees by approximately 780,000 yen, was enacted on Dec. 8, 2017, promulgated on Dec. 15, 2017 and enforced on Jan. 1, 2018.

1. Recommendation and Report

The NPA reported on the remuneration of public employees in regular service, and recommended a remuneration revision to the Diet and the Cabinet on Aug. 8, 2017.

(1) Significance and Role of the Remuneration Recommendation

The NPA’s remuneration recommendation plays a role to secure appropriate remuneration of national

public employees corresponding to the general conditions of society as a compensation for the restriction of basic labor rights. As part of the remuneration recommendation, the NPA has conventionally conducted a review on the systems of salary and various allowances together with the revision of remuneration levels of national public employees.

Concerning remuneration of national public employees whose basic labor rights are restricted, the NPA makes the recommendation basically for the purpose of balancing the remuneration levels of national public employees and private-sector workers (Principle of Balancing Working Conditions with Those in the Private Sector) through listening to the opinions thoroughly both from labor and management and precisely comparing the remuneration of national public employees with that in the private sector as a third-party organization other than labor or management parties. Implementation of the recommendation and ensuring of appropriate treatment are helpful to secure human resources and to stabilize labor-management relationships, serving as the foundation to maintain an efficient administrative management.

With regard to the reasons for the NPA making the recommendation based on the Principle of Balancing Working Conditions with Those in the Private Sector, national public employees are also workers who need to receive proper amounts of remuneration in compensation for their work. In the public service, however, there is no market control that acts as a constraint on remuneration decisions, differently from private companies. Due to that, it is deemed most rational to decide a remuneration level in the public sector in conformity with the level in the private sector, which is determined by labor-management negotiations reflecting the economy and employment conditions of the time.

(2) Remuneration Revisions Made to Bridge the Gap between the Public and Private Sector

A. Monthly wages

For the purpose of making the Remuneration Recommendation, the NPA conducts the “Fact-finding Survey of Remuneration of National Public Employees,” (hereinafter referred to as “Survey of National Public Employees”) and the “Fact-finding Survey of Job-by-job Pay Rates in Private Industry,” (hereinafter referred to as “Survey of Private Industry”) each year and precisely ascertains the salary level by comparing the remunerations for the month of April of the employees in both the public and private sectors with the same main remuneration determinants. The NPA conducts the “Survey of Private Industry” targeting offices with 50 or more employees on an enterprise scale basis and on an office scale basis for the purpose of making comparisons with the remuneration of private company employees working at these offices.

The remuneration level is generally determined based on factors that include employees’ job category, position level, place of work, educational background and age. Therefore, it is appropriate to compare the remuneration level of national public employees and private company employees with the same remuneration determinants, instead of simply comparing average remuneration (comparison of employees in the same category and at the same position level).

Regarding the survey target, most of the private companies with 50 or more employees on an enterprise scale basis have position levels such as director-general of the department, division director and unit chief, in the

same manner as the public service, which makes it possible to compare their remuneration with that of public employees in the same category and at the same position level. In addition, with the number of offices currently subject to the survey, it is possible to conduct a detailed onsite survey and maintain survey accuracy. Due to these reasons, the current survey target is deemed appropriate.

Based on these ideas, the NPA conducted the “Survey of Private Industry” also in 2017 targeting private establishments across the country which have 50 or more employees on an enterprise scale basis and on an office scale basis for the purpose of understanding the actual status of remuneration of those working at such offices after the wage revision in spring. Furthermore, the NPA carried out the “Survey of National Public Employees”, which is a complete census on the remuneration payment situation of about 250,000 full-time public employees subject to the Remuneration Act.

Using the remuneration for Apr. 2017 obtained from these surveys, the NPA compared the remuneration of national public employees who are in charge of general administrative affairs in the public service (officials subject to the Salary Schedule for Administrative Service (I)(hereinafter referred to as “Admin(I)”), and that of administrative and technical employees in private companies, who are recognized as the counterpart in the private sector. The comparison was made focusing on the employees who share the same determinants, including position level, place of work, educational background and age. Then, the gap between the public and private sectors was calculated by using an accurate comparison (Laspeyres formula). The comparison found that monthly wage of national public employees was 631 yen (0.15%) lower than that of the private sector on average. Therefore, the NPA decided to raise the monthly remuneration of national public employees in order to keep balance with the private sector. To do this, it was decided to raise the level of salary, which is a basic element of remuneration, and to partially revise the payment rate of the headquarters (HQ) duty adjustment allowance, aiming at facilitating the comprehensive revision of the remuneration system.

B. Special remuneration (Bonus)

The special remuneration paid in private establishments during one year from Aug. 2016 through Jul. 2017 was equivalent to 4.42 months of monthly remuneration. Since the average annual payment months of end-of-term and diligence allowances for national public employees (4.30 months) was 0.12 months less than that of the bonus in the private sector, it was decided to increase the payment months by 0.1 months to 4.40 months.

C. Remuneration revision in 2017

(a) Salary schedule

It was decided to raise Admin (I), which is applied to employees in charge of general administrative affairs in public service, by 0.2% on average retroactively from Apr. 2017. The initial salary of employees appointed through the Examination for Comprehensive Service, General Service (University Graduate Level), and General Service (High school Graduate Level) was raised by 1,000 yen in consideration of the gap with the initial salary in the private sector. A similar degree of revision was also made targeting young employees. The salary for other

employees was basically increased by 400 yen respectively.

It was decided to revise other salary schedules based on a balance with Admin (I) and to keep the Salary Schedule for Designated Service unchanged responding to the raise of Grade 10 in Admin (I).

(b) HQ Duty Adjustment Allowance

Concerning the amount of the HQ duty adjustment allowance, it was decided to raise the amount retroactively from Apr. 2017 for the Unit Chief level and that for Officer level by 900 yen and 600 yen respectively from the amount equivalent to 5.5% and 3.5% of their monthly salary, which is the basis for this allowance.

(c) Initial Salary Adjustment Allowance

Taking into account the revision of the Salary Schedule for Medical Service (I), it was decided to make necessary revisions aiming at securing treatment for medical doctors.

(d) Special Remuneration (Bonus)

Since the average annual payment months of end-of-term and diligence allowances for national public employees was 0.12 months less than that of the bonus in the private sector as stated above, it was decided to increase the payment months by 0.1 months. With regard to distribution of the increased amount between end-of-term and diligence allowances, the increase was allocated to the diligence allowance in light of the payment of special remuneration in the private sector with the aim of promoting remuneration commensurate with work performance.

(3) Comprehensive Review on the Remuneration System

A. Comprehensive Review on the Remuneration System

In order to review the remuneration distributions among regions, generations, duties and work performance to deal with various issues concerning the remuneration of national public employees, since Apr. 2015, a full-scale comprehensive review on the remuneration system has been underway based on the Act Concerning the 2014 Revision of the Remuneration Act. This comprehensive review, scheduled to be completed on Apr. 1, 2018, has been carried out to lower the salary schedule level while implementing a step-wise revision of various allowances using the fund generated from lowering the level.

Moreover, in accordance with this law, it was decided to abolish the measure for 1.5% cut in the remunerations of the employees aged 55 and above (equivalent to Grade 6 of the Admin(I)) on Mar. 31, 2018.

For FY2018, the NPA has decided to take required actions regarding the following measures in the light of the incumbency of employees.

(a) HQ Duty Adjustment Allowance

Regarding the HQ duty adjustment allowance for the Unit Chief level and that for Officer level, it was decided to raise the amount equivalent to 6% and 4% respectively of their monthly salary beginning Apr. 1, 2018.

(b) Implementation of measures to recover from curbed pay step increase (Revision of the Remuneration Act in accordance with the 2017 remuneration recommendation)

To cope with lowered salary schedule level as part of the comprehensive review of the remuneration system, the transitional measure was taken only for three years through Mar. 31, 2018 to mitigate a rapid change in consideration of the impact on employees' lives. In order to secure the fund required to implement this measure starting in Apr. 2015, one pay step was reduced from the number of pay step increase in Jan. 1, 2015.

With the revision stated earlier in (a), all the originally planned measures have been taken. Therefore, it was decided to recover pay step increase mainly of young employees, which was curbed in Jan. 1, 2015, using the remaining fund generated as a result of abolishing this transitional measure.

Concretely, one rank higher pay step was allocated in Apr. 1, 2018 to employees younger than 37 years old as of the said date taking into account the situation of curbed pay step increase.

B. Remuneration of part-time employees

In relation to remuneration of part-time employees, the NPA issued the guidelines for remuneration of part-time employees in Aug. 2008 to improve their treatment. The Cabinet Office and each ministry are carrying out the operation in accordance with the guideline by and large.

In Jul. 2017, the NPA revised the guideline for remuneration of part-time employees by adding a provision that stipulates ministries should make efforts to pay remuneration equivalent to the diligence allowance with a view to securing balance with the remuneration of full-time employees.

2. Treatment of the Remuneration Recommendation

(1) Treatment of the Remuneration Recommendation

The Government held the Cabinet Meeting Related to Remuneration on Aug. 15 and Nov. 17, 2017 to discuss how to respond to the NPA Remuneration Recommendation. According to the Cabinet Decision made on Nov. 17, 2017, the remuneration revision would be conducted in accordance with the NPA Recommendation, and the comprehensive review on the remuneration system would be completed. Moreover, on the same day, the Cabinet adopted the "Bill for the Partial Revision of the Act on Remuneration of Officials in the Regular Service, etc.," and submitted it to the 195th session of the Diet. After the deliberations at the Cabinet Committee of the House of Representatives and the Cabinet Committee of the House of Councilors, the bill was approved and enacted at the plenary session of the House of Councilors on Dec. 8, 2017, and promulgated on Dec. 15, 2017. Regarding the Partial Revision Act, the remuneration revision based on the gap with the remuneration in the private sector, excluding the revision of the end-of-term and diligence allowances in FY2018 and onward, was enforced on the same day and retrospectively applied from Apr. 1, 2017. The revisions of the end-of-term and diligence allowances and the measures to recover from curbed pay step increase have been enforced since Apr. 1, 2018.

(2) Revision of the rules

The rules related to the remuneration revision on the gap with the remuneration in the private sector, excluding rules of the diligence allowances in FY2018 and onward, were promulgated and enforced on Dec. 15, 2017, in conjunction with the promulgation of the Partial Revision Act. The provisions of the rules after the revision were retrospectively applied from Apr. 1, 2017.

Meanwhile, the rules related to the comprehensive review on the remuneration system and the rules of the diligence allowances in FY2018 and onward were promulgated on Feb. 1, 2018, and have been enforced since Apr. 1, 2018.

3. Utilization of Abilities and Experiences of Elderly Employees

(1) Consideration on Raising of Mandatory Retirement Age

(a) Actions taken until FY2016

With the current mandatory retirement age of 60, pension will not be paid for a certain period of time after retirement due to step-wise raising of the starting age for public pension payment since FY2013 from 60 to 65. The connection between employment and pension has become an issue both in the public and private sectors. Under such circumstances, it has become mandatory for private companies to secure employment until 65.

The NPA conducted a study, for instance, through setting up a study group of intellectuals in 2007 and concluded that it is deemed appropriate to raise the mandatory retirement age to secure the consistency and continuity of human resources management from recruitment to retirement; and to allocate personnel in accordance with the morale and abilities of each employee. On Sep. 30, 2011, the NPA submitted the “Opinion on the Revision of the National Public Service Act, etc., to Gradually Raise the Mandatory Retirement Age to 65” to the Diet and the Cabinet.

In March 2013, the government made a Cabinet Decision on “Connection between Employment and Pension of National Public Employees” to basically reappoint retired employees who wish to be reappointed to the government posts until they reach the starting age of the pension payment. The cabinet decision also stipulated that the government would reexamine the connection between employment and pension, including stepwise raising of mandatory retirement age, taking into account the opinions submitted by the NPA each time when stepwise increase of the starting age for pension payment takes place. Moreover, to cope with the revision of the pension eligibility age to 62 in FY2016, it was decided to continue reappointment of mandatorily retired employees, which is still underway.

Meanwhile, the NPA has stated the necessity of raising the mandatory retirement age when making a report at the time of recommendation each year since 2012 with a view to further utilize abilities and experiences of elderly employees.

(b) Actions taken in FY2017

In 2017, the “Basic Policy for Economic and Fiscal Management 2017” (Cabinet Decision on Jun. 9) was

approved, and it was decided to “carry out a concrete study on raising of mandatory retirement age.” In response to this cabinet decision, the “Study Group on Raising of Public Employees’ Mandatory Retirement Age” (chaired by the Assistant Chief Cabinet Secretary (internal affairs)) comprising Director-General-level officials of related administrative organs (Cabinet Secretariat; Cabinet Bureau of Personnel Affairs ; Local Public Service Personnel Department, Local Administration Bureau of the Ministry of Internal Affairs and Communications; Budget Bureau of the Ministry of Finance; Employment Development Department, Employment Security Bureau of the Ministry of Health, Labour and Welfare; Bureau of Personnel and Education of the Ministry of Defense; and Remuneration Bureau, Secretariat of the National Personnel Authority as an observer). This study group conducted a study in consideration of an opinion submitted by the NPA in 2011. The study group compiled the “Summary of the Issues Based on the Already-Conducted Study” containing the basic understanding and the main points for study on raising of the mandatory retirement age, which recognized appropriateness of conducting a study toward raising the mandatory retirement age to 65. The summary was reported to and approved by the “Cabinet Meeting Concerning Raising of Mandatory Retirement Age of Public Employees” on Feb. 16, 2018. Responding to this, the Prime Minister requested on the same day to the NPA’s President for a study to be carried out on raising the mandatory retirement age of national public employees.

Amid a shrinking young working population, it has become essential to fully utilize the abilities and experiences of elderly employees as an important workforce. Given this background, the NPA presented the view, when making a report at the time of recommendation in Aug. 2017, that it would be appropriate to raise the mandatory retirement age, as stated in the opinion submitted in 2011, to cope with this situation. Based on this idea, the NPA also expressed the idea that efforts should be made to perform a necessary study, such as summarizing the issues, on the revision of personnel management systems related to raising of the mandatory retirement age in consideration of the changes taking place since 2011, through listening to the opinions of the Cabinet Office and each ministry as well as the employee organizations in collaboration with related parties.

The NPA intends to carry out a study based on the points summarized and the request on study made by the government in Feb. 2018.

(2) Revision of the Retirement Allowance Level

(a) Result of the survey on retirement allowance and the NPA’s views

In Aug. 2016, the Prime Minister and the Minister of Finance taking charge of the retirement allowance system of national public employees made request to the President of the NPA to conduct a fact-finding survey on the retirement allowance system of private companies and to express the NPA’s views. As an agency specializing in employees’ remuneration, the NPA conducted the surveys on the retirement allowance system of private companies and the amount of retirement allowance paid to former full-time employees who had retired in FY2015 after working over 20 years (retirement lump-sum grants and corporate pension (contributed by employers)). On Apr. 19, 2017, the NPA provided the Prime Minister and the Minister of Finance with the result of comparison of the retirement allowance level of the public and private sectors showing that the retirement allowance of public

employees (retirement allowance and the mutual aid pension payment (contributed by employers)) was 781,000 yen (3.08%) larger than that of private company employees (25,377,000 yen in the public sector and 24,596,000 yen in the private sector). In addition, based on this result, the NPA expressed the view that it would appropriate to revise the level of retirement allowance of national public employees with the aim of keeping balance between the public and private sectors.

(b) Enactment of the Act for the Partial Revision of the National Public Service Retirement Allowance Act, etc.

Taking into account the result of the NPA's views concerning the survey to compare retirement allowances between the public and private sectors, the government decided at the cabinet meeting on Nov. 17, 2017 to lower the payment level of retirement allowance of national public employees beginning Jan. 1, 2018 through revising the adjustment rate, which was established to keep balance between the public and private sectors. On the same day, the government submitted the "the Bill for the Partial Revision of the National Public Service Retirement Allowance Act, etc." to the 195th session of the Diet. The bill was approved/enacted on Dec. 8 and promulgated on Dec. 15, 2017 (Act No. 79 of 2017).

Chapter 2. Reform of Working Styles and Improvement of Working Environments

- In the report presented to the Diet and the Cabinet on Aug. 8, 2017, the NPA referred to the necessity of strengthening management at workplace, for instance through enforcing prior confirmation of planned overtime work; and of reducing as well as streamlining duties under the leadership of the top of the Cabinet Office and the ministries in order to redress working long hours in the public service. The report also stated that the NPA would consider effective measures for the systems to redress working long hours through reflecting the discussion on the labor legislation for private sector employees about the regulatory limit of overtime work and through listening to the opinions of the Cabinet Office, each ministry and employee organizations. Then, the NPA urged the Cabinet Office and each ministry to implement the measure more actively taking the opportunities such as administrative vice-minister-level liaison conference concerning "Yu Katsu (Reform of Lifestyle in Summer), which took place on Oct. 27, 2017.
- The report, which was submitted to the Diet and the Cabinet on Aug. 8, 2017, stated that the NPA would carry out a study on congratulation/condolence leaves for part-time employees taking into account the discussion to realize equal pay for equal work in the private sector.
- Concerning the work-life balance support systems, the NPA developed the "Guidelines Concerning the Use of the Supportive Systems for Balancing Work and Childcare/Nursing Care" clearly indicating the basic ideas common in systems and the roles that should be played by the bureaus/departments and the managers in charge of personnel management; and notified the Cabinet Office and each ministry.