

Chapter 1. Ensuring Proper Remuneration for Public Employees

- On Aug. 10, 2018, 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.
- On Nov. 6, 2018, the government made a cabinet decision to carry out a remuneration revision in accordance with the NPA Recommendation. The “Act on the Partial Revision of the Act concerning the Remuneration of Regular Service Employees” (hereinafter referred to as the “Act on the Revision of the Remuneration Act”) (Act No. 82 of 2018) was enacted on Nov. 28, 2018 and promulgated as well as enforced on Nov 30, 2018. (The revision of the end-of-term and diligence allowances in FY2019 and onward were enforced on Apr. 1, 2019.)
- On Aug. 10, 2018, the NPA submitted the opinions to the Diet and the Cabinet to gradually raise the mandatory retirement age to 65; at the same time to take the measures to maintain the vitality of organizations, such as the introduction of a fixed-age step-down system from certain managerial posts for the time being; and to set the annual remuneration of the employees over 60 years old to 70% of the remuneration they earned before they were 60. These opinions are based on the idea that it is essential to make full use of the abilities and experiences of elderly employees for the purpose of responding appropriately to increasingly complex and sophisticated administrative issues and maintaining high-quality administrative services in a society facing a rapid decrease in the number of children and the aging of society.

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. 10, 2018.

(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 as per convention 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 the 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, as opposed to 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 Apr. 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 the 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 that of private company employees with the same remuneration determinants, instead of simply comparing average remuneration (on the comparison of same category and same rank).

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 on the comparison of same category and same rank. 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 2018 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. 2018 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 the monthly wage of national public employees was 655 yen (0.16%) 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.

B. Special remuneration (Bonus)

The special remuneration paid in private establishments during one year from Aug. 2017 through Jul. 2018 was equivalent to 4.46 months of monthly remuneration. Since the average annual payment months of end-of-term and diligence allowances for national public employees (4.40 months) was 0.06 months less than that of the bonus in the private sector, it was decided to increase the payment months by 0.05 months to 4.45 months.

C. Remuneration revision in 2018

(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. 2018. The initial salary of employees appointed through the Comprehensive Service Exam (University Graduate Level), the General Service Exam (University Graduate Level), and the General Service Exam (High school Graduates) was raised by 1,500 yen in consideration of the gap with the initial salary in the private sector. A revision was also made by approximately 1,000 yen targeting young employees. The salary for other employees including reappointed employees was basically increased by 400 yen respectively.

It was decided to revise other salary schedules based on a balance with Admin (I). Regarding the Salary Schedule for Designated Service, though it was below the executive compensation of private sector which we refer to, it was decided to keep the Salary Schedule unchanged responding to the raise of Grade 10 (400 yen) in Admin (I).

(b) 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.

(c) Special Remuneration (Bonus)

Since the average annual payment months of end-of-term and diligence allowances for national public employees was 0.06 months less than that of the bonus in the private sector as stated above, it was decided to increase the payment months by 0.05 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. In addition, it was decided to distribute the end-of-term allowance in the Jun. and Dec. periods equally from FY2019 onwards.

(d) Day/night watch duty allowance

It was decided to make required revision based on the remuneration status of the employees subject to day/night watch duty allowance.

2. Treatment of the Remuneration Recommendation

(1) Treatment of the Remuneration Recommendation

The Government held the Cabinet Meeting Related to Remuneration on Aug. 10 and Nov. 6, 2018 to discuss how to respond to the NPA Remuneration Recommendation. According to the Cabinet Decision made on Nov. 6, 2018, the remuneration revision would be conducted in accordance with the NPA Recommendation. Moreover, on the same day, the Cabinet adopted the “Bill for the Act on the Revision of the Remuneration Act”; and submitted it to the 197th 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 Nov. 28, 2018, and the “Act on the Revision of the Remuneration Act” (Act No. 82 of 2018) was promulgated on Nov. 30, 2018. The said Act, excluding the revision of the end-of-term and diligence allowances in FY2019 and onward, was enforced on the same day and retrospectively applied from Apr. 1, 2018. The revisions of the end-of-term and diligence allowances have been enforced since Apr. 1, 2019.

(2) Revision of the rules

The rules related to the remuneration revision based on the Act on the revision of the Remuneration Act, excluding rules of the diligence allowances in FY2019 and onward, were enforced on Nov. 30, 2018, in conjunction with the promulgation of the Act on the revision of the Remuneration Act. The provisions of the rules after the revision were retrospectively applied from Apr. 1, 2018.

Meanwhile, the rules of the diligence allowances in FY2019 and onward have been enforced since Apr. 1, 2019.

3. 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

(1) Background behind the Submission of the Opinion

The NPA examined the ideal status for employment of elderly employees in the public service due to the facts that the Act Concerning the Stabilization of the Employment of the Elderly, etc. made it mandatory for private companies to take the measure to secure employment up to 65; and that the Basic Act on the National Civil Service Reform stipulated the requirement to consider the stepwise increase of the mandatory retirement age of the employees to 65. As a result, the NPA submitted the opinion on Sep. 30, 2011 to the Diet and the Cabinet stating that it should be appropriate to gradually raise the mandatory retirement age to 65. In Mar. 2013, the government decided at a Cabinet meeting to reappoint applicants to government positions requiring full-time service until their starting age of pension payment in principle for the time being; and to reconsider the state of connection between employment and pension, including the gradual raising of the retirement age, at each time of the gradual increase of the pension payment starting age.

After that, the government stated in the “Basic Policy on Economic and Fiscal Management and Reform 2017” (Cabinet Decision on Jun. 9, 2017) that “Concrete consideration will be given to raising the mandatory retirement age of national public employees.” In response to this, a study group was established comprising the related administrative organizations and conducted a study taking into account the opinion submitted by the NPA in 2011. As a result of the study, the “Summary of the Issues Based on the Already-Conducted Study” was compiled. The summary sorted out the points in raising the mandatory retirement age stating that it would be appropriate to consider stepwise increase of the mandatory retirement up to 65. The content of the Summary was approved by the “Cabinet Meeting Related to the Raising of the Public Employees’ Mandatory Retirement Age” and was reported to the ministerial round-table conference on Feb. 16, 2018. On the same day, the Prime Minister requested the President of the NPA to consider raising the mandatory retirement age of national public employees based on the Summary compiled by the government. Moreover, the government stated in the “Basic Policy on Economic and Fiscal Management and Reform 2018” (Cabinet Decision on Jun. 15, 2018) that “Considering a longer average life and the progression of the decreasing birth rate and aging population, consideration will be given to raising the mandatory retirement age of public employees to 65 step by step, to properly respond to the administrative issues that become more complicated and sophisticated.”

As a result of hearing and examining the opinions of the Cabinet Office and each ministry as well as the employee organizations, the NPA submitted the opinion on Aug. 10, 2018 to the Diet and the Cabinet on the necessity of raising the mandatory retirement age and the concrete measures to achieve this.

(2) Contents of the Opinion by the NPA

Below are the main contents of the opinion submitted by the NPA.

A. Necessity of raising the mandatory retirement age

With the rapid progression of decreasing birthrate and aging population, the young working population continues to decrease in Japan. Therefore, the creation of a place where elderly people with motivation and the ability to work can play active roles has become an important issue for society as a whole.

Under such circumstances, many private companies have offered a re-employment system while a certain number of companies have raised the mandatory retirement age to address these issues. In addition, most of reappointed employees are working on a full-time basis. In the public service, on the other hand, the number of reappointed employees has been increasing significantly in recent years partly because reemployment has been made obligatory. Looking at the reappointed employees subject to Admin (I), about 70% of them take Unit Chief or Senior Officer level positions, and approximately 80% of them are short-time work employees due to the serious situation surrounding the ceiling of the total number of officials.

In the public service, the transfer of skills and know-how from elderly employees to young and middle-level employees has become a challenging issue. Most of the elderly employees, however, are reappointed as short-time work employees at lower government posts, and their abilities and experiences are not fully utilized. Therefore, there is a concern over lower efficiency in the public service due to employees' declining morale if the share of the reappointed employees continues to increase further. Meanwhile, employees may have a growing anxiety about their lives due to insufficient income after retirement attributable to the extending non-pension period.

It is essential to make full use of the abilities and experiences of employees over 60 in the same manner as it was in the period when they were younger than 60 in order to properly respond to increasingly complicated and sophisticated administrative issues and to maintain high-quality administrative services. For this end, it is necessary to gradually raise the mandatory retirement age to 65. This will help to secure the consistency and continuity of personnel management from recruitment to retirement and will also ensure the connection between employment and pension.

B. Concrete measures concerning raising the mandatory retirement age

(a) Review on the mandatory retirement system

No employee will be mandatorily retired in the year when the retirement age is raised. Thus, the number of new recruits in the following fiscal year will see a significant decrease if the ceiling of the total number of officials is fixed. This will adversely affect the personnel structure by age group of the Cabinet Office and each ministry. Therefore, it is appropriate to gradually raise the mandatory retirement age. Furthermore, it is necessary to revise the personnel management and personnel plan, which are based on the current retirement age; and to review the lifestyle of each employee when raising the mandatory retirement age. Accordingly, it is appropriate to secure a certain preparation period before extending the retirement age.

The mandatory retirement age will be gradually raised up to 65. Additionally, in the cases where it is not appropriate to set the mandatory retirement age to 65 due to the special nature of duties and responsibilities, the retirement age of such employees should be separately set and gradually increased up to a ceiling of 70. These measures need to be implemented promptly.

During the period of stepwise raising of the mandatory retirement age, the current system of reappointment after the mandatory retirement should be maintained as a provisional measure with the aim of securing employment until the age of 65 when the pension will be fully paid. At the same time, a system should be established to enable the personnel authorities to hear intentions from employees in advance regarding their work style after the age of 60.

(b) Introduction of the fixed-age step-down system from certain managerial posts

If the managerial or supervisory personnel at age of 60 continue to hold such positions, it will slow the pace of promotion of young and mid-level employees and delay the timing they can take the posts that are required for their development. If these employees lower their motivation under such circumstances, the efficiency of the public service as a whole may be adversely affected. Given this background, the system for fixed-age retirement from certain managerial posts should be launched, for the time being, targeting managerial or supervisory personnel at HQ or Local Branch Bureaus and Departments (basically the government posts subject to the Designated Service Salary Schedule or managerial allowance) for the purpose of securing the turnover of the organization and maintaining its vitality.

When the employees subject to the system for fixed-age retirement from certain managerial posts reach the target age of this system (60 in principle), they should be demoted or transferred (appointment change) to the posts excluding those subject to this system, such as assistant directors or specialized staff. However, appointers should be able to exceptionally allow the employees concerned to continuously engage in the same duties; or to demote or to transfer them to other posts subject to the fixed-age step-down system from certain managerial posts (special appointment). Either of these are possible in the cases where there is a sufficient reason that appointment change will pose serious problems to the operation of the public service in consideration of special natures of the duties of the employees who have reached the target age of the fixed-age step-down system from certain managerial posts and difficulties in filling the vacant positions.

(c) Introduction of the short-time work system for reappointment before the mandatory retirement age

When it comes to the employees aged 60 and above, there will be a growing need for their diverse work styles because of their health or life plans. Thus, a short-time work system for reappointment before the mandatory retirement age should be launched to allow the employees to work as short-time workers based on their requests. This system will also contribute to maintaining the vitality of the organization by securing room for recruitment of new employees and promotion of young and mid-level employees.

(d) Remuneration of the employees aged 60 and above

Remunerations of national public employees are changed to bring them into accord with general conditions of the society. According to the “Basic Survey on Wage Structure” released by the Ministry of Health, Labour and Welfare, the annual remuneration of “supervisory, clerical and technical employees” in their early 60s (full-time/regular employees), who are similar to the full-time employees subject to Admin (I), is 68.8% of that of the employees in their late 50s of companies with 10 employees or more and 70.1% of that of companies with 100 employees or more (average figures of 2015, 2016 and 2017). Moreover, according to the “Survey of Private Industry” conducted by the NPA, the annual remuneration level of the employees aged 60 and above of the offices, which reduce employees’ remuneration when they reach 60, among those that have raised the mandatory retirement age to 61 or above (including the offices that have abolished the mandatory retirement system) is about 70% of that they received before they reached 60 (75.2% for directors and 72.7% for non-managerial personnel) .

Given these circumstances, it is appropriate to set the annual remuneration of employees aged 60 and above to 70% of the remuneration they received before the age of 60. Specifically, the monthly remuneration of the employees older than 60 should be set, for the time being, to the amount equivalent to 70% of the remuneration they earned before the age of 60. Meanwhile various allowances, which are related to the monthly remuneration level should be basically set to the amount equivalent to 70% of the allowances they received before 60. In addition, the employees over 60, excluding those whose work performance is extremely excellent, should not receive pay step increase in the same manner with the current employees over 55.

Furthermore, that the annual remuneration level of the employees whose appointment status was changed due to the fixed-age step-down system from certain managerial posts may become around 50 to 60% of that before their appointment status was changed because the managerial allowance is no longer paid to them.

According to the aforementioned “Survey of Private Industry”, many of the offices with the mandatory retirement age over 60 did not lower the remuneration because of the reason that employees have reached a certain age. Furthermore, it is desirable that the remuneration level around the age of 60 is maintained if employees continue to be in charge of the same duty even after 60. Many private companies, however, use the re-appointment system which lowers the remuneration level. Additionally, as long as the mandatory retirement age of 60 is in operation, it is not appropriate to immediately change the current remuneration curve, which was designed by reference to the private sector. Given these reasons, the reduction of the remuneration level of employees over 60 should be positioned as a tentative measure. A study will be continuously conducted concerning the ideal status, including the remuneration curve before 60, in the light of the remuneration trend in the private sector.

(e) Necessary revisions to be made in the future

With regard to the personnel management systems related to the raising of the mandatory retirement age, it is appropriate to keep examining the actual operation of the new mandatory retirement system and to consider making revisions that are necessary to secure smooth personnel management, even while the raising is being carried out in stages, taking into account the operation of the fixed-age step-down system from certain managerial

posts as well as the status of thorough personnel management based on abilities and performance.

Moreover, concerning the related remuneration system, necessary revisions will be examined in consideration of the mandatory retirement system in the private sector and remunerations of the elderly employees in addition to the impact that the changes in employees' personnel structure will bring about to personnel management of the Cabinet Office and each ministry.

C. Initiatives related to raising of the mandatory retirement age

(a) Thorough personnel management based on abilities and performance

While gradually raising the mandatory retirement age to 65, it is necessary to review the entire management system of personnel including young and mid-level employees, for instance through ensuring personnel management based on abilities and performance throughout the tenure of the employees, in order to maintain the vitality of the organizations and to keep high quality of administrative services. The NPA will also conduct a review as needed.

In addition, with regard to the employees whose work performance is not satisfactory or who lack aptitude, it is necessary to ensure appropriate operation of personnel evaluation so that actions to change their status are strictly carried out in a timely manner. The NPA will also conduct necessary reviews concerning status change in addition to supporting the Cabinet Office and each ministry through informing them of the preparation of the procedures related to actions to change status.

(b) The measures the entire public service should take to facilitate the raising of the mandatory retirement age

The initiatives that need to be reviewed include: further provision of the duties to which the employees aged 60 and above can fully utilize their abilities and experiences after making efforts to establish the double-track career path; the measures related to the ceiling of the total number of officials enabling the recruitment of new employees on a necessary scale in a continuous and planned manner even during the period of raising the mandatory retirement age; the measures related to retirement allowance, such as offering incentives for employees' early retirement; and the measures to utilize the abilities and experiences of elderly employees even outside the public service.

(3) Handling of the Submission of Opinion by the NPA

The government is conducting a study on the raising of the mandatory retirement age taking into account the opinion submitted by the NPA. The NPA will continue to provide necessary cooperation to the government for its study.