

## Outline of the 2006 NPA Remuneration Recommendation

### ○ Points of the 2006 Remuneration Recommendation:

No revision of monthly salary and bonus this year.

① The NPA concluded not to recommend revision of monthly basic salary since the Remuneration Differential between the public sector and the private sector turned out very small. (0.00%)

② The NPA also concluded not to recommend revision of End-of-term and Diligence Allowance ( “bonus” ) payment level since it is almost in balance with that of the private sectors.

③ The NPA has revised the method of Comparison of Remuneration between the public and the private sector such as the scale criteria of private enterprises to be compared with the national public sector.

④ The NPA has been carrying out the Reform of Remuneration Structure steadily and continuously.

— Establishment of Wide-area Transfer Allowance, and the shift of Managerial Allowance payment to Fixed Amount, etc.

## I .Basic Concept of the Remuneration Recommendation

### 〈Significance and Function of the Remuneration Recommendation〉

The NPA Remuneration Recommendation functions to ensure appropriate remuneration for national public employees as a compensatory measure for restrictions of fundamental labor rights. It contributes to stabilize the labor-management relations, and provides the basis for maintaining efficient administration.

### 〈Principle of Following the Private Sector〉

Since it is difficult to determine national public employees remuneration levels by market mechanisms, the most reasonable way of the determination is following the private sectors' remuneration rates which are determined by labor-management negotiations and reflect the current economic and employment situations.

## II .Remuneration Revision based on Remuneration Differential between the Public sector and the Private sector

### 1. Revision of the method of Remuneration Comparison between the Public and the

## Private

Revision of the method of Monthly Remuneration Comparison between the public sector and the private sector

### ① Scale of Private Enterprises to be compared

The NPA has modified the scale criteria of private enterprises to be compared with the national public sector:

- Replacing the former criterion of “not less than one hundred employees” with “not less than fifty employees”.
- Establishing post level correspondence criteria for the private enterprises with not less than fifty and less than one hundred.

### ② Employees to be compared

- Modifying the criteria of managerial line positions of private enterprises
- Extending the scope of comparable employees of private enterprises: Including staff employees who are considered to be in the same level as the comparable managerial line positions according to the revised criteria

### ③ Reorganizing correspondence of comparative elements

- Reorganizing correspondence of comparative elements attended with the establishment and integration of Grades of Duties in salary schedules, carried out through the Reform of Remuneration Structure

## 2. Remuneration Comparison between the Public sector and the private sector

A field survey was conducted on approximately 430,000 individual remunerations of about 10,200 private enterprise establishments. (The Survey completion rate is 89.1%)

〈Monthly Remuneration〉

The NPA surveyed actual remuneration paid for April 2006 in the national public sector and private sector, and compared the equivalent groups of data which hold the same major remuneration-determining factors such as post level, age, educational background, and area of service.

○ Remuneration Differential between the Public sector and the Private sector: 18 yen 0.00%

[Administrative Service( I ) Employees average monthly remuneration: 381,212 yen,

Average age: 40.4 years old]

\* The Remuneration Differential between the public sector and the private sector turned out very small, and allowance payment levels of national public employees are almost in balance with those of private employees, it is difficult to carry out appropriate revisions of salary schedules. In view of such situations, the NPA concluded not to recommend revision of monthly basic salary this year.

〈Bonus〉

The NPA surveyed actual bonus payments (payment rates) in private sectors, which were paid from August 2005 till July 2006. Using the modified scale criteria of comparative private enterprises, the NPA compared the actual bonus payment rates of private sector with the average annual payment rate of End-of-term and Diligence Allowance, which is provided as a multiplier to a monthly remuneration.

○ Private Sectors Payment Rate: almost in balance with the average annual payment rate of End-of-term and Diligence Allowance in the national public sector (4.45 times as much as a monthly remuneration)

〈Other issues〉

(1) Revision of Hardship Duty Allowance

To carry out required revisions of Hardship Duty Allowance, the NPA will continue further examination through an elaborate investigation into actual working situations of the duties for which Hardship Duty Allowance are paid.

(2) Remuneration levels of Incorporated Administrative Agencies, etc.

The NPA, as a specialized organization, has kept offering proper helps to Incorporated Administrative Agencies, etc. whenever they examine their remuneration levels or other related problems.

III. Reform of Remuneration Structure

The NPA declared the implementation of the Reform of Remuneration Structure in the Remuneration Recommendation last year. Thorough reform of the salary and allowance system will be carried out gradually from FY2006 till FY2010. It includes: the revisions of remuneration distribution structure among areas, the change of salary structure to the new one that accords with the duty and responsibility of each employee, and the improvement of performance reflection in remuneration, etc.

Matters to be carried out in FY 2007

(1) Revision of Area Allowance Pay Rate

The pay rates of Area Allowance shall be revised gradually by fiscal 2010. During the period from April 1, 2006, till March 31, 2007, the provisional pay rates shall be raised by 1%–3%, considering such matters as the number of employees working in each area.

(2) Establishment of Wide-Area Transfer Allowance

A new allowance for employees transferred to a far office shall be established, considering the fact that wage levels of private enterprises which carry out wide-area transfers of their employees are higher than those of average local private enterprises.

- Wide-Area Transfer Allowance shall be provided for employees transferred to a far office, in cases where they fulfill the following conditions: The distance between the previous office and the new office is not less than 60 km, and the distance between the previous residence and the new office is not less than 60 km.

- The amount of Wide-Area Transfer Allowance shall be calculated as such: Sum up monthly amount of Salary, Managerial Allowance and Family Allowance; Multiply the sum by 3% (2% in FY2007) in case the distance between the previous office and the new office is not less than 60km and less than 300km, or by 6% (4% in FY2007) in case the distance is not less than 300km. It shall be paid for three years from the date of transfer.

- The actual payment of Wide-Area Transfer Allowance shall be adjusted, in case Area Allowance, Research Activities Incentive Allowance or Allowance Equivalent to the Remote Area Allowance are paid at the same time.

- The amount of Wide-Area Transfer Allowance should be added to the basic amount to calculate allowances such as Overtime Allowance, End-of-term and Diligence Allowance, etc.

- Wide-Area Transfer Allowance shall be put into practice from April 1,2007.

(3) Shift of Managerial Allowance Payment to Fixed Amount

In order to improve the seniority-based remuneration system and to reflect the duty and responsibility of the managerial personnel more directly, the existing payment of Managerial Allowance by fixed rate shall be shifted to the payment by fixed amount determined by the salary schedule, grade of duty, and pay division. As for Managerial Allowance of third, fourth and fifth class divisions which are applied to managerial personnel of the regional office, the amounts of the allowance shall be improved and be

shifted to fixed amount.

(4) Reflection of Performance in Remuneration

As for the improved performance appraisal measures in the new Pay Step Increase System and Diligence Allowance System, arrangements shall be made to apply them to non-managerial personnel from FY2007.

(5) Examination of Specialized Staff Salary Schedule

Establishment of Specialized Staff Salary Schedule shall be examined continuously, in response to the concrete proposals of human resource management based on multiple career-path which are now under consideration by each Office and Ministry.

〈Other Reform〉

As for Family Allowance paid for dependent children, the amount of the allowance for the first child and second child is higher than those for the third or more child. Under the circumstances that the Government has been promoting counter-measures for the declining birth rate, it is necessary to correct the payment differential. Therefore, the amount of the allowance for the third or more child shall be raised by 1,000 yen per capita (5,000yen → 6,000 yen) from April 1, 2007. It shall be put into practice together with the Reform of Remuneration Structure.