

III. Securing Appropriate Remuneration for Public Employees

1. Report and Recommendation for FY 2006

(1) Points of the 2006 Remuneration Recommendation

On August 8, 2006, the NPA reported on the remuneration of regular service employees to the Diet and the Cabinet and submitted a Recommendation regarding the revision of the remuneration. The points of the 2006 Recommendation follow.

No Revision for Monthly Remuneration and Bonus

1. The NPA concluded not to recommend revision of the monthly remuneration because the differential in remuneration between the public and private sectors was very small (0.00%).

2. The NPA concluded not to recommend revision of the End-of-term and Diligence Allowance (“bonus”) because the payment rates were roughly at the same level as the private sector.
3. The NPA concluded to recommend a review of the method to compare remunerations between the public and private sectors, such as the scale of enterprises to be compared.
4. The NPA concluded to recommend systematic reforms of the remuneration structure, including establishment of the Wide-area Transfer Allowance and the shift of Managerial Allowance payment to fixed amounts.



NPA President Tani handing the NPA Recommendation to the then Prime Minister Koizumi (Photo courtesy of the Cabinet Public Relations Office)

On making these recommendations, as it does annually, the NPA carried out a survey to obtain detailed opinions from employee organizations and personnel authorities at the Cabinet Office and each Ministry. Furthermore, the NPA put forth much effort to gather as many of the people’s opinions as possible, by exchanging views with intellectuals, corporate managers, and members of the press in 42 cities throughout the country and conducting a commissioned questionnaire survey of “monitors on national public employees” (500 persons).

(2) Revision of Remuneration based on the Public-Private Remuneration Differential

In order to review the method of comparing remunerations between the public and private sectors, the NPA set up the “Study Group on the Method of Comparing Remunerations between the Public and Private Sectors,” comprised of people of experience and academic standing (Chairperson: Mr. Kazuyoshi Koshiro, emeritus

professor at Yokohama National University). The study group verified and reviewed the method of comparing remunerations between the public and private sectors from a professional, technical perspective and submitted a report in July 2006. Furthermore, the NPA set up the “Forum on Remuneration” comprised of intellectuals from various fields (Chairperson: Mr. Masaru Nishio, President of the Tokyo Institute for Municipal Research). The forum had seven discussions on roles of public services and public employees and ideal remuneration for public employees. Their opinions were summarized in July 2006.

Considering these reports and opinions, the NPA reviewed the public service remuneration carefully, collecting opinions from personnel authorities and employee organizations of the Cabinet Office and each Ministry. As a result, the NPA decided to revise the scale criteria of comparative private enterprises from “not less than one hundred employees” to “not less than fifty employees,” which would serve as basic data for the 2006 Recommendation. The NPA also revised the criteria of line positions to compare monthly remuneration of the two sectors. The NPA added staff employees for comparison and decided to review correspondence relationship in the comparison.

For the provision of the 2006 Remuneration Recommendations, the NPA conducted a survey of pay rates in the private sector after springtime wage revisions as it does every year. From this, it was learned that the number of establishments implementing across-the-board wage increases had increased from the previous year, and that the wage increase was larger than the previous year at more than half of the establishments implementing a regular pay raise.

In such a situation, the NPA reviewed the aforementioned method of comparing remunerations between the public and private sectors and compared monthly remuneration for April 2006 between the two sectors. As a result, the NPA found that the monthly remuneration in the public sector was 18 yen (0.00%) smaller than the private sector. The NPA concluded that it would be appropriate not to recommend revision of the monthly remuneration in the 2006 Recommendation, considering the following facts comprehensively.

A. The differential in remuneration between the public and private sectors was very small, smaller than 100 yen, which is the minimum unit of the monthly remuneration specified in the current salary schedule, so it was difficult to make an appropriate revision.

B. Allowances in the public sector were roughly at the same level as the private

sector and it was not necessary to revise allowances to balance such a very small differential.

In the 2004 Recommendation, also, the NPA did not recommended revision of remuneration although the monthly remuneration in the public sector was 39 yen (0.01%) lower than that in the private sector.

With regard to the special remuneration, the NPA did not recommended revision of the End-of-term and Diligence Allowance because the annual payment rates in the two sectors were roughly at the same level.

(3) Reform of the Remuneration Structure

In order to maintain the morale of public employees, promote efficient personnel management, and realize an appropriate remuneration system based on occupational duties, responsibilities and work performance, the NPA expressed its intention in its 2005 Recommendation to reform the remuneration system and the overall allowance systems. The reform emphasized a review of allocations between regions aimed to reflect local wage levels in the private sector more appropriately; reduction of seniority-based pay increase; a shift to the remuneration structure based on occupational duties and responsibilities, and promotion of the work performance-based remuneration system. In the recommendation, the NPA indicated concrete measures and a time schedule until completion of the overall reforms. The NPA also recommended measures to be implemented from FY 2006 onward.

The reform plan includes an average reduction of 4.8% in the salary schedule level to be implemented in a phased manner from FY 2006 with a transitional measure and, using the funds generated from the reduction as a resource, introduction of new systems and an increase in allowances to be implemented gradually from FY 2006 to FY 2010.

Specifically regarding the introduction of new allowances, preparations shall be promoted to (1) introduce the Area Allowance from FY 2006 to FY 2010 in a phased manner; (2) introduce the Wide-area Transfer Allowance in two phases from FY 2007; (3) implement the shift of Managerial Allowance payment to fixed amounts from FY 2007 with a transitional measure, and (4) introduce the Specialized Staff Salary Schedule and the Headquarters Allowance by FY 2010.

In addition, as a measure to reflect work performance in remuneration more appropriately, the new pay increase system was introduced in FY 2006 and work performance has been reflected in the Diligence Allowance more expansively since

FY 2006. In regard to the work performance criteria for pay increase and the Diligence Allowance, the NPA has just presented the criteria for excellent work performance and the criteria for poor work performance not reaching the standard level. Measures to improve the method of evaluating work performance have been implemented for managerial personnel since FY 2006 as the initial stage and to be implemented for other employees subsequently.

(Measures to be implemented in FY 2007)

The reform of the remuneration structure needs to be implemented systematically and steadily. The NPA decided to take necessary measures for the following matters in FY 2007, using the funds to be generated from the phased reduction in the salary schedule level as a resource.

A. Revision of the Area Allowance Pay Rate

The pay rates of the Area Allowance are provisionally specified by the rule based on the area classification to be applied until March 31, 2010. Considering incumbent situations at each area, the pay rates in Table 1 shall be applied between April 1, 2007, and March 31, 2008.

[Table 1] Area Allowance Pay Rates by Area Classification in FY 2007

Area (Pay rate)	Change in pay rate	Area Allowance pay rate in FY2007	Adjustment Allowance pay rate as of March 31,2006
1st grade Area (18%)	% 6	% 14	% 12
2nd grade Area (15%)	5 *	12 *	10 *
	12	7	3
	15	6	0
3rd grade area (12%)	2	12	10
	3	11	9
	6	8	6
	9	6	3
	12	4	0
4th grade area (10%)	0	10	10
	1	10	9
	4	8	6
	7	5	3
	10	4	0
5th grade area (6%)	0	6	6
	3	5	3
	6	2	0
6th grade area (3%)	0	3	3
	1	3	2
	3	2	0

- (Note) 1. “Change in pay rate” refers to the difference between the Area Allowance pay rate and the Adjustment Allowance pay rate as of March 31, 2006.
2. The rates with asterisk (*) in the 2nd grade area include changes and pay rates under special exceptions related to the Area Allowance for doctors, etc.

B. Introduction of the Wide-area Transfer Allowance

The national administrative bodies need to transfer a considerable number of personnel on a regional scale to ensure provision of fair administrative services and appropriate, responsible duty operations at each government office.

The wage level paid by private enterprises which transfer personnel on a regional scale (enterprises having branch offices in other prefectures) is higher than the average wage level in the private sector in the same region. However, the remuneration level paid for national public employees has been reduced in consideration of the lower wage levels in the private sector in several areas. Considering these situations, the NPA decided to introduce the Wide-area Transfer Allowance to adjust the remuneration level paid for national public employees transferred on a regional scale and facilitate such personnel transfer.

(A) Employees to Receive the Wide-area Transfer Allowance

Employees who were transferred to a different government office when both the distance between the offices before and after transfer and the distance from home before transfer to the office immediately after transfer are not less than 60 km (except when it is inappropriate to pay the allowance judging from conditions of transfer) are to receive the Wide-area Transfer Allowance.

The Wide-area Transfer Allowance will also be paid to employees when only the distance between the offices before and after transfer is not less than 60 km and to employees recruited from among national public employees who belong to special services, if payment of the allowance is deemed as necessary in consideration of the balance with employees who receive the allowance.

(B) Amount of the Wide-area Transfer Allowance (Pay Rates) and Period of Payment

The Wide-area Transfer Allowance shall be calculated by multiplying the monthly total of salary, Managerial Allowance, and Family Allowance by the following pay rates according to the distance between offices before and after transfer. The Wide-area Transfer Allowance shall be paid basically for three years after the date of transfer.

- (1) 60 km or more but less than 300 km: 3% (2% in FY 2007)
- (2) 300 km and above: 6% (4% in FY 2007)

(C) Adjustments with Other Allowances

When the Area Allowance is paid to employees who receive the Wide-area Transfer Allowance, the difference between the two allowances shall be paid as the Wide-area Transfer Allowance only when the amount of the Wide-area Transfer Allowance is larger than the amount of the Area Allowance. When the Research Activities Incentive Allowance or an allowance equivalent to the Remote Area Allowance is paid, necessary adjustments shall be made.

C. Shift of Managerial Allowance Payment to Fixed Amounts

With regard to the Managerial Allowance, the current seniority-based system shall be shifted to the fixed amount payment system determined by the salary schedule, grade of duty, and Managerial Allowance pay division, in consideration of the fixed managerial allowance in the private sector. This is aimed to reflect occupational duties and responsibilities of the managerial personnel clearly in the remuneration.

(A) Amount of the Managerial Allowance

The amount of the Managerial Allowance for employees, to whom the Salary Schedule for Administrative Service (I) is applied, is calculated by multiplying the monthly remuneration at the median pay step in the employee distribution as of April 1, 2006, of each duty grade by the rate equal to the pay rate by pay division of the Managerial Allowance. However, the Managerial Allowance of third, fourth and fifth class divisions, which are applied to managerial personnel of the regional offices, shall be fixed after setting a rate higher than the current managerial allowance pay rate, considering the Overtime Allowance paid by regional offices in the past (Table 2).

[Table 2] Pay Rate by Pay Division of the Managerial Allowance

Pay division	1st class	2nd class	3rd class	4th class	5th class	Assistant Director, etc. at the Cabinet and Ministries
Pay rate	25%	20%	17.5%	15%	12.5%	8%

The Managerial Allowance for employees, to whom a salary schedule other than the Salary Schedule for Administrative Service (I) is applied, shall be calculated based on the monthly remuneration at the pay step corresponding to the pay step in the Salary Schedule for Administrative Service (I) used for the calculation above, in consideration of the balance with the Salary Schedule for Administrative Service (I).

(B) Time of Enforcement

The Managerial Allowance payment shall be shifted to fixed amounts as of April 1, 2007. A transitional measure shall be applied to employees whose Managerial Allowance after the shift is smaller than the Managerial Allowance as of March 31, 2007. Regarding these employees, a certain percentage will be reduced from the Managerial Allowance from April 1, 2008.

D. Reflecting Work Performance in Remuneration

Measures to improve the method of evaluating work performance in the new pay step increase system and the Diligence Allowance System have been applied to managerial personnel since FY 2006 as the initial stage. Necessary preparations shall be made to apply these measures to other employees from FY 2007.

In the report on the 2005 Remuneration Recommendation, the NPA expressed its intention to take measures related to the review of grade increase from April 1, 2007. The NPA is now preparing for the implementation of these measures.

E. Consideration of the Specialized Staff Salary Schedule

Among various measures proposed as part of the reform of the remuneration structure, the NPA has considered establishing the Specialized Staff Salary Schedule, checking situations of consideration on the multiple-track personnel management by the Cabinet Office and each Ministry. The NPA will continue to consider the practical introduction of the salary schedule in cooperation with concerned government offices and Ministries, based on details of the multiple-track personnel management considered by the Cabinet Office and each Ministry and duties suitable for specialized staff.

F. Other Reforms (Paying the Same Family Allowance for All Children)

The current Family Allowances for a spouse and the first two children are almost at the same level as the private sector. However, the monthly allowance for the third

and subsequent children (5,000 yen) is lower than that for the first two children (6,000 yen) by 1,000 yen. The NPA decided to raise the monthly family allowance for the third and subsequent children by 1,000 yen to that for the first two children, considering the government's efforts to promote countermeasures to the falling birthrate. This shall be implemented from April 1, 2007, together with the reforms of the remuneration structure.

(4) Details of Remuneration Recommendation

Details of the revision recommended in the 2006 Remuneration Recommendation are as follows:

1. Shift of the Managerial Allowance Payment to Fixed Amounts

The current seniority-based Managerial Allowance system by fixed rate should be shifted to a fixed amount system to reflect occupational duties and responsibilities of the managerial personnel clearly in the remuneration.

2. Revision of the Family Allowance

In consideration of the government's efforts to promote countermeasures to the falling birthrate, the Family Allowance for the third and subsequent children should be raised (from 5,000 yen to 6,000 yen).

3. Introduction of the Wide-area Transfer Allowance

For the purpose of adjusting remuneration levels of public employees who are transferred on a regional scale, the Wide-area Transfer Allowance at the rate of 3% or 6% should be introduced according to the distance between the offices before and after transfer.

2. Treatment of the Remuneration Recommendation

The government held a ministerial meeting on the remuneration of public employees on August 8 and October 17, 2006, to discuss the 2006 Remuneration Recommendation. At the second meeting held on October 17, 2006, the policy to follow the recommendation was approved and complete implementation of the recommendation was decided at the cabinet meeting held on the same day.

The cabinet meeting also decided to request the NPA to further consider practical introduction of the Specialized Staff Salary Schedule as part of the reforms of the remuneration structure, in order to act in concert with the government's efforts to realize the multiple-track personnel management and improve the environment for such personnel management as soon as possible.

3. Amendment of the Remuneration Act, etc. based on Remuneration Recommendation

(1) Amendment of the Remuneration Act

The amendment of the Remuneration Act for the implementation of the Remuneration Recommendation was approved as the “Bill for the Partial Amendment of the Act on the Remuneration of Regular Service Employees” on October 27, 2006, and submitted to the 165th Diet the same day, based on the aforementioned Cabinet decision. After deliberations by the Committee on Internal Affairs and Communications of the House of Representatives and the Committee on General Affairs of the House of Councilors, the bill was passed in the House of Councilors plenary session held on November 10, 2006, and proclaimed on November 17, 2006 (Act No. 101).

This amendment took effect on April 1, 2007.

(2) Amendment of the NPA Rules

NPA Rules subject to the revisions of the Remuneration Act were published on December 15, 2006, and took effect on April 1, 2007 in line with the enforcement of the revised Act. The Rules on reflecting work performance to remuneration were proclaimed on November 29, 2006 and enforced on April 1, 2007.

Major revisions of rules are as follows:

A. Shift of Managerial Allowance Payment to Fixed Amounts

Part of Rule 9-17 (Managerial Allowance) was amended to shift the Managerial Allowance to fixed amounts determined by the salary schedule, grade of duty, and Managerial Allowance pay division and to introduce transitional measures for employees whose Managerial Allowance would be reduced as a result of the shift.

Additionally, part of Rule 9-93 (Special Holiday Work Allowance for Managerial Employees) was revised to amend the special holiday work allowance of third, fourth and fifth class divisions which were applied to managerial employees, in consideration of the balance with the revision as a result of a shift of the Managerial Allowance to fixed amounts.

B. Area Allowance

Part of Rule 9-49 (Area Allowance) was amended to raise the pay rates in association with the decision of the provisional pay rates to be applied between April 1, 2007, and March 31, 2008.

C. Introduction of the Wide-area Transfer Allowance

Rule 9-121 (Wide-area Transfer Allowance) was established to stipulate details of requirements for Wide-area Transfer Allowance payments, mandated by the Remuneration Act, in association with the introduction of the Wide-area Transfer Allowance.

D. Reflecting Work Performance in Remuneration

Part of Rule 9-8 (Criteria for the Initial Salary, Grade Increase, Pay Step Increases, etc.) was revised to expand the scope of employees subject to the measures to improve the method of evaluating work performance associated with pay increase and the Diligence Allowance, which have been implemented for managerial employees since FY 2006 as the initial stage, and to implement measures related to the review of grade increase.