

Outline of the Offer of Opinions by NPA regarding the reform of the Basic Act on the National Civil Service Reform, etc., to raise the compulsory retirement age to 65

- Based on the provision of the Basic Act on National Civil Service Reform, it is appropriate to gradually raise the compulsory retirement age to 65 starting from fiscal year 2013 and by 2025 in line with the raising of the age at which pension payments begin.
- In consideration of the actual situation of the employment of elderly employees in the private sector, annual remuneration for employees aged over 60 shall be set at 70% of that which they received at the age of 60.
- By thoroughly pursuing personnel management based on ability and performance and by introducing, as a temporary solution, a fixed-age step-down system for managerial positions, the vitality of organizations shall be maintained.
- By introducing a short-time work system and by regularly hearing from employees about their own work plans, etc., a variety of work styles for employees over the age of 60 shall be realized.

1. Background for Consideration

- Since the age from which people are entitled to receive public pension is to be gradually raised starting from FY 2013 from 60 years old to 65 years old, a certain period with no income shall be experienced if the current system of mandatory retirement at the age of 60 is maintained. Thus, making the linkage between employment and pensions is a commonly crucial task for both the public and the private sectors.
- The Act Concerning the Stabilization of the Employment of the Elderly, etc., has already required private enterprises to take measures to secure employment until the age of 65. (65 is the age from which full pension is awarded from 2013.)
- In the public sector too, Article 10 of the Basic Act on the National Civil Service Reform stipulates that a study shall be conducted concerning the stepwise raising of the retirement age up to 65 with consideration for the importance of the connection between employment and pensions.
- The NPA held a series of "Study Group Meetings on Senior Public Worker Employment Issues" since 2007 (headed by Prof. Atsushi Seike, President of Keio University). Based on the Group's final report compiled in July, 2009, the NPA has considered measures to review the system and its operation.

2. Necessities for the Stepwise Raising of the Mandatory Retirement Age

- Seeing the situation of reemployment in the private sector of those who reach the fixed retirement age of 60, many employees, mainly in non-managerial positions, continue indeed to be employed, most engaged in the same duties as before the age of 60.
- Regarding the reappointment system after retirement at the age of 60 in the public sector, employees are mainly involved in policy-making or the implementation of administrative affairs, etc. In this context, it is common for reappointed employees to be engaged in supplementary duties, as a short-time employee, unit chief/senior officer-level or equivalent positions that are lower than their level before the age of 60. From now on, whereas employees who wish to be reappointed are to substantially increase, the current reappointment system described above shall not be able to fully work as a mechanism for all applicants to be kept in employment until the age of 65.
- If counter-measures are taken to raise the mandatory retirement age, the connection between employment and pensions could be ensured, and the integration and continuity of personnel management from recruitment to retirement at the age of 65 could be secured. In addition, personnel placement and treatment in accordance with each employee's motivations and abilities could be conducted.
- Thus the mandatory retirement age shall be gradually raised by taking measures, in consideration of the actual situation in the private sector, to hold down the pay level of employees from the age of 60 as well as to secure the vitality of organizations. In taking the measures above, it would be appropriate to fully utilize employee abilities in the approach to the aged society while securing the efficiency of public duties.

3. Concrete Measures for the Stepwise Raising of the Mandatory Retirement Age

(1) The Stepwise Raising of the Mandatory Retirement Age

- Starting from the FY 2013, the mandatory retirement age shall be raised by one year every three years, finally to be set at the age of 65 in FY 2025.
- From 2013 until 2025, employment until the age of 65 shall be secured in connection with the utilization of the reappointment system, bridging the gap between interim retirement age and the start of receiving full pension.
- Various work styles shall be realized by having personnel sections conduct hearings of employees regarding their wishes on their own work-style after 60.

(2) The Design of the Remuneration System for Employees over 60 – Annual Remuneration Shall be Set at 70% of that Received at the Age of 60

- The remuneration of national public employees is stipulated to be revised in line with the general conditions of society. Also, salary grades are set according to duties and responsibilities, and salary levels are set with a certain range even in the same grade.

- In raising the mandatory retirement age, therefore, even if employees are engaged in the same duties after the age of 60 as before, remuneration for those over the age of 60 shall be set, while applying the same job grade, at a lower level than those just before the age of 60, considering the certain ranges in each job grade as well as the annual income level etc., of employees in the private sector in their early 60s. This new system is in line with the job grade-based remuneration system.

- Annual remuneration for employees aged over 60 shall be set at 70% of those just before the age of 60, from the following fiscal year once the employee becomes 60 year-old, considering the fact that annual incomes (including remuneration, retirement pension for active employees, and other basic social benefits for continuously employed elderly employees) of employees in the private sector (pursuing either management work, clerical work, or technical work in the manufacturing industry,) in their early 60 are about 70%* of those of employees in their late 50s .

* Firms with 100 or more employees: 5,350,000 yen vs. 7,870,000yen=68.0%

Firms with 10 or more employees: 5,090,000yen vs. 7,190,000yen=70.8%

- To be concrete, a certain level of monthly salary shall be secured (73% of that at the age of 60). Accordingly, the level of annual bonuses (end-of-term and diligence allowances) shall be reduced compared with that paid to employees before the age of 60 (equivalent of three-month salary per year).

- Employees over the age of 60 shall receive no step increase. Various allowances shall be basically paid as before.

- For employees in the Medical Service (I), etc., the current remuneration system shall be applied even at the age of 60 and after.

- Salaries for employees to whom special mandatory retirement ages over 60 are applied (labor service staff to whom Administrative Service (II) is applied, etc.), shall also be reduced. However, considering the fact that their salaries have never been reduced so far until reaching their own retirement age, certain transitional measures shall be implemented.

- If the mandatory retirement age is raised, total salary costs will be decreased under the assumption that the total number of employees, as well as the number of employees in each salary grade, is not increased.

(3) Measures to Maintain the Vitality of Organizations

① Introduction of a Fixed-age Step-down System for Certain Managerial Posts

- To avoid the aging of the managerial officials and maintain the vitality of organizations, a system for fixed-age retirement from certain managerial posts shall be introduced as a temporary measure until the time that personnel management based on abilities and performance has been thoroughly pursued. Under this system, a certain range of managerial officials, such as Directors-General of the Bureaus, Directors-General of the Departments,

Directors, of HQ, etc., shall be transferred to other non-managerial positions in the government when they reach the age of 60, i.e. the current mandatory retirement age.

- Managerial officials shall be moved to other positions by the first April 1 following the day when they reach the age of 60. Under special circumstances, officials may continue as exceptions in the same position.

- The level of monthly salaries of employees who are moved to other positions via this step-down system shall be reduced to 73% of that they received just before the transfer. However, the amount of salaries shall not exceed the highest pay step of the grade to which the employees belong after being transferred.

② Introduction of the Short-time Working System

As part of efforts to realize a variety of work styles for employees over 60, those who wish to work short-time shall be allowed to be transferred to short-time working positions. Consequently, opportunities for recruitment and promotion of young and middle level employee shall be secured.

③ Thorough Pursuit of Personnel Management Based on Ability and Performance and Career Support for Employees

- Personnel management based on ability and performance shall be thoroughly pursued, aiming for such marks as a proper grasp of the abilities and performance of each employee, a review on the personnel practice of frequent personnel transfer and replacement in a short period, and the abolition of the practice of promotion based on seniority etc. In addition, employee expertise shall be strengthened.

- It is necessary to take measures, by hearing from each employee at each stage of their career about his/her future career plans, to enhance opportunities for employees to develop their own abilities and to gain various experiences.

- In accordance with the situation of administrative duties in each ministry, a system to implement administrative affairs under which specialized staff could properly play a necessary role for policy-making shall be established.

Note: Regarding the policies above, various systems and practice of personnel management shall be reviewed whenever needed, in consideration of the actual implementation of systems, as well as trends in the private sector, during the period for the stepwise extension of the mandatory retirement age starting from FY 2013. Necessary consideration shall be taken for the fixed-age step-down system for certain managerial posts, in the light of the progress of personnel management review, etc.

4. Policies that the Whole Public Service Should Tackle in order to Smoothly Raise the

Mandatory Retirement Age

- From the perspective of utilizing the abilities and experience of each employee both in and out of the public service, it is necessary for the whole government to tackle and take necessary measures, such as the establishment of Specialized Staff positions, etc., the expansion of opportunities in (public-private) personnel exchanges, as well as measures regarding retirement allowances to promote voluntary early retirement, and provisional measures regarding the cap on the total fixed number of officials to enable stable new recruitment even during the period of the gradual raise of the mandatory retirement age.
- Regarding the raise of the mandatory retirement age for employees who engage in duties which their age-related declines in physical functions may affect, it is necessary to consider necessary conditions and measures based on the specialties of their duties.