GHQ/SCAP Records(RG 331)
Description of contents

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Classification & Compasation Branch - Year-end Allowances

(3) Date: Jan. 1949 - Nov. 1950

(4) Subject:

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File mes

CIVIL SERVICE DIVISION
Government Section

27 November 1950

MEMORANDUM FOR RECORD:

SUBJECT: Legislation Concerning Year-End Allowance.

1. At the request of the Ministry of Finance, a meeting was held in Mr. Shirven's office this morning, consisting of Mr. Shirven, Mr. Salter, Mr. Sato and Mr. Isoda and Mr. Watanabe of the Ministry of Finance, for the purpose of informally clearing legislation proposed by the government, concerning year-end allowance.

2. It was stated by Mr. Isoda, that in line with the thinking of this office, the legislation now proposed was no longer of a temporary nature. Furthermore, it was a single piece of legislation, covering all employees in the public service. This legislation had been cleared by the Cabinet and was expected to be submitted shortly, and would provide for only one-half months pay, consistent with the understanding that the Ministry of Finance is reported to have had with Mr. Dodge.

3. As a result of discussion, it was agreed that this single piece of legislation, as a form of permanent legislation, would not be objected to by this office. It was agreed, however, that the administration of year-end allowance would be properly coordinated with NPA. Furthermore, that the content of this legislation would be subsequently incorporated into regular pay legislation for 1951-52 and thereafter.

4. Questioned on the reason for one-half months year end allowance, Mr. Isoda stated that that is all that Mr. Dodge would permit in the Supplementary or 1951-52 budgets. It was informally hoped, however, stated Mr. Isoda, that perhaps funds would be available in 1951-52, by December of 1951, to provide a full months pay. The recognition of the concept of a pre-determined pay structure still is not understood or appreciated by the Ministry of Finance.

5. Suggestions that this law might include a third supplementary provision to the effect that articles 1, 2 and 3 of this law would be considered as amendments to Law No 95 of 1950 and added as new articles thereto, were not favorably considered by Mr. Isoda. The contention that this allowance should be covered by a single law applicable to all employees of the government, was insisted upon. It was understood as a result of the discussion, that this argument would not be considered as a precedent in the administration of compensation benefits.

MacDONALD SALTER
Chief, Compensation &
Classification Branch

11/28/50.

Bill concerning the Payment of the Year-end Allowance
to the National Public Service Personnel

Understanding that this is permanent legislation but will be incorporated into regular pay legislation for 1951-52.

(Payment of the Year-end Allowance)

Article 1. National public service personnel (exclusive of those not required to perform full-time service and designated by Cabinet Order) who are in service on December 15 (hereinafter referred to as"employees" or "employees") shall be paid the year-end allowance.

(Amount of the Year-end Allowance)

Article 2. The amount of the year-end allowance shall be computed by multiplying the monthly amount of compensation of the employee by the rates established in the following items according to the length of his service rendered within the year concerned.

(1) In case the length of service is more than six months .... 50 per cent;

(2) In case the length of service is more than three months and less than six months ..... 30 per cent;

(3) In case the length of service is less than three months .. 15 per cent.

2 The monthly amount of compensation prescribed in the preceding paragraph shall be, in the case of employees covered by the Law concerning Compensation of Employees in the Regular Government Service (Law No. 95 of 1950), the total amount of the monthly amounts of base pay, family allowance and area allowance as provided for in the said Law, which they are to receive for the month of December and, in the case of other employees, the amount to be determined by Cabinet Order.

(Date of Payment of the Year-end Allowance)

Article 3. The year-end allowance shall be paid on December 15 (if this day turns to be Sunday, December 16) each year.

(Regulations for Payment)

Article 4. Regulations concerning the computation of the length of service and other matters relative to payment of the year-end allowance other

than those prescribed in Article 2 paragraph 2 and the preceding Article shall be provided for by Cabinet Order.

Supplementary Provisions

1 This Law shall come into force as from the day of its promulgation.

2 With respect to the year-end allowance for the fiscal year 1950-51, "December 15" in Article 1" "shall be amended to read "on the day of enforcement of this Law", and in Article 3 "on December 15 (if this day turns to be Sunday, December 16) each year" shall be amended to read "within 10 days from the day of the enforcement of this Law.

Reason

It is necessary to pay each year the year-end allowance to the national public service personnel. This is the reason of submitting the present Bill.

National Personnel Authority

October 3, 1950

National Personnel Authority

Issue of Year-end Pay for National Public Employees

On September 9, 1950, the National Personnel Authority submitted to the Diet and the Cabinet its opinions on the partial amendment of the Law concerning Compensation of Employees in the Regular Government Service. In this proposed amendment was incorporated a new article providing that "the year-end pay amounting to a sum equivalent to the total of the monthly amount of salary, family allowance and area allowance will be issued".

A brief explanation is given below, clarifying the actual conditions of compensation in private enterprises in this country and also the actual condition of living of its people which would justify our recommendation.

1. The N.P.A. recommendation relating to the aforementioned year-end pay was based on the Monthly Labor Statistics prepared by the Ministry of Labor, consisting of three tables subjoined herewith. In Table I of these statistics is shown the movement of the average amount of compensation for the whole industries during the last three years (1947-1949). Table II shows the percentage of "Special Cash Wages" (including special allowance issued every two months or longer, bonus paid half-yearly or at the end of the year) against the "Regular Cash Wages" (including base pay, production bonus, wages on piece-work basis, special labor allowance, family allowance, living expense allowance, etc.).

From these tables it may be noted :

(1) That the main part of the compensation shown in these statistics under the heading "Special Cash Wages" had been issued in the months of January, June or July, and December, the aggregate sum issued in these months representing

approximately 60% of the total amount of the Special Cash Wages for the respective year (Vide Table I) ; and

(2) That the total amount of the Special Cash Wages issued in 1949 when the Japanese economics had stabilized to some extent represents approximately 97.6% of the average monthly amount of the Regular Cash Wages for that year.

Table III shows the detailed percentage of Special Cash Wages against the Regular Cash Wages for various branches of industries, ranging from 255% (more than two months' Regular Cash Wages) in the Gas, Electricity and Water Supply to 34% in Lumber and Wood Working. In this respect, however, it must be pointed out that in the compensation shown in Table I under the heading "Regular Cash Wages" are included various special allowances, such as overtime allowance, ~~bounties for~~ production bonus, special labor allowance, etc. which would rather be included in the "Special Cash Wages". Therefore, it may safely be said that the percentage of the Special Cash Wages against the Regular Cash Wages would prove to be much higher than those shown in Table II if the amount of the Special Cash Wages and the Regular Cash Wages are appropriately adjusted. In fact, the compensation in private enterprises shown in the Monthly Labor Statistics under the heading "Special Cash Wages" is of extremely complicated nature, including all sorts of special allowances issued in various types, making it very difficult to grasp the substantial amount of the Special Cash Wages. In view of this complex Special Cash Wages, the National Personnel Authority recommended that the amount of the Year-end pay should be limited to the amount equivalent to the monthly

amount of base pay, family allowance, and area allowance.

2. Japanese wage earners are usually overburdened in December with extra expenses due to their traditional requirements, which, coupled with the seasonal rise in the retail commodity prices towards the end of the year, increase the cost of living as shown in various statistics. This is the main reason for recommending the issue of Year-end Pay in reasonable amount to alleviate their hardship at the end of the year.

(Table 1)

Monthly Labor Statistics (Whole industries)

Prepared by Ministry of Labor

Year / Month	1946		1947		1948		1949	
	Regular cach wages	Special cach wages	Regular cach wages	Special cach wages	Regular cach wages	Special cach wages	Regular wach wages	Special cach wages
			¥	¥	¥	¥	¥	¥
1	-	-	833.33	162.01	2,766.60	538.94	7,627.	1,105.
2	-	-	943.50	177,26	2,901,67	415,67	7,515.	459.
3	-	-	1,026.53	73.03	3,005.28	563.23	7,710.	618.
4	-	-	1,176.79	112.46	3,262.03	635.42	7,905.	688.
5	-	-	1,329.15	168.99	3,631.97	531,37	7,790.	480.
6	-	-	1,551.67	283,74	4,072.	741.	8,087.	606.
7	-	-	1,737.78	319.96	4,702.	752.	8,247.	490.
8	-	-	1,968.37	302.29	5,263.	699.	8,403.	525.
9	-	-	2,139.90	238.73	5,803.	588.	8,525.	382.
10	-	-	2,279.83	237.44	6,330.	628.	8,562.	328.
11	-	-	2,429.79	268.24	6,674.	533.	8,743.	387.
12	783.54	347.97	2,659.46	1,878.66	8,102.	1,958.	9,025.	1,881.

(Table 2)

Percentage of Special Cash Wages against Regular Cash Wages

Month \ Year	1946	1947	1948	1949	Mathematical average
	%	%	%	%	%
1	-	19.4	19.5	15.2	18.0
2	-	8.2	14.3	6.1	9.5
3	-	7.1	18.7	8.0	11.3
4	-	9.6	19.5	8.7	12.6
5	-	12.7	14.6	6.2	11.2
6	-	18.3	18.2	7.5	14.7
7	-	18.4	16.0	5.9	13.4
8	-	15.4	13.3	6.2	11.6
9	-	11.2	10.1	4.5	8.6
10	-	10.4	9.9	3.8	8.0
11	-	11.0	8.0	4.4	7.8
12	44.4	40.6	27.0	20.8	29.7
Total	-	198.6	185.5	97.6	156.4

(Table 3)

Percentage of Special Cash Wages against Annual Average of Regular Cash Wages (for 1949)

Industries			Average of Regular Cash Wages during January-December, 1949 (A)	Annual total of Special Cash Wages for January-December, 1949 (B)	Percentage of B against A
Average of whole industries			8,148 yen	7,949 yen	97.6 %
Breakdown of industry	Mining		8,288	8,158	98.4
	Manufacturing industry		7,925	5,893	74.4
	Breakdown of manufacturing industry	Metal	10,199	6,263	61.4
		Machine	8,419	4,315	51.3
		Chemicals	8,320	8,430	101.3
		Ceramics	9,152	8,125	88.7
		Textiles	3,959	4,952	125.1
		Lumber and Wood Working	5,164	1,748	33.8
		Foodstuffs	7,751	17,326	223.5
		Printing and Book-binding	8,567	7,435	86.8
		Other	5,996	3,011	50.2
	Gas, Electricity and Water Supply		9,131	23,263	254.8
	Commerce		9,669	17,847	184.6
	Transportation and Communication		8,626	14,489	168.0

(Prepared by Ministry of Labor)

file
WPM
12/29/49

CIVIL SERVICE DIVISION
Government Section

23 December 1949

MEMORANDUM TO: Mr. W. Pierce MacCoy, Acting Chief, Civil Service Division

SUBJECT : Comment on Check Sheet from CCS to ESS Concerning Salary Bonuses to MOTC Employees

Copy of check sheet is attached hereto, together with copy of note 2, submitted by this office to Major Napier on this date.

Major Napier upon reviewing the document indicated that ESS would probably only use paragraphs 6 and 7.

MacDONALD SALTER
Chief, Classification
& Compensation Branch

Att.
MS:rj

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

CHECK SHEET

W.L. Wardell/26-6147

File No. TCC/WLW/rh

Subject: Salary Bonuses to MOTC Employees

From: CCS

To: ESS
Thru: Gov't. Section

Date: 19 Dec 1949

1 1. This refers to recent inquiries made by ESS regarding CCS attitude toward the granting of year end salary bonuses to employees of the Ministry of Telecommunications predicated on reductions in other operating expense to offset the bonus payment. CCS concurs in this plan which agrees in principle to the recommendations made in connection with the 1950-51 JFY budget. It is believed that the offering of incentive payments to the employees on the basis of savings in expense, is the most practicable means of bringing home the fact that efficient operation is ultimately to their own benefit.

2. To be most effective, the incentive should be proportional to achievements, and in view of this, it is strongly recommended that special consideration be given to the employees of the MOTC. It is believed that, this Ministry, through cooperation of its employees, has accomplished more than any other government agency toward improving its efficiency and operations with measurable results in added income and an increased margin of profit. Further, there are certain conditions of employment which, because of the service nature of the system, would appear to entitle these employees to special consideration. In general, this is based on the following:

a. Gross Profit

Based on operational income for the period 1 April through October 1948, it is expected that the gross profit above direct operating expenses will exceed that originally estimated by ¥ 2.5 to ¥ 3.5 billion which amounts to an increased margin of profit of about 30 per cent. This increase is the result of improved efficiency in operations and improved service both of which have been accomplished with an actual reduction in personnel.

b. Reduced Construction Expense

Through improvements in engineering and construction methods, it is expected that a total of about 110,000 telephones will be installed during the 1949-50 JFY which is an increase of 10 per cent over installations originally planned and originally believed to be possible with the funds that were available for construction purposes. Income from the additional 10,000 telephones will amount to about ¥ 200,000,000 per full year.

c. The average salary of the telecommunications workers is maintained at the overall government level of ¥6307. This does not take into consideration the fact that large numbers of employees must work nights and holidays; outside maintenance employees must work in all types of weather, whether other construction trades work or not; and other specialized requirements of employment not encountered in most other government agencies.

d. The present Japanese government salary classifications does not take into adequate consideration the technical nature of work performed. Under normal conditions the technical nature of communications work would place the bulk of the employees at a skilled craftsman wage level which is considerably above clerical and administrative classifications upon which present salaries must be based.

4. During the last quarter of the JFY, the MOTC plans to make reductions in actual expenditures for such items as supply, travel expense, etc., to the amount of ¥ 2500 to ¥3000 per employee, which, apparently is about the range of bonus payment being considered. These savings are over and above those discussed in par. 3 a, b.

5. In view of the facts outlined above, as an added impetus to other government agencies to accomplish savings and in recognition of the outstanding accomplishment and cooperation of the MOTC employees, it is recommended that approximately ¥150,000,000 of the gross profits accumulated to date, be shown as savings and that this amount be used to pay to these employees, an average of approximately ¥750 per person more than the average bonus paid to other government personnel.

6. It is recognized that such an action will give rise to charges of discrimination and unfair distribution. However, the present democratic policy in Japan is based upon the rights of the individual which includes his right to receive remuneration consistent with his accomplishments. Unless special recognition is given to those who have produced outstanding results, there is no practicable way to inspire the individual or groups of individuals to added efforts for improvements and greater productiveness. In this case, measurable results in terms of net income have been made which in turn will result in a lighter load on the tax payer. It is not believed that there is any reason why those responsible for achieving this, under unfavorable conditions and in face of opposite trends in many other activities, should not receive a small proportion of the results of their labor in recognition of their achievement. It is believed that this recognition is only in keeping with the western conception of Democracy.

- G.I.B. - - - - - - - - - -

Note #2

1. The plan as proposed in Note #1 will not serve the purpose for which it is stated it is being proposed. This office is not in agreement with the plan of paying a year-end bonus to public servants, since it is inconsistant with commonly accepted sound pay administration practices for the public service.

2. MOTC is part of the government of Japan. The government exists by the will of the people and is operated for the benefit and general welfare of its citizens. The duty of every public servant is to carry out his responsibilities in the most efficient and economical manner consistent with the intent of law.

3. In an agency such as MOTC, the operations are conducted by the government for the purpose of providing adequate service to consumers and obtaining revenue. The duty of every employee of MOTC, as a public servant, is to conduct his activities in the most efficient manner. If, as a result of good administration, of improved technical facilities, or improved service rendered by employees, operating expenses are reduced, the resultant benefits properly go to the taxpayer. It should not be distributed in the form of a year-end bonus to employees.

4. The arguments presented in this plan substantiating the payment of the year-end bonus are unsound and reflect a lack of understanding of sound pay administration in the public service.

(1) Reference is made to the failure at the present time to provide proper remuneration for those performing night work, holiday or overtime work as an arugment supporting the need for year-end payment. Compensation for employees performing night work, holiday or overtime work are already properly provided for by action of the Diet in Law No. 46 of 1948.

(2) It is claimed that many "operating employees" are improperly classified under the present pay system and it is assumed that the payment of a year-end bonus will partially correct this situation. This is an invalid assumption since no single blanket payment can correct a situation of this nature that may exist. Payment of a year-end bonus merely adds an equivalent unit of pay to all employees and does not change the relationship of one employee's classification to another. Correction of this situation can only be accomplished by the implementation of a proper position-classification plan which is now before the Diet.

(3) It is stated that since the margin of profit has increased, due to improved administration, reduction in construction costs, and savings in supply, travel expenditures, etc., pay benefits should be distributed as an incentive pay to employees. It is not stated as to what is the basis for determining these savings. It is possible that with inflated appropriations any level of efficiency could show a profit. Furthermore, any single payment as proposed from unused appropriations (savings) bears no relationship at all to incentive pay.

(4) Reference is made to the right of an individual to receive compensation consistent with his accomplishments and that a year-end payment will accomplish this where the present pay structure fails to do so. This assumes that all employees are not only performing adequately but also are performing equally well and therefore should receive a single payment to augment their present pay. Performance on duty in as large and varied an organization as MOTC of course precludes any such possibility.

5. If it is desired to establish a system of remuneration, in addition to that now provided within the present pay structure, that will reward employees for efficiency, and act as an incentive, it is suggested that a sounder approach as outlined below be considered and put into law;

(1) Where it may be possible to realistically measure work performance and establish standards of work performance, an incentive pay system might be provided for performance in excess of such recognized standards.

(2) A system might be provided whereby individual employees might be rewarded for outstanding service by making meritorious awards in the form of lump sum cash payments or in the form of a pay increase to the employee.

(3) A system might be provided whereby individual employees who make worthwhile beneficial suggestions which result in increased efficiency and reduced cost of the operation of MOTC, might be rewarded in the form of a lump sum cash payment or in the form of a pay increase to the individual employee.

Such programs as suggested in this note are in accord with democratic practices in public service and are consistent with payment based upon accomplishment. They are predicated on proper reward, generally on an individual basis, for outstanding performance above that normally expected in their particular occupations.

6. It must be remembered that basic working conditions including compensation of public servants of the national government are established by the Diet and should be applicable to all public servants equitably. No independent treatment of one agency, as ~~this plan~~ Note #1 suggests, would be equitable to other employees in other agencies.

7. This office is opposed to the plan as proposed in principle as a violation of equitable pay administration and the intent and purpose of the National Public Service Law.

CIVIL SERVICE DIVISION
Government Section

15 December 1949

MEMORANDUM FOR : Brigadier General Courtney Whitney
Chief, Government Section

SUBJECT : Year-end Bonus

The Asahi morning edition of 15 December reports the meeting between the Prime Minister and General MacArthur on the 13th and the Prime Minister, Minister Ikeda and General Marquat on the 14th. The article states that the Prime Minister inquired specifically concerning a year-end bonus for public servants and railway workers in his conference with General Marquat and indicated that the government was considering granting such a bonus. He inquired as to whether GHQ would look with favor upon such an idea, providing they stayed within their budget. He indicated, further, that such a bonus would be considered for this year only. The article states that General Marquat indicated that "he would consider the matter." The newspaper article makes the flat statement that the government regarded this statement by General Marquat as receiving the acknowledgment and acquiescence of GHQ in principle to the year-end bonus, and that, therefore, they would proceed on their deliberations as to the amount to be granted.

This division still insists, from our figures which are supplied to us by the office of New Pay Administration and the National Personnel Authority, that if the government can afford to meet the bonus request within their budget, they can also meet the report as submitted by the National Personnel Authority for revision of wages. This granting of a year-end bonus is nothing more nor less than a blatant political move to enlist labor in the Democratic Liberal camp. The short-sightedness of this approach, of course, lies in the fact that, since this method of granting additional funds to the worker is not based on a scientific approach to pay administration, the method of arriving at the amount to be given becomes sheer guesswork and is not defensible. on any line of reasoning other than political expediency. Under these circumstances the government is merely piling up a budgetary headache for itself because the granting of a year-end bonus will not stop the workers from putting the pressure on the government to accept the National Personnel Authority report. The man on the street cannot help but reason that if the government can so adjust its budget to grant a year-end bonus, it can also do the same thing to accept the National Personnel Authority report and place the government worker on a reasonable salary dictated by the rise in the cost of living which has already been recognized by industry.

It would seem to me that SCAP's only accurate and scientific approach to this entire question would be from the standpoint that if the government insists that it can so adjust its budget to accommodate a year-end bonus, it can much better and more logically make that same adjustment to accommodate and embrace the National Personnel Authority report than to throw its money away on an outright political dole which can only result in increasing the budgetary pressure on the government.

WPM:ger

W. PIERCE MacCOY
Acting Chief

Jap. Govt Pay admin.

Proposed Year-end Bonus Versus Revision
of Level of Compensation as Recommended
by the National Personnel Authority

W. Pierce MacCoy
Civil Service Division
Government Section

Mr. E. M. Reed, Chief
Public Finance Branch
Japanese Finance Division
ESS

14 December 1949

1. 1. During the past few days our attention has been drawn to the persistent endeavor on the part of the Japanese Government to provide a year-end bonus for public employees.

2. Our study of pay administration for employees of the government has lead us to the conclusion that the year-end bonus is a vicious habit and constitutes an uneconomical and highly unscientific approach to government pay administration. It is to be remembered that the Japanese Government itself attempted to enforce the elimination of this year-end bonus as early as 1947. However, by some means or another, legal or extra-legal, such a bonus seems to have appeared in the picture in the succeeding years. A study was made by the Office of New Pay Administration and the National Personnel Authority of year-end special allowances made by the various agencies of the Japanese Government in December 1948. Almost without exception these were extra-legal actions. A summation of this report and an estimate of actual cost is attached hereto.

3. The National Personnel Authority recently completed a study, to determine the proper level of compensation for government employees of the national government. The National Personnel Authority, in accordance with the law, made its recommendation to the Cabinet and the Diet simultaneously. This recommendation is thoroughly consistent with scientific pay administration which this office has been attempting to effect within the Japanese Government.

4. It appears now that by one means or another funds may be found or made available to pay a year-end bonus proposed by the Cabinet. Our figures show that if the year-end bonus as originally suggested by the Japanese Government is approved, it will cost the Japanese Government the same amount as would be required to finance the proposed revision in the level of pay recommended by the National Personnel Authority for the last four months' period of the current fiscal year. Stated in another manner, the Japanese Government could approve the proposed revision of compensation as recommended by the National Personnel Authority from ¥6307 to ¥7877 effective 1 December 1949 for exactly what it will cost to grant the year-end bonus on 31 December 1949 as suggested by the Government. The Government would thereby have accepted the scientific approach to the adjustment of salaries as recommended by the National Personnel Authority. It would have established the Government worker on a logical income level, based on cost of living, reasonably comparable to wages paid in private industry. This would be sound pay administration and would contribute to the improvement of the pay structure. It would be an entirely defensible position on the part of the Government.

Proposed Year-end Bonus Versus Revision
of Level of Compensation as Recommended
by the National Personnel Authority

W. Pierce MacCoy
Civil Service Division
Government Section

Mr. E. M. Reed, Chief
Public Finance Branch
Japanese Finance Division
ESS

14 December 1949

1 Cont'd

5. We suggest that no favorable consideration should be given to the perpetuation of the entirely uneconomical and unscientific financial formula of the year-end bonus system which must be drawn from previously unbudgeted funds. Such an approach will never permit the Japanese government to reach an economically sound government payroll basis.

6. This office heartily endorses and supports the principles of pay administration which the National Personnel Authority is sponsoring and the techniques which they have utilized in preparing and submitting the report to the Diet. This office believes that consideration should be given to this approach to the problem.

Estimated Cost of Year-end
Special Allowances

W. PIERCE MACCOY
Acting Chief

CIVIL SERVICE DIVISION
Government Section

26 January 1949

ESTIMATED COST OF YEAR-END SPECIAL ALLOWANCES

	Loans	Payments from Treasury
1. Supreme Court (11,699 employees) A. Overtime: 30 hrs. per employee		¥ 7,721,340
2. Board of Audit B. Loans: ¥ 2,000 per employee payable by June at 0% interest	¥ 2,400,000	
3. National Personnel Authority (693 employees) A. Overtime: 28 hrs. per employee** B. Loans: ¥ 2,000 per employee payable by March 31 at 0% interest	¥ 1,000,000*	¥ 426,888**
4. Economic Stabilization Board B. Loans: ¥ 400 to ¥ 2,000 per employee payable by March 31 at 0% interest	¥ 520,000	
5. Price Board B. Loans: ¥ 2,000 per employee payable by March 31 at 0% interest	¥ 1,100,000	
6. Special Procurement Board (2,938 employees) A. Overtime: ¥ 3,000 per employee June through October plus 10% over actual overtime worked in November (3,300 x 2,938)		¥ 9,695,400
7. National Rural Police Headquarters *(44,501 employees) A. Overtime: ¥ 1,000 per employee for September and October plus ¥ 2,000 for November		¥133,503,000*
8. Attorney-General's Office (63,565 employees) A. Grant: ¥ 500 per employee, plus overtime: 15 hrs. per employee (¥ 330)		¥ 52,658,950

Report based on investigations by the Office of New Pay Administration and the National Personnel Authority and estimates determined by the Civil Service Division.

	Loans	Payments from Treasury
9. Ministry of Education		
B. Loans: ¥ 3,000 per married, ¥1,500 per single employee payable by January 31 at 6% interest	¥ 3,857,000	
10. Ministry of Agriculture and Forestry		
a. Ministry (other than Staple Food Control Bureau (53,455 employees)	¥14,000,000*	¥ 83,034,324
A. Overtime: ¥ 2,000 per married, ¥1,000 per single employee (average: ¥ 1,553)		
B. Loans: ¥1,000 per employee payable by March 31 at 0% interest		
b. Staple Food Control Bureau		¥336,340,000
(1) Field Offices (33,634 employees)		
A. Unused travel allowance: ¥10,000 per employee		
(2) Bureau Office (704 employees)		
A. Unused travel allowances: ¥ 3,000 to ¥ 5,000 per employee		¥ 2,824,000
11. Ministry of Commerce and Industry (23,480 employees)***		¥ 56,939,000*
A. Overtime: ¥ 2,425 per employee		
B. Loans: amount and condition not specified**		
12. Ministry of Communications (424,100 employees)		
a. Administrative employees		
A. Overtime: ¥ 800 to ¥ 2,000 per employee		¥ 50,000,000
b. Operating employees		
A. Special work allowances: ¥ 800 to ¥2,000 equal to 30% of ¥ 3791 base pay		¥350,000,000
13. Ministry of Labor (19,201 employees)	¥ 4,000,000	¥ 9,600,500*
A. Overtime: ¥ 500 per employee		
B. Loans: ¥1,000 per employee plus ¥ 300 per dependent payable by March at 12.5% interest* (Note: ¥2,000 payable at 12.5% interest, and ¥1,000 plus ¥ 300 payable by January 31 at 0% Interest **)		
14. Ministry of Construction (12,017 employees)	¥ 4,780,000**	¥ 13,934,997
A. Overtime: all remaining balance (estimate: ¥1,159.607 x 12,017) ***		
B. Loans: ¥ 2,000 to ¥ 3,500 per employee payable by March 31 at 8% interest **		
15. Ministry of Finance (90,200 employees)	¥20,000,000**	¥ 90,200,000
A. Overtime: ¥ 1,000 per employee		
B. Loans: ¥ 1,000 per employee payable by March 31 at 2.8 sen interest per diem (¥ 10 per annum)		

	Loans	Payments from Treasury
16. Ministry of Transportation		
a. Administrative employees (27,600)**		¥ 32,005,153
A. Overtime: additional payment** (estimate ¥ 1,159.607 x 27,600)***		
b. Operating employees (522,095)		¥313,257,000
A. Overtime: ¥ 600 per employee*		
17. Ministry of Welfare ** (46,200 employees)		¥ 53,573,843
A. Overtime: all remaining overtime balance (estimate : ¥ 1,159.607 x 46,200) ***		
18. Ministry for Foreign Affairs**	¥ 500,000	
B. Loans: ¥ 1,000 per married, ¥ 500 per single employee at 0% interest		
TOTAL	¥ 52,157,000	¥1,595,714,395

COMBINED TOTAL - - - - - - - - - - ¥ 1,647,871,395

Notes: A. represents explanation of various forms of payments from National Treasury

B. represents explanation of nature of loans

* denotes figure quoted from report of Office of New Pay Administration in cases where two differing figures were available, or where the other report failed to present any similar data

** denotes figure quoted from report of National Personnel Authority in cases where two differing figures were available, or where the other report failed to present any similar data

*** denotes figures obtained by estimate where the information was insufficient to make more accurate calculation. This estimate was made by finding the average granted in one form or another to each employee in all cases where the data was sufficiently specific, and multiplying this average by the number of employees in the agency concerning which the information was incomplete.

1 cont'd.

DRAFT

MacCoy
Tel NB

Subject: Proposed Year-end Bonus Versus Revision of Level of Compensation as Recommended by NPA

From: Govt Sect (ed)

To: ESS
Attn: Mr. ~~Hutchison~~ Reed

Date: 13 Dec 49

1. During the past few days our attention has been drawn to the persistent endeavour on the part of the Japanese Government to provide a year-end bonus for public employees.

2. Our ~~experience with and~~ study of pay administration for employees of the government has lead us to the conclusion that the year-end bonus is a vicious habit and constitutes an uneconomical and highly unscientific approach to government pay administration. It is to be remembered that the Japanese Government itself attempted to enforce the elimination of this year-end bonus as early as 1947. However, by some means or another, legal or extra-legal, such a bonus seems to have appeared in the picture in the succeeding years. A study was made by the Office of New Pay Administration and the ~~NPA~~ National Personnel Authority of year-end special allowances made by the various agencies of the Japanese Government in December 1948. Almost without exception these were extra-legal actions. A summation of this report and an estimate of actual cost is attached hereto.

3. ~~Recently~~ The National Personnel Authority ~~NPA has~~ recently completed a study, ~~as required by law,~~ to determine the proper level of compensation for government employees of the national government. The NPA, in accordance with the law, made its recommendation to the Cabinet and the Diet simultaneously. This recommendation is thoroughly consistent with scientific pay administration which this office has been attempting to affect within the Japanese Government.

4. It appears now that by one means or another funds may be found or made available to pay a year-end bonus proposed by the Cabinet. Our figures show that ~~after~~ the year-end bonus as ~~presently~~ originally suggested by the Japanese ~~and awarded to the Railway employees~~ Government is approved it will cost the Japanese Government the same amount

as would be required to finance the proposed revision in the level of pay recommended by the NPA for the last four-months period ~~completing~~ of the current fiscal year. Stated in another manner the Japanese Government could approve the proposed revision of compensation as recommended by the NPA from ¥6307 to ¥7877 effective 1 December 1949 for exactly what it will cost to grant ~~a~~ the year-end bonus ~~as of~~ on 31 December 1949 as suggested by the Government. The Government would thereby have ~~recognized~~ ~~the~~ accepted the scientific approach to the adjustment of salaries as recommended by the NPA. ~~and~~ It would have established the Government worker on a logical income ~~basis~~ level, based on cost of living, ~~and~~ reasonably comparable to wages ~~in~~ paid in private industry. This would be sound pay administration and would contribute to the improvement of the pay structure. ~~This~~ It would be an entirely defensible position on the part of the Government. This office believes that consideration should be given to this approach to the problem. ~~in lieu of giving any~~ SCAP We suggest that no favorable consideration should be given to the perpetuation of the entirely uneconomical and unscientific financial ~~approach~~ formula of the year-end bonus system which must be drawn from previously unbudgeted funds. ~~We are unalterably opposed to the year-end grab-bag of the unbudgeted funds, which~~ Such an approach will never permit the Japanese government to reach an economically sound government pay-roll basis.

1 Incl — Indent 2
as ~~indicated~~ above

---------- C.W. ----------

This office ~~We~~ heartily endorses and supports the principles of pay admin which the NPA is espousing and the techniques which they have utilized in preparing & submitting this report to the Diet.

CIVIL SERVICE DIVISION
Government Section

12 December 1949

MEMORANDUM FOR : Brigadier General Courtney Whitney
Chief, Government Section

SUBJECT : Proposed Year-end Bonus Versus Revision of Level of Compensation as Recommended by NPA

You will recall that I discussed the Japanese Government's proposal of a year-end bonus with you prior to my discussion of the National Personnel Authority's presentation of their report with Mr. Dodge and stated my objections to such a proposal. At that time, you discussed the matter with Major General Marquat and received the assurance that ESS would not approve a year-end bonus for the Japanese civil servants this year.

Later, I discussed the same point with Mr. Dodge, pointing out that the granting of a year-end bonus would be more costly to the Japanese government than the granting of the increase occasioned by the revision of the level of government compensation as recommended by the National Personnel Authority. I called his attention to two points: (1) that the granting of a year-end bonus completely defeated the entire principle of the establishment of government salaries on a scientific basis and (2) that the money involved in the granting of such lump sum payments would result in more expenditure by the government than the approval of the National Personnel Authority's proposed plan. He concurred and stated emphatically that he would neither recommend nor approve the inclusion of funds for a year-end bonus in the supplementary budget covering readjustment of accounts for the Japanese government for the 1949-50 fiscal year.

However, the newspapers continue to report that favorable consideration is still being given by the Japanese government to some method of granting a year-end bonus to all government employees. Two methods have been proposed, according to the newspaper items: (1) use of (a) travel funds and (b) funds established for overtime payment through the approval of accounts chargeable against both of these funds where travel has not actually been involved nor additional overtime worked or (2) the transfer of funds from supply accounts.

In the first instance, this would result in falsification of accounts and, to our way of thinking, could result in a charge of malfeasance of office of the officer who authorized the use of funds in this manner. In the second instance, we would have no objection, from our standpoint, for the transferance of funds from one regular account to another through legal means. However, we still object on the basis that the granting of

a year-end bonus, under any guise, is poor fiscal administration and destroys entirely the scientific approach to the establishment of proper government pay schedules which we have attempted to install during the past year.

On Monday, 12 December, Mr. E. C. Hutchinson, Assistant Chief, Public Finance Branch, Japanese Finance Division, Economic and Scientific Section, advised Mr. Salter, of the Civil Service Division, that his office would disapprove any attempt of the Japanese government to utilize the two above-mentioned methods for securing sufficient funds to cover the year-end bonus. However, he stated that the Japanese government had now proposed a third method which would be the submission of a second supplementary budget to provide sufficient funds to cover the proposed year-end bonus to all government employees. He states that the Public Finance Division would not actively oppose this recommendation but would submit it to "higher authority" for action. Mr. Salter expressed our disapproval of the year-end bonus idea but discovered that apparently Public Finance Division is not opposed to the idea of a year-end bonus but merely as to the method by which the Japanese propose to raise the necessary funds.

Our figures show that if the year-end bonus, as suggested by the Japanese government, is approved it will cost the Japanese government exactly the same amount as would be required to finance the proposed revision in the level of pay compensation, as suggested by the National Personnel Authority, for 4 months. Stated in another manner, the Japanese government could approve the proposed revision of compensation, as recommended by the National Personnel Authority, from ¥6307 to ¥7877, effective 1 December 1949, and pay the increase in salaries indicated by this revision for the last 4 months of the 1949-50 fiscal year for exactly what it will cost them to grant a year-end bonus as of 31 December 1949. Following this latter course, the government would have accepted the scientific approach to the readjustment of salaries as recommended by the National Personnel Authority and established the government worker on a logical income basis in reference to the rise in the cost of living which would continue during the ensuing year. This would be an entirely defensible position.

If the money is available for the year-end bonus, as would be indicated by Mr. Hutchinson's reaction, then the money is available to accept the National Personnel Authority's scientific report and establish the government worker on a logical and reasonable parity basis with his brother in industry, at the same time giving the government the opportunity to discontinue this vicious habit of granting a year-end bonus when funds have not been allocated for this expenditure in the regular budget.

This office believes that consideration should be given to this approach to the problem in lieu of giving favorable consideration to the perpetuation of the entirely uneconomical and unscientific financial approach of the year-end bonus system. We are unalterably opposed to the year-end grab-bag of unbudgeted funds which will never permit the Japanese government to reach an economically sound government payroll basis.

W. PIERCE MacCOY
Acting Chief

WPM:ger

Mr. Salter Files
Also write a memo to Reed for my sig. along lines we discussed.
WPM 12/12/49

CIVIL SERVICE DIVISION
Government Section

12 December 1949

MEMORANDUM FOR: Mr. W. ~~Pierce~~ MacCoy, Acting Chief, Civil Service Division

SUBJECT: ESS Policy on Adjustment of Pay

In view of the number of newspaper articles appearing over the weekend that direct overtures were being made to General Marquat and his staff to work out a means of paying a year-end bonus a brief conversation was held with Mr. Hutchison of ESS/FIN.

It appears that the articles exaggerated the situation. However, it was evident that the Cabinet and Minister Ikeda were definitely trying to work out a plan sothat a year-end payment could be made to employees. Questioned as to ESS policy on this matter, Mr. Hutchison in essence made the following points:

1. The year-end payment was a matter of tradition in the pay structure of the Japanese Government. If proper provisions were made for the payment of such a year-end bonus in the budget they could not object.

2. The present budget 1949-50 as adjusted by the supplementary budget now before the Diet was based on the 6307 pay level and did not provide for any year-end payments. Therefore no funds are available for any upward adjustment of pay or year-end payment. Presumably all surplus funds from various accounts have been withdrawn from further use.

3. That ESS will follow the 9-point economic program and the Dodge policy.

ESS/FIN, in view of the above points, will oppose any adjustment of present accounts or budget to provide for expenditure of additional funds for salary and wages. Should a second supplementary budget however be introduced this would presumably entail the need for additional revenue and would be referred to higher quarters for decision.

It is to be remembered that the policy which was established last year with respect to adjustment of pay in December 1948 was that there be

a. no retroactive pay increase and

b. no year-end payment.

unilaterally opposed to year-end interested in improved pay admin
if any funds are available to go to new pay level

Actually by one ruse or another in excess of ~~three~~ one and a half billion yen were distributed to employees as year-end bonuses. Much of this was in the form of loans which had to be subsequently repaid and caused a serious pay situation in the last half of January 1949. Many employees faced with the repayment of the loan and the adjustment of their income tax which had been improperly deducted in 1948 not only did not receive any pay during the pay period but were actually obligated to the government.

There is already evidence this year of the determination, through one means or another, to pay year-end bonuses even though it may involve extra legal actions. The Chief Cabinet Secretary himself is reported by the Japanese to have stated that he would be quite willing to be a martyr and authorize action which would effect the year-end payment.

Current rumours seem to point toward the payment of approximately one month's pay as a year-end bonus. This would be similar to the recommendation by the Kokutetsu Arbitration Committee of ¥6,000 per employee to be paid in December 1949. This is equivalent to a four month's increase in the pay level from ¥6307 to ¥7877, the new pay level recently recommended by NPA to the Cabinet and the Diet.

The Cabinet is taking the position that they may determine the correctness of NPA recommendation, and, whether such recommendation should be implemented. This is usurping, to a certain extent, the prerogatives and functions of the Diet. NPA has been created by the Diet as the agency to conduct technical and scientific investigations on pay level and to advise the Diet of its findings. The Diet is the body which will determine whether such recommendations can be implemented.

MacDonald Salter

MacDONALD SALTER
Chief, Classification &
Compensation Branch

MS:aa

Gov.Sec - Memo Gen-Wh

GOVERNMENT SECTION
CIVIL SERVICE DIVISION

2 May 1949

MEMORANDUM FOR: Brigadier General Courtney Whitney
Chief, Government Section

SUBJECT : Memorandum for Chief of Staff, 30 April 1949, from ESS Relating to Separation Allowances, Government of Japan

1. The effect of the proposed SCAPIN is to regulate separation allowances for employees of the Government of Japan during the fiscal year 1949-1950. The proposed regulation is inconsistent with existing Japanese laws, decisions, and practices. In general, the regulation is less liberal than these laws, decisions, and practices, and to the extent that staff reduction is practiced, it is significant financially.

2. In our opinion, the present laws, decisions, and practices of the Government of Japan relating to separation pay are, in terms of personnel management, ill-conceived, poorly coordinated and, at least by American standards, financially extravagant.

3. Reorganization of separation pay practices as a part of the compensation structure of government employment is a responsibility of the NPA subject to approval of the Diet as provided by the National Public Service Law, Articles 3, 23, 61, 63, 67, 77, 78. Such reorganization on a scientific basis, involving as it does questions of vested rights and other complicating factors, will require extended research and consideration. This probably cannot be accomplished during the fiscal year 1949-50.

4. Under ordinary conditions of operation CSD considers Government Section has primary interest with respect to separation pay of government employees as part of the compensation policy. Our position on this SCAPIN should not be interpreted as revising or altering in any way that primary interest.

5. When the proposed SCAPIN was informally presented to CSD by PFB, FD, ESS, we considered the condition extraordinary. Research necessary to a refined determination of long-haul policy had not been conducted. It was, therefore, impossible to approve the proposed SCAPIN from the standpoint of employment management. To attempt its refinement on the basis of existent knowledge would have been precipitate and possibly unsound while at the same time delaying implementation of the nine-point program of economic recovery which at that point hinged to a considerable extent on the construction of a realistic budget.

6. Accordingly, it was decided to regard the proposed SCAPIN as presenting primarily a financial problem and to interpose no objection thereto. This position was recommended orally to General Courtney Whitney by Mr. Blaine Hoover on 4 April 1949, and at that time orally approved by General Courtney Whitney.

7. Civil Service Division does not recommend concurrence in the proposed SCAPIN. Civil Service Division recommends no objection to the issuance of the proposed SCAPIN.

BLAINE HOOVER
Chief
Civil Service Division

BH:jb

GOVERNMENT SECTION
CIVIL SERVICE DIVISION

~~1- Mr Salter~~ MS 2/22/49
~~1- Mr Betts~~
2- file
II.14.

21 February 1949

MEMORANDUM FOR RECORD :

SUBJECT : Repayment of Year-end Loan -- National Personnel Authority.

On Monday 21 February, Mr. Sato, Executive Director of the National Personnel Authority called at the office to discuss the situation surrounding the repayment of the loan which was secured from the Peoples' Bank by the supervisory staff of the National Personnel Authority to provide year-end payments to employees of the National Personnel Authority.

Each employee received approximately ¥2,000 which was to be paid back by deductions from their payroll during the months of January, February and March. The total loan from the bank amounted to ¥ 1 million.

In view of the fact that it is now necessary for the employees to refund the overpayment of 28 hours overtime, per person, during the months of Febfuary and March, it is practically impossible to deduct an additional amount with which to satisfy the loan from the bank. Therefore, Mr. Sato is attempting to work out a plan whereby he will secure an extension of this loan of sufficient length to permit the employees a longer period in which to repay both the loan and the illegal payment of overtime. The bank indicated that he might secure an additional extension of time if 50% of the loan were repaid by the end of March 1949. This would amount to ¥500,000. Mr. Sato stated, however, that he had received information from the bank that with the payment of approximately one-fourth of this amount the bank would be satisfied and would be willing to extend the period of the loan for an additional time. He had worked out a schedule whereby the employees who received the loans would each pay back ¥200 in February, ¥600 in March and ¥600 in April and ¥600 in May. This would amount to ¥300 per pay period.

Upon questioning, it developed that the average salary per person in the National Personnel Authority is ¥4,000 per month take-home pay or ¥2,000 per pay period. Since this is the average, however, a great many of the lower grade employees are receiving as little as ¥1,000 to ¥1,500 per pay period. It was pointed out to Mr. Sato that if this were the case it would be practically impossible for an individual receiving ¥1,000 to ¥1,500 per pay period to permit a deduction of ¥300 from this amount for repayment on the loan. This would

not leave the employee enough money to pay his rent, incidental operating expenses of his home, purchase his food and pay his transportation, to say nothing of doctor bills and other unexpected expenses which would undoubtedly arise. Mr. Sato agreed that this was true and suggested that he discuss the matter with the employee associations to see what suggestions they might have. He stated that representatives of the employee associations had already called his attention to the fact that the majority of other ministries and offices were extending the payments of these loans for a period of from nine to twelve months.

It was suggested by Mr. Hoover to Mr. MacCoy who relayed this information to Mr. Sato that the repayments be established on a basis of 10% of the individual's take-home pay per pay period be deducted toward the repayment of these loans. This would mean that the loan would have to be extended to approximately the last of July 1949 to permit the lower paid employees to complete their repayments. Mr. Sato will report on this matter later.

W. Pierce MacCoy

W. PIERCE MacCOY
Deputy Chief
Civil Service Division

WPM/hm

Project 28

Miss Pierson
noted 17 Feb 1949
file

Mr. Hoover

CIVIL SERVICE DIVISION
Government Section

February 15, 1949

MEMORANDUM FOR: Mr. Foster Roser, Examination Specialist

SUBJECT : Year-end Payment by NPA

1. In a telephone conversation with Mr. Hutchinson of ESS, Finance Division, he stated that a report by the Board of Audit on year-end payments showed:

(a) Every agency of the Japanese Government made some form of year-end payment.

(b) The National Personnel Authority paid out ¥622,288.37 to 867 persons. The basis of this payment was 28 hours over-time to each individual employee plus the actual over-time worked.

2. The Board of Audit states that the payment of 28 hours over-time to all employees was an illegal transaction. What action the Board of Audit will take is something to be determined at a later date, taking into consideration the total picture on year-end payments.

MacDonald Salter
MACDONALD SALTER
Chief, Classification and Compensation Branch

MS:vr

Original with N.P.A. 2/16/49.

Job book
Special allowances
File

CIVIL SERVICE DIVISION
Government Section

26 January 1949

Noted
BH
WPR

MEMORANDUM FOR: Mr. Blaine Hoover, Chief, Civil Service Division

SUBJECT : Investigation of Year-end Payments

Attached herewith are five documents, namely:

1. Combined statistical report of costs of year-end payments.

2. Report of investigation by the National Personnel Authority.

3. Statistical estimate of year-end payments based on the National Personnel Authority investigation.

4. Report of investigation by the Office of New Pay Administration.

5. Statistical estimate of year-end payments based on the Office of New Pay Administration investigation.

This indicates that there was an estimated expenditure from the National Treasury of ¥1,595,714,395 for year-end payments. This took the form of payment for overtime accrued over one or more months, the payment for special work allowances, and in one instance the distribution of unused travel funds. In addition to this, many personal loans were negotiated by individuals in ministries from banks and mutual aid associations, to the extent of ¥52,157,000, for individual loans to employees. Interest rates on these loans ranged from zero to twelve and one-half per cent.

MacDonald Salter

MacDONALD SALTER
Chief, Classification &
Compensation Branch

MS:jd
Att. 5

Exhibit I

CIVIL SERVICE DIVISION
Government Section

26 January 1949

MEMORANDUM FOR: Mr. Blaine Hoover, Chief, Civil Service Division, Government Section, GHQ, SCAP

SUBJECT : Cost of Year-end Special Allowances (combined from two reports)

	Loans	Payments from Treasury
1. Supreme Court (11,699 employees) A. Overtime: 30 hrs. per employee		¥ 7,721,340
2. Board of Audit B. Loans: ¥ 2,000 per employee payable by June at 0% interest	¥ 2,400,000	
3. National Personnel Authority (693 employees) A. Overtime: 28 hrs per employee** B. Loans: ¥ 2,000 per employee payable by March 31 at 0% interest	¥ 1,000,000*	¥ 426,888 **
4. Economic Stabilization Board B. Loans: ¥ 400 to ¥ 2,000 per employee payable by March 31 at 0% interest	¥ 520,000	
5. Price Board B. Loans: ¥ 2,000 per employee payable by March 31 at 0% interest	¥ 1,100,000	
6. Special Procurement Board (2,938 employees) A. Overtime: ¥ 3,000 per employee June through October plus 10% over actual overtime worked in November (3,300 x 2,938)		¥ 9,695,400
7. National Rural Police Headquarters * (44,501 empl'ees) A. Overtime: ¥ 1,000 per employee for September and October plus ¥ 2,000 for November		¥133,503,000*
8. Attorney-General's Office (63,565 employees) A. Grant: ¥ 500 per employee, plus overtime: 15 hrs per employee (¥ 330)		¥ 52,658,950

	Loans	Payments from Treasury
9. Ministry of Education		
B. Loans: ¥ 3,000 per married, ¥ 1,500 per single employee payable by January 31 at 6% interest	¥ 3,857,000	
10. Ministry of Agriculture and Forestry		
a. Ministry (other than Staple Food Control Bureau (53,455 employees)	¥14,000,000*	¥ 83,034,324
A. Overtime: ¥ 2,000 per married, ¥1,000 per single employee (average: ¥ 1,553.35)		
B. Loans: ¥1,000 per employee payable by March 31 at 0% interest		
b. Staple Food Control Bureau		
(1) Field Offices (33,634 employees)		¥336,340,000
A. Unused travel allowance: ¥10,000 per employee		
(2) Bureau Office (704 employees)		
A. Unused travel allowances: ¥ 3,000 to ¥ 5,000 per employee		¥ 2,824,000
11. Ministry of Commerce and Industry (23,480 employees) ?**		¥ 56,939,000*
A. Overtime: ¥ 2,425 per employee		
B. Loans: amount and condition not specified**		
12. Ministry of Communications (424,100 employees)		
a. Administrative employees		¥ 50,000,000
A. Overtime: ¥ 800 to ¥ 2,000 per employee		
b. Operating employees		¥350,000,000
A. Special work allowances: ¥800 to ¥2,000 equal to 30% of ¥3791 base pay		
13. Ministry of Labor (19,201 employees)	¥ 4,000,000	¥ 9,600,500*
A. Overtime: ¥ 500 per employee		
B. Loans: ¥1,000 per employee plus ¥300 per dependent payable by March at 12.5% interest*		
(Note: ¥2,000 payable at 12.5% interest, and ¥1,000 plus ¥300 payable by January 31 at 0% interest **)		
14. Ministry of Construction (12,017 employees)	¥ 4,780,000**	¥ 13,934,997
A. Overtime: all remaining balance (estimate: ¥1,159.607 x 12,017) ***		
B. Loans: ¥ 2,000 to ¥ 3,500 per employee payable by March 31 at 8% interest **		
15. Ministry of Finance (90,200 employees)	¥ 20,000,000**	¥ 90,200,000
A. Overtime: ¥ 1,000 per employee		
B. Loans: ¥1,000 per employee payable by March 31 at 2.8 sen interest per diem (¥10 per annum)		

16. Ministry of Transportation		
a. Administrative employees (27,600)**		¥ 32,005,153
A. Overtime: additional payment** (estimate ¥ 1,159.607x27,600)***		
b. Operating employees (522,095)		¥313,257,000
A. Overtime: ¥600 per employee*		
17. Ministry of Welfare ** (46,200 employees)		¥ 53,573,843
A. Overtime: all remaining overtime balance (estimate: ¥ 1,159.607 x 46,200) ***		
18. Ministry for Foreign Affairs**	¥ 500,000	
B. Loans: ¥ 1,000 per married, ¥ 500 per single employee at 0% interest		
TOTAL	¥ 52,157,000	¥ 1,595,714,395

COMBINED TOTAL: ¥ 1,647,871,395

Notes: A. represents explanation of various forms of payments from National Treasury

B. represents explanation of nature of loans

* denotes figure quoted from report of Office of New Pay Administration in cases where two differing figures were available, or where the other report failed to present any similar data

** denotes figure quoted from report of National Personnel Authority in cases where two differing figures were available, or where the other report failed to present any similar data

*** denotes figures obtained by estimate where the information was insufficient to make more accurate calculation. This estimate was made by finding the average granted in one form or another to each employee in all cases where the data was sufficiently specific, and multiplying this average by the number of employees in the agency concerning which the information was incomplete.

WALTER DOMANOWSKI
Compensation Specialist.

WD:mvb

C
O
P
Y

Exhibit II

National Personnel Authority

January 17, 1949

To:

Mr. Blaine Hoover,

Chief of Civil Service Division,

Government Section, GHQ, SCAP

Report on Investigation in connection with the Payment of Special Allowances at the Year-end of 1948

I hereby submit a report on the investigation made by the Investigation Division of this National Personnel Authority's Secretariat up to January 17, 1949 into the payment of special allowances at the year-end period of 1948 to employees of various government agencies.

Sato Tomoo
Director-General of
National Personnel Authority

1. Attorney-General's Office

Each employee received an over-time allowance as for 15 hours on a uniform basis in addition to a sum of Yen 500 per capita.

2. Ministry of Education

A total sum of Yen 3,857,000 was borrowed from the Japan Education Society by the Chief of Accounting Section in his private capacity and a sum of Yen 3,000 each for those employees who have dependents and a sum of Yen 1,500 each for unmarried employees was advanced on the condition to refund the same by January 31, 1949 with interest at 6 percent per annum. Total number of employees who borrowed the fund is 1,834 persons.

3. Ministry of Agriculture and Forestry

a. As an over-time allowance, a sum of Yen 2,000 each for those employees who have dependents and a sum Yen 1,000 each for unmarried employees was issued to all employees regardless of the number of their over-time work hours, except, however, employees of the Staple Food Control Bureau.

b. Necessary fees for purchasing season tickets were loaned to the employees from the fund of the mutual aid association on the condition to refund the same within 6 months on a monthly instalment plan without interest.

c. A total sum of Yen 6,000,000 was borrowed from the mutual aid association by the Chief of Accounting Section in his private capacity for the purpose of advancing to all employees a sum of Yen 1,000 each on the condition to repay the same by the end of March, 1949 without interest. In addition to the above, a sum of 2,000,000 was borrowed from an unknown source for the same purpose.

d. In the local staple food control offices, employees were issued the outstanding balance of the Special travelling expenses from April to November, 1948, which had been caused by the increase of its fixed amount. The average amount was Yen 10,000 per capita. As the result of such payment, the employees of the Staple Food Control Bureau, it is reported, received Yen 3,000 to Yen 5,000 per capita from the fund raised by the employees of the local offices.

4. Ministry of Commerce and Industry

a. The shortages and outstanding balance of the over-time allowance for hours of the actual over-time work after June, 1948 were liquidated. The average amount per capita was Yen 2,425 and the total amount issued was Yen 10,914,000.

b. The salary for the second half month of December was issued in advance on 17th, the necessary fund therefor having been borrowed from a private banking institution in the name of the Commerce and Industry Association. The interest was defrayed by that association.

Fees for purchasing season tickets were loaned by the Commerce and Industry Association through the employees union to those employees who had applied for loan.

5. Ministry of Communications

a. Non-operating employees

A sum of Yen 800 to Yen 2,000 (minimum amount Yen 800) was issued to each non-operating employee to cover the shortages in over-time allowance for April to December. Total amount was Yen 50,000,000.

b. Operating employees

A sum of Yen 800 to Yen 2,000 per capita was issued to operating employees to make adjustment payment of the special work allowances for April to December under the Cabinet Order No. 323, 1948, which represented a total of 30 percent of base pay and special work allowance under the 3,791 yen pay plan.

The total amount is Yen 350,000,000.

6. Ministry of Labor

a. A sum of Yen 500 or over was issued to employees within the limit of the outstanding payment for the hours of their over-time work in the preceding period.

b. A total sum of Yen 4,000,000 was borrowed from the Fuji Bank by the Chief of Minister's Secretariat in his private capacity with the interest at 12.5 percent per annum. A sum of Yen 2,000 per capita was loaned from that fund to those employees who applied to borrow on the condition to refund the same by the end of March, 1949.

In addition to the above, a sum of Yen 1,000 for each employee and Yen 300 for each of their dependents was loaned without interest by the mutual aid association on the condition to refund the same from their salaries for January, 1949.

7. Ministry of Finance

a. A sum of Yen 1,000 was issued to each of the employees as roughly estimated payment of the outstanding balance of the over-time allowance due to them.

b. A sum of Yen 1,000 or less per capita was loaned to each employee on the condition to refund the same from salaries for January to March of 1949 with interest at 2.8 sen per day. Total sum amounting to Yen 20,000,000 was borrowed from the Financial Society of Financial Ministry.

8. National Personnel Authority

a. Additional over-time allowance for 28 hours (inclusive of tax) on an average was issued to each employee beside the regular over-time allowance for November, 1948 which was paid early in December.

b. At the end of December, a sum of Yen 2,000 per capita was advanced to those employees who had applied to borrow on the condition to refund the same by the end of March, 1949.

9. Economic Stabilization Board

A. A total sum of Yen 500,000 was disbursed from the social expense fund and advanced approximately Yen 2,000 to those employees who are in need on the condition to refund the same from salary for January, February and March of 1949.

10. Price Board

a. A sum of Yen 2,000 per capita was advanced without interest to those applicants on the condition to refund the same from the salary for January, February and March of 1949 from the fund amounting to Yen 1,100,000 of which Yen 600,000 was borrowed from the Farming Tool Assessment Committee and Yen 500,000 from the Central Price Assessment Committee in the name of the Employees Cooperative Association.

11. Special Procurement Board

a. An average sum of Yen 3,000 was issued to each employee to liquidate the shortage of the over-time allowance for June to October. As an over-time allowance for the month of November, a sum of 10 percent over the average amount of the over-time allowance for the hours of the actual over-time work was paid.

12. National Rural Police Headquarters

a. As the over-time allowance for December, the payment was made within the maximum of Yen 1,000 in proportion to the actual hours of the over-time work of the preceding period.

13. Ministry of Welfare

a. Total sum of the outstanding balance of the over-time allowance for the months up to October and a portion of the same allowance for November and December were paid to employees en bloc at the end of December (This ministry has national hospitals, etc. under its jurisdiction, employees of which owing to the special character of the duties, have to work for many hours in excess of their regular work hours, but their over-time allowances have been postponed until December for budgetary reasons.)

14. Ministry of Construction

a. The outstanding balance of the over-time allowance for the months up to December 20 was paid to employees.

b. A sum of Yen 2,000 to Yen 3,500 per capita was advanced to employees with interest at 8 percent on the condition to refund the same on a monthly instalment plan by the end of March, 1949. The total sum of Yen 4,780,000 was borrowed, in the name of the Chief of Minister's Secretariat of which Yen 2,350,000 was from the Fuji Trust Bank and the Chuo Trust Bank with interest at 3 sen per day and 2 sen per day, respectively, and Yen 2,430,000 was from the Mutual Aid Association with interest at 6 percent).

15. Ministry of Transportation (a part of general account)

a. The additional payment of the over-time allowance was made in bureaus and divisions taking the budget for the period up to March, 1949 in consideration.

16. Ministry for Foreign Affairs

a. A sum of Yen 500 per capita for unmarried employees and sum of Yen 1,000 per capita for those having dependents was advanced to those needies who applied for borrowing from the fund amounting to Yen 500,000 which had been borrowed without interest from the Seirei-kai Association (the employees mutual aid association) on a monthly instalment plan.

17. The Supreme Court

Over-time allowance amounting to average 30 hours per capita was uniformly paid.

18. Board of Audit

a. A sum of Yen 2,000 per capita was advanced to each employee on the condition to refund the same by June, 1949 without interest. Total sum of Yen 2,400,000 used for this purpose was borrowed from the Chiyoda Bank, the Sanwa Bank and other banking institution.

Remarks:

The above are the factual investigations only on those funds which had been paid as the so-called year-end allowance, and do not cover improper payments of overtime allowances effected monthly or those measures taken for readjustment of salaries (all-round raise in salary grade).

Exhibit III

CIVIL SERVICE DIVISION
Government Section

24 January 1949

MEMORANDUM FOR: Mr. Blaine Hoover, Chief, Civil Service Division, Government Section, GHQ, SCAP

SUBJECT : Cost of year-end special allowances as reported by Mr. Sato Tomoa, Director-General of the National Personnel Authority

	Loans	Payments from Treasury
1. Attorney-General's Office (including Procurators' Offices) Overtime: 15 hrs. per employee Grant : ¥ 500 per employee		¥ 52,658,950
2. Ministry of Education Loans to be paid by March 31 at 6% interest ¥ 3,000 to married, ¥ 1,500 to single employees	¥ 3,857,000	
3. Ministry of Agriculture and Forestry a. Ministry other than Staple Food Control Bureau Overtime at ¥ 2,000 to married, ¥ 1,000 to single employees, average being ¥ 1,553.35 for 53,455 employees. Loans from Mutual Aid Ass'n at 0% interest payable by March 31.	¥ 8,000,000	¥ 83,034,324
b. Staple Food Control Bureau (1) Field Offices ¥ 10,000 from unused travel allowance to each of 33,634		¥336,340,000
(2) Bureau employees ¥ 3,000 to ¥ 5,000 from same to 704 employees		¥ 2,824,000
4. Ministry of Commerce and Industry Overtime unliquidated since June at ¥ 2,425 per employee Loans: amount and conditions not specified	?	¥ 10,914,000

5. Ministry of Communications a. Administrative employees Overtime at ¥ 800 to ¥ 2,000 per employee		¥ 50,000,000
b. Operating employees Special work allowances adjustments from ¥ 800 to ¥ 2,000 equal to 30% of ¥ 3791 base pay		¥350,000,000
6. Ministry of Labor Overtime: ¥ 500 or more per employee Loans: ¥ 2,000 per employee payable by March 31 at 12½% int. and ¥ 1,000 plus ¥ 300 per dependent payable by Jan. 31 at 0% int.	¥ 4,000,000	¥ 9,600,500 (min.)
7. Ministry of Finance Overtime: ¥ 1,000 per employee Loans from Financial Society of Ministry: ¥ 1,000 payable by March 31 at an interest rate of 2.8 Sen per day (about ¥ 10 per annum)	¥20,000,000	¥ 90,200,000
8. National Personnel Authority Overtime: 28 hrs per employee Loans: ¥ 2,000 per employee payable March 31	¥ 1,386,000	¥ 426,888
9. Economic Stabilization Board Loans: ¥ 2,000 payable by March 31	¥ 500,000	
10. Price Board Loans: ¥ 2,000 payable by March 31	¥ 1,100,000	
11. Special Procurement Board Overtime: ¥ 3,000 per employee for June through October plus 10% for overtime during November		¥ 9,695,400
12. National Rural Police Headquarters Overtime: up to but not over ¥ 1,000 yen per employee (estimate made of ¥ 20,000,000 cost)		¥ 20,000,000
13. Ministry of Welfare Overtime: all remaining overtime balance distributed (estimate: ¥ 793.66 x 46,200)		¥ 36,667,092

14.	Ministry of Construction Overtime: all remaining overtime balance (est: ¥ 793.66 x 12,017) Loans: ¥ 2,000 to ¥ 3,500 per employee at 8% interest payable by March 31	¥ 4,780,000	¥ 9,537,412
15.	Ministry of Transportation (administrative employees) Overtime: additional payment of allowance for O.T. (est. ¥793.66 x 27,600)		¥ 21,905,016
16.	Ministry for Foreign Affairs Loans: ¥ 1,000 for married, ¥ 500 for single employees at 0% interest	¥ 500,000	
17.	Supreme Court Overtime: 30 hrs per employee (¥ 660 x 11,699)		¥ 7,721,340
18.	Board of Audit Loans: ¥ 2,000 per employee payable by June at 0% interest	¥2,400,000	
TOTAL	. . . . .	¥ 46,523,000	¥ 1,181,524,922

Combined Total ¥1,228,047,992

Walter P. Domanowski

WALTER P. DOMANOWSKI
Compensation Specialist

WPD:jb

Exhibit IV

OFFICE OF NEW PAY ADMINISTRATION

14 January 1949

We hereby submit report on our investigation into the delivery of funds at the year-end period of 1948 to government employees among Ministries and other agencies of Government.

(Note:
In the following the category A presents every case involved in the payment of overtime allowances in which payments were estimated at the working in excess of overwork hours actually ordered to serve for the month November or December.

The category B presents every case involved in the advancement of funds to employees by means of borrowings from financial institutions, employees' consumption association or other outside bodies.

The category C presents every case involved in balance payments of various allowances based on Cabinet Orders and other regulations.)

Supreme Court:

A - Overtime allowance amounting to average 30 overwork hours per head was paid.

Board of Audit:

B - A sum of 2,000 yen per head was given for each employee on the condition to reimburse it by June of 1949 without interest. The total sum of 2.4 million yen used for this purpose was borrowed from the Chiyoda Bank, the Sanwa Bank and other banking institutions.

National Personnel Authority:

A - Overtime allowance amounting to 600 yen (inclusive of tax) per head was issued.

B - A sum of 2,000 yen per head was advanced to each employee on the condition to repay it by March of 1949 without interest. The total sum borrowed is one million yen.

Economic Stabilization Board:

B - Average 400 yen per head (the highest 2,000 yen) was advanced on the condition to repay it without interest from salaries for January, February and March of 1949. The total sum borrowed for the purpose amounts to 520,000 yen.

Price Board:

B - A sum of 2,000 yen per head was advanced to applicants on the condition to repay it without interest from salaries for January, February and March of 1949. The total sum of 1.1 million yen was borrowed, of which 500,000 yen was from the Central Price Assessment Committee in the name of the employees' consumption association and 600,000 yen was from the Farming Tools Assessment Committee in the name of the workers union.

Special Procurement Board:

A - Average 3,000 yen per head was paid to cover the deficit of overtime allowance for the months June to October and to make the payment for November 10 percent over actual overtime hours worked for October.

National Rural Police Headquarters:

A - Balanced payment of Overtime allowance since September was made at the maximum amount of 1,000 yen (Average 2,000 yen per head inclusive of overtime allowance for November.)

Attorney General's Office:

A - Beside a sum of 500 yen per head balanced payment as for 15 hours was issued to all employees.

Education Ministry:

B - A sum of 3,000 yen for those having dependents and 1,500 yen for bachelors was advanced on the condition to repay it by January 31, 1949 with interest of 6 percent per annum. The total sum of 3,857,000 yen was borrowed in the private name of the chief of the Accounting Section and issued to 1,834 employees.

Agriculture and Forestry Ministry:

A - A sum of 2,000 yen for those having dependents and 1,000 yen for bachelor was issued to all employees exclusive of those belonging to the Staple Food Control Bureau, irrespective of overtime hours actually worked.

B - A sum of 1,000 yen per head was advanced to employees on the condition to repay it by March 31, 1949 without interest. The total of 8 million yen was borrowed for this purpose from the mutual aid association, and another 6 million yen was advanced in the private name of the chief of the Accounting Section of the Ministry.

C - The difference of pay for April to November, amounting to average 10,000 yen per head, which results from the increase of the fixed amount of travelling expenses, was issued to employees at the food control offices.

It has been reported that as a result of such payment Staple Food Control Bureau employees received 3,000 to 5,000 yen per head from the fund raised by the said employees.

Commerce and Industry Ministry:

A - A sum of average 2,425 yen per head was issued for overtime hours worked after June to make adjustment to the deficit or to pay outstanding portion of the allowance.

Communications Ministry:

A - A sum of 800 to 2,000 yen per head was issued to non-field workers to cover the deficit of overtime allowance for April to December. The total sum amounts to 50 million yen.

C - A sum of 800 to 2,000 yen per head was issued to field workers to make adjustment payment of special work allowances for April to December under the Cabinet Order No. 323, 1948 which represents a total of 30 percent of base pay and special work allowance thereto under the 3,791 yen pay plan. This amounts to total 350 million yen.

Labor Ministry:

A - A sum of 500 yen was given to cover outstanding payment for overtime work hours rendered in the preceding period.

B - A sum of 1,000 yen per head and additional 300 yen for each of dependents was advanced to employees on the condition to repay it from salary of January 1949 without interest, by means of borrowing from the mutual aid association.

Construction Ministry:

B. - A sum of 2,000 yen per head was also advanced to applicants on the condition to repay it by March 1949 with interest of 3 sen per day, with a total sum amounting to 4 million yen which was borrowed from the Fuji Bank with interest of 12.5 percent per annum in the name of the Chief of the Secretariat of the Ministry.

Finance Ministry:

A - A sum of 1,000 yen per head was issued to all employees for roughly estimated payment of the outstanding portion of overtime allowances.

B - A sum of 1,000 yen or less per head was advanced to employees on the condition to repay it from salaries for January to March of 1949 with interest of 2.8 sen per day, with a total sum amounting to 2 million yen which was borrowed from the Financial Society of Finance Ministry.

Transportation Ministry:

A - A sum of 600 yen per head was given to railway enterprise workers as a reward for their effort to increase traffic efficiency.

Note:

While it is explained among Ministries and other agencies that balance payments of overtime allowance have been made for the purpose of covering the deficit or outstanding portion raised by budgetary restrictions which disturbed payment of the allowance with full and reasonable amount for overtime hours actually worked, it is construed that some ministries and agencies issued the allowance in equal amount to all employees within the limit of budgetary appropriation regardless actual work hours.

Exhibit V

CIVIL SERVICE DIVISION
Government Section

26 January 1949

MEMORANDUM FOR: Mr. Blaine Hoover, Chief, Civil Service Division

SUBJECT : Cost of year-end special allowances as reported on January 14, 1949, by the Office of New Pay Administration

	Loans	Payments from Treasury
1. Supreme Court A. Overtime: 30 hours per employee (¥ 660 x 11,699)		¥ 7,721,340
2. Board of Audit B. Loans: ¥ 2,000 per employee payable by June at 0% interest	¥ 2,400,000	
3. National Personnel Authority A. Overtime: Allowance of ¥600 per employee B. Loans: ¥2,000 per employee payable by March at 0% interest	¥ 1,000,000	¥ 415,800
4. Economic Stabilization Board B. Loans: ¥400 to ¥2,000 per employee payable by March at 0% interest	¥ 520,000	
5. Price Board B. Loans: ¥2,000 per employee payable by March at 0% interest	¥ 1,100,000	
6. Special Procurement Board A. Overtime: ¥ 3,000 per employee for June through October plus 10% over actual overtime worked in November (3,300 x 2,938)		¥ 9,695,500
7. National Rural Police Headquarters A. Overtime: ¥1,000 per employee for September and October plus ¥2,000 for November		¥ 133,503,000
8. Attorney-General's Office (including Procurators) A. Grant: ¥500 per employee plus overtime: 15 hours per employee (¥330)		¥ 52,658,950
9. Ministry of Education B. Loans: ¥3,000 per married, ¥1500 per single employee payable by January 31 at 6% interest.	¥ 3,857,000	

MEMO FOR MR. HOOVER 26 January 1949

10. Ministry of Agriculture and Forestry		
a. Ministry other than Staple Food Control Bureau (53,455 employees)	¥ 14,000,000	¥ 83,034,324
A. Overtime: ¥2,000 per married, ¥1,000 per single employee (average ¥1,553.35)		
B. Loans: ¥1,000 per employee payable by March 31 at 0% interest		
b. Staple Food Control Bureau		
(1) Field Offices (33,634 employees)		¥ 336,340,000
A. Unused Travel Allowance: ¥10,000 per employee		
(2) Bureau employees		¥ 2,824,000
A. Unused Travel Allowance: ¥3,000 to 5,000 per employee		
11. Ministry of Commerce and Industry		¥ 56,939,000
A. Overtime: ¥2,425 per employee		
12. Ministry of Communications		
a. Non-field workers		¥ 50,000,000
A. Overtime: ¥800 to ¥2,000 per employee		
b. Field workers		¥ 350,000,000
A. Special work allowances: ¥800 to ¥2,000 per employee equal to 30% of ¥3791 base pay		
13. Ministry of Labor	¥ 4,000,000	¥ 9,600,500
A. Overtime: ¥500 per employee		
B. Loans: ¥1,000 per employee plus ¥300 per dependent payable by March at 12.5% interest		
14. Ministry of Construction	¥ 4,000,000	
B. Loans: ¥2,000 per employee payable by March at 3 sen per diem interest (¥11 per annum)		
15. Ministry of Finance	¥ 2,000,000	¥ 90,200,000
A. Overtime: ¥1,000 per employee		
B. Loans: ¥1,000 or less per employee payable by March at 2.8 sen per diem interest (¥10 per annum)		
16. Ministry of Transportation (Operating employees)		¥ 313,257,000
A. Overtime: ¥600 per employee		
TOTAL	¥ 32,877,000	¥1,496,189,314
Combined Total . . . . . ¥ 1,529,066,314		

WALTER P. DOMANOWSKI
Compensation Specialist

WPD:jb

NPA Compensation file

GOVERNMENT SECTION
CIVIL SERVICE DIVISION

18 January 1949

MEMORANDUM FOR : Mr. Blaine Hoover
Chief, Civil Service Division

SUBJECT : Year-End Loans to National Personnel Authority Employees per Secret Report.

At your request I discussed the report we had received relative to year-end loans to employees of the National Personnel Authority with the three commissioners, Dr. Asai, Messrs Yamashita and Ueno and Mister Sato, Director General of the National Personnel Authority.

Take special action

The item mentioned under "A" was the amount of money which the various agencies had been ordered to pay to their employees immediately after the first of December 1948 to bring their overtime accounts up to date. This was money which the employees had earned by working overtime and was paid to them by the National Personnel Authority on 6 December 1948.

Item "B" concerning the advance of ¥2,000 per person to be repaid by March of 1949 without interest was then discussed with the commissioners and Mr. Sato. In the majority of ministries this matter of year-end loans to employees is handled by the employee associations; however, the employee association of the National Personnel Authority was not strong enough nor had enough money to adequately handle this matter for their employees. Therefore the association representatives went to Mr. Sato with the request that the section chiefs be requested to secure the necessary money from a bank. Approximately twenty section chiefs, including Mr. Sato, agreed to do this and this group of individuals, chairmaned by Mr. Sato became the signors on a loan of approximately ¥1,000,000 from the Peoples Bank. This bank is an independent organization with its funds guaranteed by the government but is not government controlled.

Before the arrangements were made, the matter was discussed with the Board of Audit who gave their approval. It was pointed out by Dr. Asai that legally it did not require the Board of Audit's approval but it was a matter of custom for the various ministries and independent agencies who contemplated such borrowing and loans for their employees, to discuss them with the Board of Audit and secure their approval prior to entering into such arrangements. The employees were advised that the money was available and that those who needed it could secure a loan.

Each loan was guaranteed by the individual employee signing a lien against his salary check, the money to be deducted from the payrolls of February and March. Dr. Asai pointed out that there were three points to be remembered in this transaction:

1. No public funds were used;
2. The loan was handled with the Peoples Bank as an individual transaction between the section chiefs and the bank and that the name of the National Personnel Authority did not enter into the transaction nor appear as guarantor for the funds;
3. The Peoples Bank was a special bank established under the auspices of the national government for the special purpose of providing individual small loans, particularly to government employees.

It was ascertained that if the individual borrower died before the loan was repaid, the money could legally be secured from the funds due the family by the government under the death benefits.

The Board of Audit directed Mr. Sato's attention to the fact that if the National Personnel Authority did not assist their employees with this year-end loan, they would be the only government agency not doing so in the Japanese government. It was pointed out for the record, that this is a rather old Japanese custom where the individual, be he a government employee or a private employee, borrows money from a bank or loan agency with which to pay up his many small accounts to individual merchants, purchase year-end gifts and provide special food and drink for entertainment for his family and friends.

Mr. Sato stated that the Prime Minister's Office, the Ministry of Commerce and Industry and the Finance Ministry all maintained special funds from which the employee might borrow at theyear's end. The majority of other agencies handled this year-end loan through their employee associations, or, as the case of the National Personnel Authority, by certain high-ranking employees of the organization securing personal loans from banks to re-loan to their employees.

The commissioners' attention was called to the fact that this matter should have been discussed with Mr. Hoover prior to their decision as to how the matter was to be handled and they were cautioned that in the future all such matters relative to the operation of the National Personnel Authority should be brought to Mr. Hoover's attention with all pertinent facts relative to customs, etc., being detailed for his information.

W. Pierce MacCoy

W. PIERCE MacCOY
Deputy Chief
Civil Service Division

WPM/hm

CIVIL SERVICE DIVISION
Government Section

13 January 1949

MEMORANDUM FOR: Mr. Blaine Hoover, Chief, Civil Service Division

SUBJECT : Investigation as to the payment of year-end bonuses by the various Ministries and Agencies of the Japanese Government.

1. Rough draft covering investigation as to payments of year-end bonuses in advance of funds to government employees by the various ministries and agencies was received in this office at 1600 hours today.

2. A complete draft is to be delivered to Mr. DeAngeles of the Classification-Compensation Branch on Friday, 14 January, 1949, and he has been instructed to deliver the report to you as soon as it is received in this office.

JBB

JESSE B. BETTIS,
Compensation Specialist.

JBB:mvb

14 January, 1949

We hereby submit report on our investigation into the delivery of funds at the yearend period of 1948 to government employees among Ministries and other agencies of Government.

(Note:

In the following the category A presents every case involved in the payment of overtime allowances in which payments were estimated at the working in excess of overwork hours actually ordered to serve for the month November or December.

The category B presents every case involved in the advancement of funds to employees by means of borrowings from financial institutions, employees' consumption association or other outside bodies.

The category C presents every case involved in balances payments of various allowances based on Cabinet Orders and other regulations.)

Supreme Court:

A - Overtime allowance amounting to average 30 overwork hours per head was paid.

Board of Audit:

B - A sum of 2,000 yen per head was given for each employee on the condition to reimburse it by June of 1949 without interest. The total sum of 2.4 million yen used for this purpose was borrowed from the Chiyoda Bank, the Sanwa Bank and other banking institutions.

National Personnel Authority:

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matter handled by Sec. chiefs. (approx 20 inc Sato) borrowed from People's Bank 12/24 (?)

A - Overtime allowance amounting to 600 yen (inclusive of tax) per head was issued.

Board of Audit approved To be deducted from Feb + March

B - A sum of 2,000 yen per head was advanced to each employee on the condition to repay it by March of 1949 without interest. The total sum borrowed is one million yen.

NPA Employees Assn. req. the NPA to handle it in this manner

Economic Stabilization Board:

1 - No Public funds
2 - Not under banner of NPA
3 - Spl. Bank for this purpose.

B - Average 400 yen per head (the highest 2,000 yen) was advanced on the condition to repay it without interest from salaries for January, February and March of 1949. The total sum borrowed for the purposed amounts to 520,000 yen.

Price Board:

B - A sum of 2,000 yen per head was advanced to applicants on the condition to repay it without interest from salaries for January, February and March of 1949. The total sum of 1.1 million yen was borrowed, of which 500,000 yen was from the Central Price Assessment Committee in the name of the employees' consumption association and 600,000 yen was from the Farming Tools Assessment Committee in the name of the workers union.

Special Procurement Board:

A - Average 3,000 yen per head was paid to cover the deficit of overtime allowance for the months June to October and to make the payment for November 10 percent over actual overtime hours worked for October.

National Rural Police Headquarters:

A - Balanced payment of Overtime allowance since September was made at the maximum amount of 1,000 yen (Average 2,000 yen per head inclusive of overtime allowance for November.)

Attorney General's Office:

A - Beside a sum of 500 yen per head balanced payment as for 15 hours was issued to all employees.

Monopoly Bureau:

WSBm 7/19/49

Education Ministry:

B - A sum of 3,000 yen for those having dependents and 1,500 yen for bachelors was advanced on the condition to repay it by January 31, 1949 with interest of 6 percent per annum. The total sum of 3,857,000 yen was borrowed in the private name of the chief of the Accounting Section and issued to 1,834 employees.

Agriculture and Forestry Ministry:

A - A sum of 2,000 yen for those having dependents and 1,000 yen for bachelor was issued to all employees exclusive of those belonging to the Staple Food Control Bureau, irrespective of overtime hours actually worked.

B - A sum of 1,000 yen per head was advanced to employees on the condition to repay it by March 31, 1949 without interest. The total of 8 million yen was borrowed for this purpose from the mutual aid association, and another 6 million yen was advanced in the private name of the chief of the Accounting Section of the Ministry.

C - The difference of pay for April to November, amounting to average 10,000 yen per head, which results from the increase of the fixed amount of travelling expenses, was issued to employees at the food control offices.

It has been reported that as a result of such payment Staple Food Control Bureau employees received 3,000 to 5,000 yen per head from the fund raised by the said employees.

Commerce and Industry Ministry:

A - A sum of average 2,425 yen per head was issued for overtime hours worked after June to make adjustment to the deficit or to pay outstanding portion of the allowance.

Communications Ministry:

A - A sum of 800 to 2,000 yen per head was issued to non-field workers to cover the deficit of overtime allowance for April to December.

The total sum amounts to 50 million yen.

WTR 1/18/49

C - A sum of 800 to 2,000 yen per head was issued to field workers to make adjustment payment of special work allowances for April to December under the Cabinet Order No. 323, 1948 which represents a total of 30 percent of base pay and special work allowance thereto under the 3,791 yen pay plan. This amounts to total 350 million yen.

Labor Ministry:

A - A sum of 500 yen ~~or larger amount~~ was given to cover outstanding payment for overtime work hours rendered in the preceding period.

B - A sum of 1,000 yen per head and additional 300 yen for each of dependents was advanced to employees on the condition to repay it from salary of January 1949 without interest , by means of borrowing from the mutual aid association.

Construction Ministry:

B - A sum of 2,000 yen per head was also advanced to applicants on the condition to repay it by March 1949 with interest of 3 sen per day, with a total sum amounting to 4 million yen which was borrowed from the Fuji Bank with interest of 12,5 percent per annum in the name of the Chief of the Secretariat of the Ministry.

Finance Ministry:

A - A sum of 1,000 yen per head was issued to all employees for roughly estimated payment of the outstanding portion of overtime allowances.

B - A sum of 1,000 yen or less per head was advanced to employees on the condition to repay it from salaries for January to March of 1949 with interest of 2.8 sen per day, with a total sum amounting to 2 million yen which was borrowed from the Financial Society of Finance Ministry.

Transportation Ministry:

B - A sum of 600 yen per head was given to railway enterprise workers as a reward for their effort to increase traffic efficiency.

Note:

While it is explained among Ministries and other agencies that balance payments of overtime allowance have been made for the purpose of covering the deficit or outstanding portion raised by budgetary restrictions which disturbed payment of the allowance with full and reasonable amount for overtime hours actually worked, it is construed that some ministries and agencies issued the allowance in equal amount to all employees within the limit of budgetary appropriation regardless actual work hours.

Jap Govt. - Special Allowances - file

18 Jan - 49

GOVERNMENT SECTION
CIVIL SERVICE DIVISION

11 January 1949

MEMORANDUM FOR : Mr. Blaine Hoover
Chief, Civil Service Division

SUBJECT : Payment of Year-End Funds to Government Workers.

In the Press Translations of 8 January I notice that an investigation has been started concerning payment of year-end funds by various ministries and independent offices to their workers contrary to the law passed by the Diet.

In view of Article 18 of the National Public Service Law which reads in part: "No compensation shall be paid or delivered to personnel of the service contrary to the rules or directives of the Authority," and Article 70 of the same law which reads: "In case it is discovered that compensation is paid contrary to law, order, rules or directives of the Authority, the Authority, besides taking appropriate steps in regard to the matters under its own jurisdiction shall, if it is deemed necessary according to its nature, report the case to the Board of Audit or the public procurator for action;" and Article 110, Item 6 of the same law which reads: "A person falling under one of the following cases shall be sentenced to not to exceed three years in penal servitude or fined not to exceed ¥100,000: *********"A person who pays or delivers compensation in violation of Article 18"; and Item 13 of the same Article which reads: "Any Commissioner who wilfully fails to take appropriate steps in regard to payment of compensation in violation of Article 70", and Article 111 of the same law which reads in part as follows: "A person who attempts to accomplish or who orders, wilfully permits, instigates, or is an accessory to the accomplishment of any of the acts enumerated in ********* Items 1 to 7 inclusive, 9 to 16 inclusive ***** of Article 110 shall be subject to the penalty prescribed in each of these Articles.

It would appear that the National Personnel Authority should take immediate steps to ascertain the extent of this illegal payment and to take disciplinary measures or recommend action to the public procurators for each individual who has been involved or connected officially with such illegal payment. In view of the fact that there is the penal clause directed at the Commissioners for failure to act in such manner makes it imperative that the

National Personnel Authority take official action at the earliest practicable moment.

It is noted in the newspaper item that ~~not much~~ no mention is made of the National Personnel Authority as being either interested in or connected with the investigations in any manner. The newspaper account indicates that the investigation is aimed at securing a return of the funds to the national treasury rather than discipline or punishment for the individuals who made or authorized such payments.

The National Personnel Authority should take <u>immediate</u> action on this particular item.

W. Pierce MacCoy

W. PIERCE MacCOY
Deputy Chief
Civil Service Division

WPM/hm

1/11/49 Reported To NPA for investigation report.
Letter to follow

~~Mr Hoover~~
Mr MacCoy

CIVIL SERVICE DIVISION
Government Section

January 10, 1949

MEMORANDUM FOR: The Record

SUBJECT : Questionable Year-end Bonuses

1. I asked Mr. Hatayama of the Office of New Pay Administration whether that office was aware of reports that many agencies in Tokyo and throughout Japan had, under one pretext or another, been making what was equivalent to year-end payments to their employees. He stated that the Office of New Pay Administration now had inspectors visiting the agencies to determine the extent and reasons for any such actions. He felt that a report could be submitted in English within the next two days.

2. It was clearly pointed out to him that actions of this kind appeared to be direct violations of SCAP policy as laid down at the time of the development of the New Pay Law in December 1948. This office was very much concerned with such reports and as complete a statement as possible should be submitted.

MACDONALD SALTER
Chief, Classification and Compensation Branch

MS:vr

Noted. 1/11/49
Mr MacCoy - Please return this memorandum to me for follow-up.