

New Trends in Japanese Businesses Employing International Students as New Graduates

By Keiji Takehara



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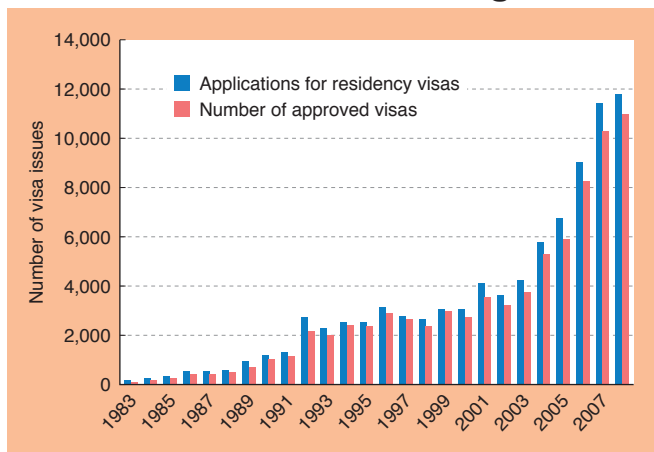
Japanese businesses traditionally hire newly graduating students every April, and once they join a Japanese corporation, the corporation invests years to carefully train and nurture these new hires as valuable human resources. The number of foreign workers in Japan is currently only 686,000 (data from the Japan Institute for Labour Policy and Training), and it is evident that new hires by Japanese businesses means the hiring of Japanese students.

New Trends in Japanese Businesses Hiring 10,000 International Students as New Graduates

In the past decade, however, Japanese businesses have gradually been showing greater interest in hiring foreign nationals. As is evident from *Chart 1*, over 10,000 international students are hired by

CHART 1

Trend in changes in resident status from student visa to working visa



Source: Immigration Bureau, the Ministry of Justice

TABLE

Plan for hiring international students graduating in 2015

	Hiring international students graduating from Japanese universities & graduate schools				Hiring international students graduating from overseas universities & graduate schools				Hiring Japanese international students graduating from overseas universities & graduate schools				
	N	Planned	Not planned	Undecided	N	Planned	Not planned	Undecided	N	Planned	Not planned	Undecided	
Total	771	30.5	46.0	23.5	709	13.3	60.9	25.8	721	21.4	47.9	30.8	
Number of employees	Less than 300	117	11.1	71.8	17.1	112	1.8	83.9	14.3	113	4.4	73.5	22.1
	300 to 999	240	22.5	51.3	26.3	225	7.6	70.2	22.2	225	16.4	53.3	30.2
	1000 to 4999	248	38.7	35.9	25.4	223	16.6	49.8	33.6	227	25.6	37.9	36.6
	More than 5000	71	57.7	21.1	21.1	64	40.6	28.1	31.3	67	49.3	22.4	28.4

Source: Future Employment Research Institute of Recruit Career Co., Ltd.

Japanese businesses every year. Until around 2004, the number of student visas issued was about 4,000. Now that number has changed, showing an increase in work visas to over 10,000. It is also worth noting that during the Lehman Shock in 2008 and 2009, although Japanese businesses opted to downsize the number of new hires considerably, the trend in the increase in work visas did not change, and more importantly the numbers continued to increase.

The same trend was also evident in a survey released in January 2014 by the Future Employment Research Institute of the Recruit Career Co., Ltd. (*Table*). The basic findings are that among big corporations (over 5,000 employees) over 57.7% (43.5% in 2013) were planning to hire international students. Looking at the industry average, which includes small and medium-sized enterprises, there is a sharp increase of 30.5% (20.9% in 2013).

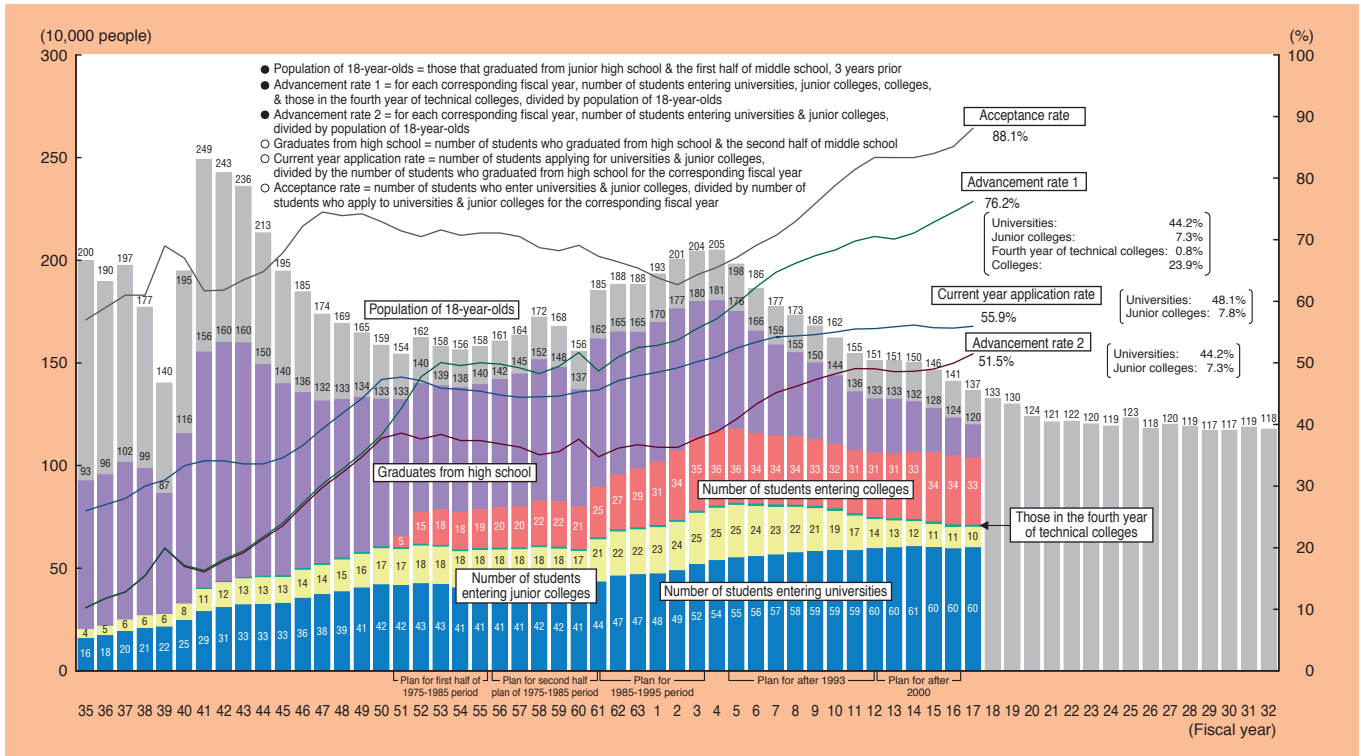
Reasons for Japanese Businesses Actively Hiring Foreign Nationals

(1) Increase in the need for non-Japanese human resources as a result of shift in corporate activities to Asia

In recent years, Japanese businesses have ended their expansion into the Chinese market and are now accelerating their expansion into ASEAN countries as their next target. The manufacturing

CHART 2

Population of 18-year-olds & trend in new students & applications to higher education institutions



Source: National Institute of Population and Social Security Research

industry is at the center of these corporate expansions, but the retail industry, the service industry, and food services are also accelerating their expansion into ASEAN countries, and there has been an increase in the number of new recruitments of non-Japanese (especially those from ASEAN countries) who are well-acquainted with the local market.

But recruitment of non-Japanese nationals as a result of overseas business expansion also creates complex challenges, notably the wage structure. If hired by a Japanese corporation, the starting salary ranges from 200,000 to 220,000 yen. After a few years of corporate training in Japan, if these new employees are sent to Asian nations (with large exchange rate gaps with Japan) as an expatriate relocating to work at the local subsidiary, it creates a huge gap in wages with the local university graduate students who were hired directly by the subsidiary. The corporations are unable to choose one or the other wage structure, and therefore the only current alternative is to set an arbitrary average wage between the Japanese parent corporation wage and the local subsidiary wage, and explain the differential as being the benefit package for the Japanese language skills or for executive training.

(2) Measures to counter decrease in number of Japanese students

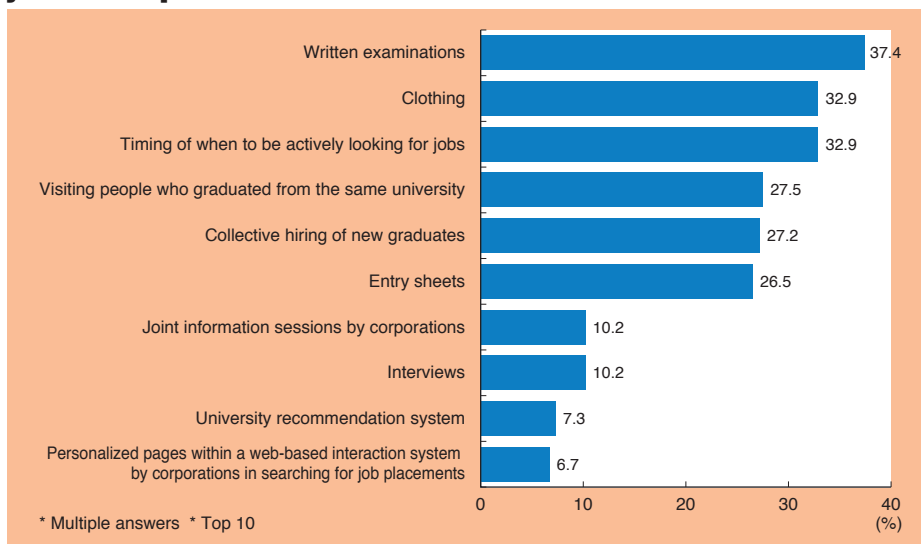
Another reason is to counter the sheer decrease in the number of Japanese university students. As can be seen in *Chart 2*, Japan's population of 18-year-olds has shown a dramatic decrease by 58% over the past 20 years. Comparing it to 2004, the number has decreased by 79%. In the last 20 years, the number of students applying to universities has risen sharply from 30% to 49.2% (according to a School Basic Survey by the Ministry of Culture, Education, Sports, Science, and Technology), but the challenge of quality and quantity of good human resources remains in Japan, and it is a fact that international students are seen as substitute human resources, and therefore gaining more attention.

(3) Measures to increase foreign tourism in Japan

Industries such as household electronics stores in large cities, retailers of cosmetic products, and service industries such as hotels have been actively hiring foreign nationals to meet the increasing number of foreign tourists coming to Japan. (Mainly from China, Taiwan, and South Korea, the three countries that make up 60% of all foreign tourists to Japan.) In particular, 50% of sales at central

CHART 3

Systems & norms of potential discomfort when looking for jobs in Japan



Source: "Research and Findings on Job Hunting Activities of International Students for Fiscal Year 2015" – DISCO Inc. survey published April 2014

Tokyo branches of the major household electronics stores are attributed to foreign tourists.

(4) Human resource policies and diversity

Human resource policies within Japanese businesses are increasingly placing importance on diversity, and the central themes of diversity have been utilizing women and hiring foreign nationals. This stems from the principle that meeting something foreign nurtures people into coming up with new innovations, and this is seen as becoming the underlying principle for human resources policies at Japanese businesses.

Challenges & Responses in Increasing New Hires of International Students

(1) Challenges to corporate recruiting activities

(a) Too much emphasis is placed on Japanese-language skills. Many Japanese businesses tend to require advanced business language skills, even from those who have passed the highest level of the Japanese Language Proficiency Test.

→ Japanese businesses need to adopt a more flexible hiring structure. For example, if the applicant has strong English skills, the applicant does not need to have the highest level of proficiency in the Japanese Language Proficiency Test.

(b) In employment examinations, many tests require advanced levels of understanding of the Japanese language, and this has been

a big obstacle for international students (Chart 3).

→ Swift introduction of a Language Ability Test for English, Japanese, or other major global languages is required.

(c) There are concerns about future career paths and what jobs will be assigned.

→ When posting recruitment information for international students, the focus should be on how non-Japanese employees across generations are working actively within the corporation, and it is necessary to craft innovative ways to offer recruitment information.

(2) Challenges in training foreign nationals after recruitment

This is a challenge seen in many Japanese corporations where once the

new employee joins the workforce, they are placed in job rotations as part of corporate training. Many Japanese corporations actively rotate employees by changing workplace and profession after three or four years, with the purpose of fostering a comprehensive perspective of the company. But many non-Japanese employees wish to specialize in a particular field and become an expert, and therefore the job rotation scheme creates a conflict for them.

Moreover, the Japanese method of spending years in training and nurturing human resources is seen by non-Japanese employees as a sign of limited opportunities to be promoted young, and they are often frustrated by the low linkage between work output and wages.

→ This policy and method of training human resources, which is unique to Japan, should be explained more carefully and thoroughly in guidance sessions and on other occasions, and the principles, the concepts, and the actual example should be explained before potential recruits join the workforce.

→ More cautions management should be considered and adopted when doing job rotations between professions.

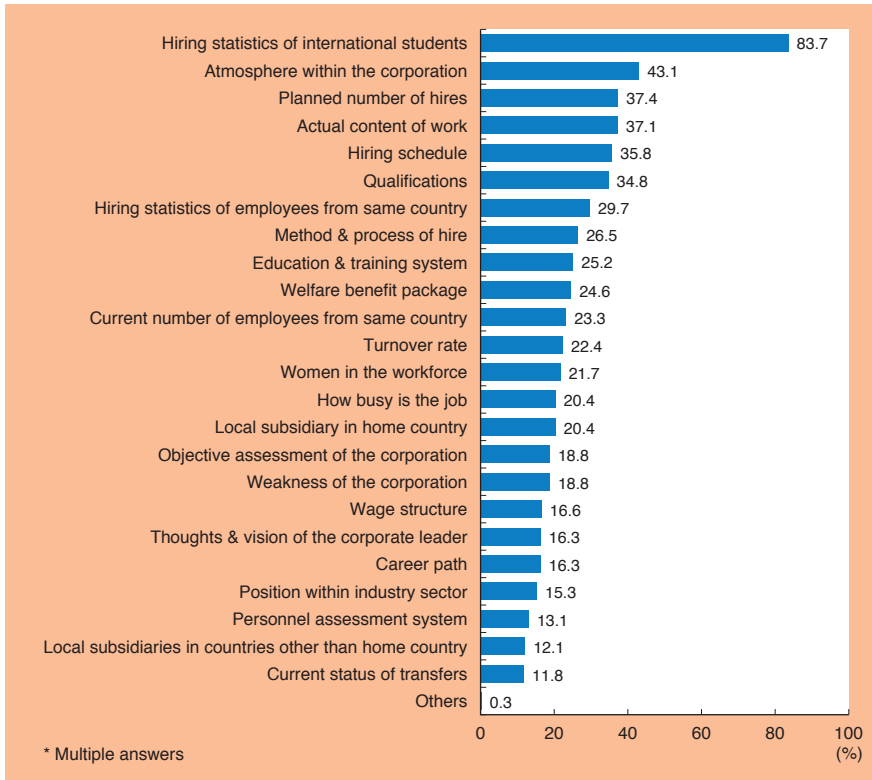
(3) Challenges and adjustments at universities delivering the human resources

(a) Improving Japanese-language proficiency

In looking at the core role of universities, acquiring a language is up to the individual students, but as previously stated, many Japanese businesses are expecting high levels of proficiency, and therefore the universities are expected to strengthen their education

CHART 4

Information needed to study the corporation



Source: "Research and Findings on Job Hunting Activities of International Students for Fiscal Year 2015" – DISCO Inc. survey published April 2014

tools by utilizing E-learning and IT etc.

At Tokyo University, where I was affiliated, every year there were four full-time lecturers and nine part-time lecturers to support the Japanese-language skills of 800 international students (total of 2,800 students). But this has its limitations.

(b) Early internships at various corporations should be introduced (during the summer vacation in the second year of university), so that students are able to familiarize themselves with the ways of thinking and the corporate culture, among other things, in Japanese businesses. The businesses, as stated earlier, are increasingly interested in international students, and an internship system is already in place for students, thereby presenting good opportunities.

(c) The choice should not just be whether international students should stay in Japan to work or go back to their home country to work. Rather, the students should be able to work and be active in any country in the world, and from that perspective they need to be able to capture the essence of issues, so Liberal Arts as a university curriculum needs to be strengthened so that students can understand and embrace foreign cultures and norms.

(d) Student visas are currently extended for international students

who are still looking for jobs after graduating from universities, and universities also need to strengthen the support mechanism for international students while they search for jobs. Such support strengthening will be critical in attracting outstanding students from around the world.

(4) Need for partial revision of Japan's Immigration Control and Refugee Recognition Act

Under the current Japanese immigration law, the basic premise for issuing a working visa is that the applicant is an advanced professional, and this is becoming harmful to many international students searching for jobs in Japan. There have been cases where international students were not permitted to change their student visas to working visas when offered a position at a Japanese corporation not in their field or outside their area of expertise, and this puts an enormous cap on talented international students searching for jobs in Japan. It is hoped that the basic premise of the Japanese government on how to utilize international human resources will change, so that Japan can accommodate

itself to actively hiring more international human resources.

Conclusion

The last decade has seen the basic trend sinking in at Japanese businesses hiring foreign nationals. This paper focused on international students residing in Japan, but in addition to these domestic movements there have been activities in major cities around the world to look for people to work in Japan.

On the other hand, challenges persist on the corporate side, the university side, and in Japan's basic policies towards foreign workers in Japan, and speedy improvements and actions are critical.

I end this paper with the hope that Japanese society, someday in the near future, will no longer see hiring foreign nationals as an exception, and have no need to talk about non-Japanese employees at all.

JS

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