

Rachelle Ang

National University of Singapore

Email: rachelle_ang@hotmail.com

How should Japanese companies utilize Asian human resources and contribute to Southeast Asian Countries?

Asia has been facing rapid economic growth in recent years, spearheaded by China and India. However, with the political instability between Japan and China and the rising manufacturing labor costs in certain Chinese provinces, Japanese firms are shifting towards the Southeast Asian markets in search for lower operational costs and better opportunities (Biswas, 2014).

The presence of Japanese firms has long been significant in many Southeast Asian countries, with a long-standing trend of Japanese firms investing in factories and offices in Southeast Asia (Biswas, 2014). Japan and the Association of Southeast Asian Nations (ASEAN) have also a history of cooperative partnership since 1973. In recent years, Japan has also looked towards boosting economic and political ties with ASEAN in its pursuits to tap on the region's economic dynamism as part of its own growth strategy Abenomics (Kawai, 2013).

Japanese companies can utilize Asian human resources via two main approaches. Firstly, Japanese firms which established their offices or factories in Southeast Asian countries can look into tapping the skills and expertise of the locals and provide training opportunities for these individuals. The next approach for utilizing Asian human resources is through the recruitment of qualified individuals to work in the Japan offices of these Japanese companies.

Recruitment of locals in Japanese firms' factories and offices in Southeast Asia

As ASEAN is the second largest trading partner for Japan, it is without doubt that Southeast Asia is a top destination for Japanese firms in Foreign Direct Investment (FDI). This naturally means that with more Japanese firms establishing their operations in Southeast Asia, human resource utilization will increase.

As Japanese companies build their bases in Southeast Asian countries, job opportunities increase, which in turn lead to better societies and economic development. For example, in Myanmar three Japanese trading companies are investing in the development of a new industrial estate. This benefits the Myanmar locals who can look towards more employment opportunities. Furthermore, the development of a new industrial estate could also accelerate the development of Myanmar's manufacturing export sector. In Vietnam, Philippines and Myanmar, investment by Japanese banks in establishing local operations could play a significant role in strengthening their domestic banking sectors (Biswas, 2014).

Southeast Asia typically consists of more developed countries like Singapore and Malaysia, as well as less-developed nations like Brunei Darussalam, Thailand, Indonesia, Cambodia, Philippines, Myanmar, Vietnam and Laos. In more developed countries, Japanese companies should utilize the knowledge-base of the locals, tapping on their skills and expertise in more sophisticated areas such as Business Administration (including Accounting, Finance, Operations, Management) and Strategy, Legal, Engineering, Information Technology and so on. Especially so in Singapore, where university graduates constitutes 26 per cent of the resident non-student population aged 25 years and over and where there is an overall of 40 per cent of the population aged 25 years

and over being tertiary educated¹, there is a strong knowledge base where most employees are effectively bilingual in English and a second language. A significant proportion of the younger generation have also learnt Japanese or are learning Japanese as part of the third language programme offered to secondary school students who have performed well in their primary school leaving examinations, or as part of an elective module in university, or even as part of private enrolment in language schools. This means that many locals in Singapore are interested in the Japanese language and are capable of attaining working proficiency of the language with more training. Hence, with competency in hard knowledge and language skills, technical skills and soft skills such as communication skills, there is a high quality workforce in Singapore and so Japanese companies can be assured of high quality output when utilizing the human capital in Singapore. To better utilize human resource, recruiting firms should go through thorough selection procedures to ensure better matching of candidates and jobs. Japanese companies can in turn contribute to the country by investing in training of the local staff, and giving opportunities for career advancements and experience of working abroad as a form of cultural exchange.

As mentioned above, Southeast Asia also consists of developing countries with a weaker knowledge base and lower education level. The locals from such countries tend to be more able in machinery related competency, electricity and electronic related competency, controlling system related competency and competency related to machine installation and maintenance (Chalamwong, Hongprayoon, and Suebnusorn, 2012). In respect to this, Japanese companies should utilize human resources in such countries by hiring these locals for more manual-based jobs, such as in production factories. To achieve better productivity and to benefit the locals, Japanese firms could emulate other

¹ http://www.singstat.gov.sg/publications/publications_and_papers/education_and_literacy/ssnmar13-pg1-7.pdf

foreign companies by conducting in-house training and sending higher-end workers overseas to the parent facilities for training and education, as well as bringing Japanese expatriate technical advisors to assist with operations and management. Of course, there are also highly educated and skilled workers in these less-developed countries and in order to utilize this human capital, job matching processes again have to be followed to match these suitable candidates to more sophisticated roles in the company.

Recruitment of Southeast Asia nationals as employees in Japan

To sustain economic growth in Japan in the future, a huge part of economic development would have to come through the stimulation of innovation in the areas of management, research and technology. In achieving this target, it is crucial to utilize not only domestic resources in Japan, but also outstanding human resources from the region and globally (Ministry of Economy, Trade and Industry, Japan, 2012). Together with globalization, internationalization is expected in the scope of corporate activities, and on this note, it is expected that foreign workers will play an active role in Japan in facilitating international business (Ministry of Economy, Trade and Industry, Japan, 2012).

Furthermore, with an aging population and population shrinkage, the Japanese population is projected to decline continuously in coming decades from 127 million in 2010 to 87 million in 2060 (National Institute of Population and Social Security Research 2012). Population aging and shrinkage is likely to discourage the investment in both equipment and human resources (Yashiro, 2012). To cope with a shrinking and aging population and in turn employee base, Japanese companies can utilize Asian human resources by employing Southeast Asian nationals in the Japan offices of the company.

Southeast Asian nationals who are highly educated and trained, and who are proficient in the Japanese language, should be utilized as a resource for Japanese companies. These individuals could exchange ideas and share skills and expertise with Japanese counterparts in the company, which could benefit the working methodologies of the companies in certain aspects. The fact that many of these Southeast Asian candidates are often highly effective in the English language, especially candidates from Singapore, Malaysia and the Philippines, and in a second language such as Chinese, brings certain advantages to these Japanese companies. This is because such candidates can facilitate communication with internal and external parties (with colleagues from other global offices or with clients from global countries), making operations more efficient and productive.

Improvements in the Japanese companies' employment system to better attract Asian human resources

While there are various ways where Japanese companies can utilize Asian human resources, the first step in recruiting such human capital is the attractiveness of the company. Although Japanese companies usually offer stable job security and welfare benefits, these benefits are often only available to Japanese residents and not foreign employees. Therefore, Japanese companies are in fact less attractive and are viewed as less favourable employers by Asian students, compared to American or European firms (Debroux, 2009).

Asian companies often model after American companies' human resource management (HRM) practices because the individual-oriented HRM dimensions such as individual performance evaluation, individual career

development and salary benchmarking are able to maintain a level of fairness at work (Debroux, 2009).

An efficient HRM system encompasses a balance of individualistic HRM dimensions such as individual performance evaluation and rewards, empowerment, and collective dimensions such as common goal and teamwork, information sharing, training and development, which are important in nurturing a 'high commitment' mindset in employees (Guest, 1995).

The best Japanese companies such as Toyota, Canon, Panasonic and others continue to offer a long-term job guarantee to their regular employees, together with an evaluation, reward and promotion system based on individual performance. Age and tenure are not part of the performance evaluation considerations (Debroux, 2006). In most of these 'attractive' companies, there exists a 'fast track' system which rewards better performing employees with faster career advancement and tangible monetary gains (Debroux, 2009).

As the Japanese labor markets are segmented between those who are guaranteed job security by the firm and those who are employed only in a fixed term contract, employees who fall under the latter category are usually not assigned responsible positions in the firm. This is one of the reasons why Japanese companies are not as attractive as a choice of employer for foreign workers. Another factor for under-representing professional foreign workers is a lack of flexibility in the Japanese labor markets (Yashiro 2011). Large firms emphasize investment in firm-specific human capital based on a long-term commitment, so that it takes more time for an outsider to play an important role in the Japanese firms. Since long-term employment guarantee is a basis for employees to concentrate on skill formation by rotating through various types of jobs in the firm (Yashiro 2011), Japanese companies should motivate foreign employees to achieve better productivity by offering longer-term contracts or better job

security. Next, firm-based labor unions are also an effective mechanism for providing flexibility of job transfers within a firm (Yashiro 2011).

Although life-time on-the-job training via frequent job rotations within the firm or firm groups enables the employee to learn many skills within his/her stay in the company, this is often accompanied by geographic relocation, which could impose large burden on the employee and his/her family. The persistent overtime hours worked in a Japanese firm is often also a deterrent for most foreign employees. If Japanese companies are able to switch to more flexible employment practices, such as providing an option of shorter hours of work for women with small children or for men who require paternity leave, Japanese companies would be more desirable as an employer choice for foreign workers. Currently, the number of Japanese firms who offer such flexibility is still limited to only about 10% of total firms (Yashiro 2011).

Conclusion

Japanese companies should utilize Asian human resources by first segmenting the potential candidates in terms of their educational level, their skills and area of expertise and their language ability. Candidates with higher level of education and with relevant expertise and language ability should be allocated associate-level and managerial positions, depending on their years of experience. Allowing Southeast Asians to have the opportunity to take on more planning and strategic roles in the firm would enable more diverse skills and commitment to the firm as these employees would feel appreciated and would feel a higher sense of responsibility to the firm. Candidates with less technical skills could be given more manual jobs, but with training and development opportunities. Offering more training and developmental opportunities as well as career advancement tracks to employees regardless of their area of expertise would be

a way to contribute to the employees and the Southeast Asian country they are from, since these valuable skills acquired through training would enable the employees to achieve higher personal development and a broader knowledge base so that they can pass on this knowledge to their countrymen who are less privileged.

To first establish the attractiveness of Japanese companies as an employer choice, Japanese companies should consider offering more stable job security and training and developmental opportunities to foreign employees. Although the level of benefits as compared to a Japanese employee is not equal, a standard career and salary progression scale should be applied. More flexible employment practices could also be an area of consideration for attracting longer-term employees with higher commitment level.

The utilization and nurturing of Asian human resources requires the responsibility of both the Japanese companies and foreign employees, working together towards a common interest, in order for the HRM system to function fairly and efficiently economically and socially.

References

- Beechler, S., Najjar, M., Ghosh, B.C., Dirdjosuparto, S., and Sieh, M. L. (1996). *Influences on Affiliate HRM Systems in Japanese MNCs in Southeast Asia*. Retrieved from http://www4.gsb.columbia.edu/filemgr?file_id=598464
- Biswas, R. (2014, July 25). *Japan shifting investments from China to ASEAN*. Retrieved from www.dw.de/japan-shifting-investments-from-china-to-asean/a-17809068
- Debroux, P. (2009). *The Evolution of Human Resource Management in East and South -East Asia*. Retrieved from http://keiei.soka.ac.jp/assets/pdf/keieironsyu/vol34_no2-3/philippe.pdf
- Effendi, S. (2008). *HUMAN RESOURCE DEVELOPMENT AND CAPACITY BUILDING IN SOUTHEAST ASIAN COUNTRIES*. Retrieved from <http://yuniawan.blog.unair.ac.id/files/2008/03/hrd3.pdf>
- Kawai, M. (2013, December 13). *New challenges for ASEAN–Japan relations: Celebrating the 40th year of ASEAN–Japan friendship and cooperation*. Retrieved from <http://www.asiapathways-adbi.org/2013/12/new-challenges-for-asean-japan-relations-celebrating-the-40th-year-of-asean-japan-friendship-and-cooperation/#sthash.adU9b2yZ.dpuf>
- Ministry of Economy, Trade and Industry, Japan. (2012). Retrieved from <http://www.meti.go.jp/english/report/downloadfiles/gIT0332e.pdf>
- Teo, Z. Singapore Department of Statistics. (2013, March). *Statistics Singapore Newsletter March 2013 Educational Profile of Singapore Resident Non-Students, 2002 – 2012*. Retrieved from http://www.singstat.gov.sg/publications/publications_and_papers/education_and_literacy/ssn_mar13-pg1-7.pdf
- Vits, C. (2014, May 27). *Southeast Asia might struggle to sustain rapid economic expansion with the world's growth patterns beginning to transform*. Retrieved from <http://focus-asean.com/facing-economic-growth-south-east-asia-challenge-focus-asean/>
- Yashiro, N. (2011). *Human capital in Japan's Demographic Transitions: Implications for other Asian countries*. Retrieved from <http://www.eaber.org/sites/default/files/paftad/chp%204%20Yashiro%20final.pdf>