

Recent Recruitment Trends in Japan



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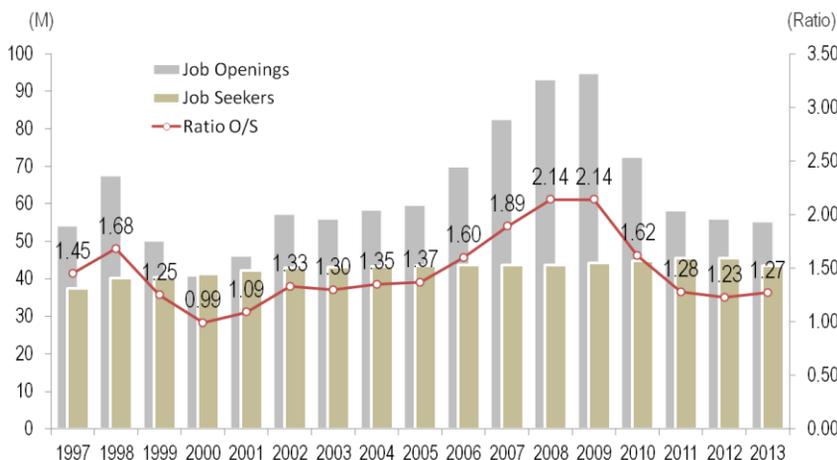
The Global Financial Crisis and Opportunity

Japanese recruitment practices have been forced to adapt with the rapidly changing economic environment that companies are currently facing. Prior to the Global Financial Crisis (GFC) in 2008, corporations in Japan were steadily increasing their hiring of new graduates. Many large companies increased the number of recruits for four consecutive years leading up to 2007. In 2007, around 44 percent of the companies surveyed indicated they would further increase their hiring in 2008 (DISCO Inc. survey). Data from the Works Institute clearly shows a drastic decrease in the number of available positions following the economic crisis.

Cutbacks in budgets since the GFC have significantly reduced the number of recruitment activities HR departments participate in; along with the number of 'Shinsotsu' they are able to recruit for the year. In 2009, a sudden and drastic cut in hiring left 2010 graduates with far fewer jobs than in previous year. According to the Nikkei Keizai Shimbun (Nikkei Economic Daily Newspaper), in 2009 companies made 13% fewer job offers than in the previous years. For students graduating in 2010, 34% fewer job offers were available. All this translated to dire times for the 100,000 or so students graduating without jobs.

The GFC also provided Japanese companies with the insight that over reliance on the domestic market would prove to be disastrous in the long term. Many companies used this opportunity to take the first steps in globalization.

Effective Job Opening-to-Application Ratio for New College Graduates in Japan



Source: Works Institute

The ratio of job openings per job seeker (new graduate) in March 2013 is 1.27, compared to 1.23 the previous year. This is the first increase in the ratio since 2008, correcting a 5 year downtrend.

The actual number of job openings decreased from 560,000 last year to 554,000 for March 2013, -1.1% YOY. At the same time, the number of new college graduates who seek jobs in private sector has decreased from 455,000 to 435,000, -4.5% YOY. This explains the increase in the job openings to seekers ratio to 1.27.

Diversity in the Workforce

The GFC acted as a wake-up call for many Japanese companies. The looming population decline and recent domestic woes were a catalyst to search externally for emerging markets. Simultaneously, many of Japan's neighbouring Asian countries were shifting from a manufacturing-based economy to a consumer-based one. Many companies in Japan saw this as an ideal moment to shift their focus to their Asian counterparts. In order to support the growth outside Japan, especially in Asia, many companies are aggressively searching and developing their human capital; including strategies to diversify the workforce.

Three significant trends have emerged recently:

1. Increased hiring of Japanese students with study overseas experience
2. Increased hiring of international students studying in Japan
3. Increased hiring of international students studying overseas



Increased hiring of Japanese students with study overseas experience

Japanese students with overseas experience have been highly sought after for a number of years. Increasingly, companies are seeking Japanese nationals with study abroad experience. In a recent DISCO survey of 1174 companies, 23.7% of companies will be looking to hiring Japanese nationals studying overseas in their 2012 recruitment cycle, compared to 18.4% in the previous year.

Japanese students with study abroad experience are generally able to converse in English, and it is hoped they have also developed vital intercultural communication skills. Students willing to develop basic communication skills such as English, higher level skills such as intercultural effectiveness and further gain experiences in emerging markets that firms are entering will do well in overcoming any constriction in the labour market. Corporations throughout Japan understand that adaptation will be necessary to compete globally.

Increased hiring of international students studying in Japan

No longer are companies strictly looking at hiring only Japanese nationals, instead they are increasingly seeking and developing talent in the new global HR environment.

International students studying in Japan have also been identified as a significant source for potential recruitment to Japanese companies. In a recent DISCO survey of 1174 companies, 20.9% of companies were looking to hire international students studying in Japan in their 2012 recruitment cycle, compared to 16.2% in 2011.

International students in Japan are usually fluent in Japanese and have a deep understanding of the culture present in society and corporations. Students graduating from Japanese universities are also well versed on the expectations on them as employees. Companies are looking at having new foreign recruits eventually return to their home countries and work in management positions. In particular, companies are looking at hiring students from Asian countries with growing markets such as China, Vietnam, Thailand and Indonesia. Also, the government initiative, "Global 30," intends to significantly increase the number of foreign students in Japanese universities to over 300,000 by 2020, more than doubling the current number.

Increased hiring of international students studying overseas

Lastly, as more Japanese and western companies expand into emerging markets in Asia, they are seeking talented bilingual individuals with a global mindset and localized knowledge. For example, a Vietnamese student studying in the USA, looking to return to their home country after graduation, is a potential candidate for a Japanese company looking to expand their operations in Vietnam. It is foreseen that more companies will continue to further increase their recruitment of Asian bilinguals in the future. An Asian bilingual can be classified as an international student with English capability, fluency in an Asian local language, and the ability to apply their awareness of local business culture and practices in the local market.

Global English Communication Skills with Real-world Applicability

The Japanese penchant for studying English has been trending for many years – but a shift is taking place. Traditionally, the Japanese have had an affinity for tests and examinations. In many top companies, there is a minimum mandatory English language capability built into the screening process of new graduates. The majority of the testing measured the individual's reading, writing, and listening skills; speaking skills, and the ability to communicate effectively in an international setting were not emphasized or measured. The gap in the student's perceived ability and their skill to apply linguistic capability in a real-world business setting has been identified by many employers as an area where the traditional tests have not served them well. Alternatively, rote memorization and testing has not served employees; unable to successfully communicate in real-world business settings. Increasingly, employers are demanding their employees to develop English with real-world applicability skills in order to succeed in the economy – post GFC.

Shortly after the GFC, leading IT and apparel companies in Japan made English the language of communication in their offices. Although speaking English should not be confused with a global mindset, many feel it is a positive first step in the adaptation of Japanese companies struggling to keep pace with an ever changing global landscape. The GFC was a contributing factor in accelerating the globalization of Japanese corporations.



Pay for Performance

Traditionally, salary and bonuses have increased with age and seniority in the vast majority of companies in Japan. As the number of older workers increases, the burden on payrolls has forced many companies to redefine their compensation systems. Performance-based compensation systems reward employees on ability, are more in line with recent employee actions, and ensure concentrated effort on those objectives seen as priority for the corporation. This system is in stark contrast to the seniority-based compensation system, prevalent in Japan, which rewards loyalty to the firm while turning a blind eye to individual performance.