

HUMAN RESOURCE MANAGEMENT OF FOREIGN STAFF EMPLOYEES IN JAPANESE COMPANIES*

YOSHIKI KURATA

I. *Introduction*

Since the 1980's Japan's direct investment overseas has begun to grow at an accelerating pace. As a result of the expansion of overseas operations many Japanese firms are experiencing many difficulties in the area of human resource management. These firms are being urged to develop adequate methods which will allow them to transfer the traditional style of Japanese human resource management to their foreign business branches which are located in various nations. Furthermore, these firms must change their methods of utilizing employees in their domestic organizations as well. Many Japanese firms, which have urgently expanded their foreign operations, emphasize the necessity for an *internationalization of human resource management* in domestic organizations. In this context it is noteworthy that many Japanese firms have begun to utilize foreign employees in their company headquarters or in other organizations in Japan.

In the Japanese legal framework it is necessary to distinguish clearly between two types of foreign workers; manual laborers working illegally without proper visas, and white collar employees who have been granted proper working visas. It is well known that the number of illegal workers has dramatically increased in recent years. This study, however, focuses on that segment of the foreign population working legally in Japan. The problem of illegal foreign workers must be looked upon as a separate problem since it is quite different in nature.

In this paper the author describes some recent trends in the entry of the foreign employees into Japan and the present situation regarding human resource management of foreign nationals at the company level. This paper is mainly based on an interview survey which was conducted in seven companies and with 33 foreign employees of Japanese concerns.¹

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II. Entry of Foreign Staff Employees

At this time the Japanese government has not published official statistical data on the number of foreign nationals working legally in Japan for Japanese companies. Given the paucity of official data on this subject, in this paper we make use of information furnished by the Ministry of Justice which has compiled statistics on the number of foreign residents who have been granted working visas. (see Tables 1 to 5). According to this data, almost all foreigners employed legally in Japanese enterprises have been granted under the 4-1-16-3 visa category.² There are some exceptions however. For example, skilled workers, such

TABLE 1. FOREIGN RESIDENT GRANTED WORKING VISAS

Year	Status of Residence	4-1-5 Visas for Business Managers	4-1-7 Visas for Professors	4-1-9 Visas for Entertainers	4-1-12 Visas for High-level Engineers	4-1-13 Visas for Skilled Labor	4-1-16-3 Visas Special Status of Residence		Total
							Other Employment	Languages Teachers	
1984		3,494	413	2,035	32	660	—	—	(6,634)
85		5,943	1,007	7,346	13	1,366	3,004	1,799	20,478
86		7,148	1,120	10,357	12	1,502	6,242	4,264	30,645
87		7,216	1,184	12,880	15	1,510	7,956	5,553	36,314
88		7,638	1,322	14,792	22	1,723	7,644	7,257	40,398

Source: Foforeign Workers' Affairs Office, Ministry of Labor, Response to Foreign Worker Issue, *Japan Labor Bulletin*, Vol. 28, No. 10, 1989.

TABLE 2. NEW FOREIGN ENTRANTS GRANTED WORKING VISAS

Status of Residence Year	Total	4-1-5 Visas for Business Managers	4-1-7 Visas for Professors	4-1-9 Visas for Enter- tainers	4-1-12 Visas for High-level Engineers	4-1-13 Visas for Skilled Labor	4-1-16-3 Visas for special Status of Residence	
							Other Employment	Language Teachers
1982	1,479,859 (33,634)	7,063	269	23,844	10	550	871	1,027
83	1,667,585 (34,582)	6,781	327	25,035	11	408	979	1,041
84	1,783,689 (42,775)	6,887	336	32,952	10	511	883	1,196
85	1,987,905 (43,994)	6,826	310	34,569	13	498	314	1,464
86	1,710,450 (54,736)	6,773	333	44,989	18	552	716	1,355
87	1,787,074 (69,183)	6,177	350	59,693	24	465	756	1,718
88	1,960,320 (81,407)	6,141	405	71,026	19	480	1,304	2,032

Source: Fioreign Workers' Affsirs Office, Ministry of Labor, Ibid.

* The Japanese immigration Act (the Immigration Control and Refugee Recognition Act) is amended in 1990. According to the Amended Immigration Act, the main occupations in which the foreign national residents are able to work in Japanese companies are categorized in:

- (1) technical occupations
- (2) occupations requiring social scientific discipline or knowledges based upon the foreign national culture
- (3) occupations of foreign nationals who was transferred from the foreign Japan-affiliated company to Japan

TABLE 3. STATUS OF RESIDENCE UNDER WHICH ENGAGING IN PROFESSIONAL OR OCCUPATIONAL ACTIVITIES ARE AUTHORIZED

Status of Residence	Qualifying Persons
4-1-5	Persons engaging in management of businesses, foreign trade or capital investment activities
4-1-7	Lecturers and professors engaging in full-time teaching at educational or research institutions
4-1-9	Paid entertainers such as singers, actors, professional athletes, their managers and entourage
4-1-12	Persons invited by public or private organizations in Japan for the purpose of furnishing high-level or specialized skills and know-how
4-1-13	Persons engaging in skilled labor (eg. cooks in Chinese or French restaurants, Western-style confectioners, etc.)
4-1-16-3	Persons who do not fall under any other status but are authorized to stay at the discretion of the Minister of Justice (under this status, medical doctors, teachers at foreign language schools and so on are permitted to enter and stay)

Source: Yasuo Kuwabara, Toward Re-establishing a Foreign Workers' Policy, *Japan Labor Bulletin*, Vol. 27, No. 11, 1988.

TABLE 4. FOREIGN RESIDENTS GRANTED WORKING VISAS
(BY NATIONALITY)

	1984		1986		1988	
	Person	%	Person	%	Person	%
Total	3,004	100.0	6,242	100.0	7,644	100.0
U.S.A.	851	28.3	1,330	21.3	1,845	24.1
China	741	24.7	1,981	31.7	2,023	26.5
Philippines	350	11.7	770	12.3	963	12.6
Korea	280	9.3	437	7.0	443	5.8
Canada	75	2.5	147	2.4	215	2.8
India	51	1.7	98	1.6	125	1.6
U.K.	234	7.8	396	6.3	508	6.6
France	50	1.7	101	1.6	130	1.7
W. Germany	26	0.9	75	1.2	93	1.2
Others	346	11.5	907	14.5	1,299	17.0

Source: Japan Immigration Association, *History of Immigration in Japan* (in Japanese), 1989.

TABLE 5. NEW FOREIGN ENTRANTS GRANTED WORKING VISAS
(BY NATIONALITY)

	1982	1984	1986	1988
Total	871	883	716	1,304
U.S.A.	278	295	262	508
China	173	135	65	146
Philippines	85	84	65	98
Korea	48	61	23	41
Canada	27	42	30	47
India	14	10	14	14
U.K.	54	58	62	99
France	17	14	16	66
W. Germany	19	10	20	24
Others	156	174	159	261

as chefs, are granted visas under the 4-1-13 category. Visas in the 4-1-16-3 category are also granted to foreigners working as maids employed by foreign embassies in Japan.³

It is difficult to estimate the exact number of foreigners working for Japanese enterprises in the 4-1-16-3 category (Other Employment) from the statistics available. The upward trend in the number of people who fall into this category in recent years reflects the increase in the number of foreign nationals employed by Japanese enterprises. A report issued by the Japan Immigration Association, an advisory body to the Ministry of Justice, claims that the increase in the number of foreign workers in this category (from 3,004 in 1984 to 7,644 in 1988) is the result of active recruitment of foreign workers by Japanese enterprises.⁴

At the company level, it is evident from many quantitative surveys that the employment of foreign nationals has increased in recent years. Many Japanese companies are actively recruiting non-Japanese staff members. This rapid increase in the number of foreign workers can be explained in terms of the demand side (the employer) and the supply side (the employee).

For most Japanese companies which expanded their overseas operations in recent years, the hiring of foreign nationals has been a necessity to allow the enterprises to achieve their international business goals. Japanese enterprises expect their foreign employees to act in a liaison capacity, bridging the gap between the company and the home country. They also value the positive impact of foreign workers on their Japanese counterparts in terms of assisting the latter in developing a better understanding of the business practices and culture of the home country.

On the other hand, Japanese firms have become more attractive as sources of employment of foreign business people and undergraduate students, due in part to the economic success of the Japanese manufacturing sector and the rapid appreciation of the Yen in the late 1980's. For many foreign nationals considering employment in a Japanese firm, the advantages are not limited to short-term economic opportunities. They are also concerned with future opportunities which may accrue to them as a result of the experience and training they receive in a Japanese firm. In our survey we identified four general types of motivations, in addition to short-term economic factors.

- (1) The desire to work in their home country as a specialist on Japan.
- (2) The opportunity for professional training which they will receive in a Japanese firm.
- (3) The technical training opportunities offered by high-technology Japanese companies.
- (4) A general interest in Japanese culture and society.

III. *Design of the Interview Survey*

As a result of the employment of foreign nationals, many Japanese companies are facing a variety of challenges in the area of human resource management, a problem they

³ 4-1-16-3 visas are granted to all persons who do not fall under any other status but are authorized to stay at the discretion of the Minister of Justice. Many other types of foreign residents are included in this category, such as medical doctors, teachers at foreign language schools, students of vocational schools, and so on. The total number of foreign residents in this category amounts to 127,826 in 1988.

⁴ Japan Immigration Association, *History of Immigration in Japan*, (in Japanese) 1989, p. 46.

have never been called on to face in the past. Foreign nationals, on the other hand, voice concern over their treatment in Japanese firms and question the possibility of being able to achieve their career goals. The main purpose of conducting this survey was to determine the present situation regarding human resource management of non-Japanese employees by interviewing Japanese managers and their foreign employees. Given the paucity of available data, the author was dependent upon the subjective opinions and judgements of the survey participants. Nevertheless, the author's purpose, per se, was not to conduct an opinion survey but rather to collect pertinent data.

Since the purpose of this survey is the collection of pertinent data the questions administered to the participants were designed to be wide rather than narrow in focus. Survey participants were asked to comment on the following topics:

Interviews with Human Resource Managers

Human resource managers were asked to comment on the following subjects:

- (1) The company's experience with employing foreign nationals.
- (2) The measures taken to ensure compliance with Japanese immigration control regulations.
- (3) The working conditions and the employment contract presently in use.
- (4) The method of job assignment and the utilization of foreign workers.
- (5) The career path and training programs available to foreign employees.
- (6) The formal and informal support systems available to assist foreign employees in coping with life in Japan

Interviews with Non-Japanese Employees

Foreign employees were asked to comment on the following subjects:

- (1) The problems individual non-Japanese employees confront in their daily work place.
- (2) The views and opinions foreign employees face in working for a Japanese company.
- (3) Changes and improvements the Japanese company could make in regard to human resource management.
- (4) Changes and improvements in the immigration regulations and procedures.

Table 6 shows a listing of the companies by industry sector which comprised the survey. It is evident that all of these companies have been actively engaged in the employment of

TABLE 6. CHARACTERISTICS OF THE COMPANY

	Industry	First year of employment	No. of Employees	No. of Employees interviewed
Company A	Construction	d.k.	17	7
Company B	Manufacturing	1975	29	10
Company C	Manufacturing	1971	89	3
Company D	Manufacturing	d.k.	70	2
Company E	Manufacturing	1987	17	3
Company F	Manufacturing	1970	12	3
Company G	Retail	1982	107	5

⁵ Economic Planning Agency, *Employment of Foreign Nationals and the People's Life in Japan*, 1987.

FIGURE 1. CHARACTERISTICS OF THE INTERVIEWED EMPLOYEES (TOTAL 33)

1. Sex	Male 24	Female 9		
1. Nationality	Europe and America 23	Asia 10		
3. Age	Under 29 16	30-39 14	Over 40 3	
4. Education	Master 12	Bachelor 18	Doctor 2	Other 1
5. Job	Clerical 20	Technical 12	Management 1	

foreign nationals. According to a questionnaire administered by the Economic Planning Agency, the average number of foreign employees in Japanese firms which employ one or more foreign workers totaled only 6 or 7.⁵ The samples contained in our survey represent firms actively engaged in the hiring of foreign nationals.

Fig. 1 shows the characteristics of the foreign employees interviewed. Most of these individuals were highly educated young people. About half of the persons interviewed were Americans, which is understandable, since the single most important overseas market for the Japanese companies in this survey is the U.S. market.

IV. *The Present Situation in Regard to Human Resource Management*

Based on the survey administered to management and foreign employees we found that working conditions, the patterns of human resource management and the types of career paths open to foreign workers differ widely among the companies polled. Although the situation is complex, in the following three areas, we can sum up the present situation clearly.

1. The Employment contract

Almost all of the companies surveyed offer two types of employment contracts to their foreign employees. Most firms offer a one-year contract under which the foreign employee works as a non-regular employee (*Shokutaku Shain*). The other types of contract does not specify a time limitation and the foreign worker is hired as a regular employee (*Seishain*). Some companies offer their foreign workers the option of selecting either type of contract

when they enter the company. In the majority of cases, however, foreign employees are hired as non-regular employees, and it is only in rare instances that they can become regular employees.

When a foreign worker enters the company as a regular worker, he or she automatically becomes a member of the company labor union, and as such, the working conditions and other regulations set down in the collective agreement between management and the union are applicable. In contrast, non-regular foreign employees are not granted membership in the company union and must negotiate working conditions, salary, etc., directly with management. However, regardless of the types of contracts offered, all the companies surveyed applied some of the general working rules and standards for regular employees to their non-regular employees as well. For the most part, the company unions were not antagonistic toward non-regular foreign employees, but rather, indifferent.

2. Salary and Working Conditions

Salary and other working conditions are closely related to the type of employment contracts entered into by the employee. As stated above, the salary and working conditions of foreign employees working as regular employees are fundamentally identical with those of regular Japanese employees of the company. The basic salary is determined automatically by the employee's rank in the company's personnel qualification system (*Shikaku-Toukyu Seido*). The ranking of foreign regular employees in this system is generally identical to that of regular Japanese employees of the same age and educational background. In addition, companies apply the same methods and standards of performance appraisal when determining the semi-annual bonus. In terms of working hours, holidays, company pension plans and other fringe benefits and services, foreign regular employees are treated exactly the same as regular Japanese employees.

In the case of non-regular foreign employees (*Shokutaku Shain*), the salary and working conditions do not come under the category of the personnel qualification system (*Shikaku-Toukyu Seido*) but are treated as a separate category. When the non-regular foreign employee enters the company the human resource manager examines the educational background and vocational experience of each candidate even more carefully than in the hiring of regular foreign employee (*Seishain*). In general, the salary of the non-regular foreign employee is higher than that of the regular employees. It is estimated that the average salary of non-regular foreign employees is almost the level of that paid to employees with five years seniority. One human resources manager explained in an interview that there are two reasons for paying a higher wage to the non-regular foreign employee. Firstly, only specialists are employed as non-regular foreign employees whom the company can utilize immediately. The company, therefore, must pay a salary commensurate with their professional qualifications. Secondly, the company must offer higher wages to compensate the non-regular foreign employee for the short-term nature of their employment contract (generally one year). The salary of non-regular foreign employees are generally determined annually, after negotiating the renewal of the contract. The annual salary increase level is based on a performance appraisal, and generally fluctuates more than is the case with regular employees.

3. Job Assignments

In general, two types of patterns emerged in terms of utilization of the foreign employee—assignment as a specialist and as a generalist.

In some departments or sections in which specialized vocational abilities are required, the company assigns clearly defined jobs to the foreign employee and tries to utilize them as specialists who perform their tasks on an individual basis. Traditionally, Japanese companies have utilized foreign nationals in this way. Typical occupations of this group include translators and language teachers. Recently, however, specialized job assignments are being increasingly applied to higher-level positions which require specific professional abilities. In interviews the author identified four areas in which highly trained persons are employed as specialists.

- (1) Attorneys employed to assist a company in international legal disputes.
- (2) Corporate public relations specialists who prepare news releases regarding the company's business activities and policies for release to foreign news services in Japan.
- (3) Specialists in areas requiring professional or occupational certification.
- (4) Researchers assigned to R&D departments who are employed to perform some clearly defined research theme.

For these high-level specialists, the job assignments are clearly defined, and those employed in these positions tend to work separately from members of the regular organization. In these positions it is relatively easy for the foreign employee to demonstrate his or her ability immediately. They seldom feel that their abilities are underutilized. From the point of view of the human resource manager, however, it is difficult to develop an adequate method of assessing the job performance of the individual specialist and to establish a standardized system for determining the salary level. Since the traditional practice in Japan attaches great importance to the equal treatment of regular Japanese white-collar male employees, the companies have carefully refrained from adopting a performance-oriented compensation system because of the possible effect it might have on the morale of the Japanese staff. This lack of a performance-oriented compensation system is a source of frustration for the foreign employee. It appears that no Japanese firm has yet resolved the dilemma.

In contrast, many Japanese companies have begun to utilize foreign nationals as generalists in the same way they utilize their ordinary Japanese white collar employees. When the company employs a foreign employee as a generalist, they are treated equally with Japanese workers who entered the company at the same time. They participate in the orientation training program which all company recruits undergo in April, the traditional date for hiring new employees. The orientation training program can generally run over the course of many months, and each employee is given the opportunity to work in a variety of different jobs as an apprentice. In the manufacturing companies, the new recruit may even be called on to work in a blue-collar position. When the orientation program is completed and the company assigns the recruit to his or her first department, the company does not take nationality or language abilities into consideration. The company often assigns the foreign worker into a position in order to develop his or her career path. The company takes into consideration the long-term career path of the foreign national when that employee is considered to be a "generalist." The foreign employee is periodically transferred

to other departments and is expected to become familiar with the systems, practices and culture of the company as a whole. The companies surveyed stated that there is no barrier to prevent foreign employees from achieving management positions in Japan.

During our interviews, one human resource manager explained that the utilization of foreign nationals in a generalist capacity in a variety of departments (and as the co-equals of their Japanese counterparts) would have two benefits for the company. First, the company intends to transfer the foreign employees to its affiliated company located in the employees' home countries and expects that they will eventually achieve positions of high management in those organizations. In order to further the international business strategies of the company it is essential to develop many superior local managers who thoroughly understand the company's business strategy and who can act as a link between the Japanese headquarters and the local entity. In order to ensure the supply of these future management candidates, the company is employing young graduates and training them in various positions in Japan.

Secondly, by assigning foreign nationals to various sections and departments in the company as generalists, the company expects them to have a positive impact on their Japanese co-workers. Obviously, Japanese companies are in need of Japanese employees who can function successfully in an international business environment. In most Japanese companies, however, a Japanese worker who has spent time serving in an overseas capacity, where he or she has adopted non-Japanese work habits and techniques, is apt to be under subtle, and at times not so subtle, pressure to readapt to the Japanese way of working. In order to counter this trend and instill a sense of international thinking in all employees, the company expects that non-Japanese employees will exert a positive influence on their Japanese counterparts.

It is evident that one of the most important considerations in developing the human resource strategy of the company is the economic incentives that the company can offer to young foreign business people and undergraduate students searching for job opportunities. In this sense, Japanese companies will fail to recruit young foreigners as generalists, if the starting salary is not at a sufficient level to meet their minimum requirements. At present the level of the starting salary in the Japanese company is adequate to attract young foreigners, especially those from other Asian nations.

A more serious problem for foreign employees who are utilized as generalists is the anxiety that arises over the ambiguity inherent in the career development plans prepared for them by the company. The company normally explains the type of role it expects the foreign employee to fill in the future, but does not prepare a career development plan in the form of an explicitly defined time-schedule. Obviously, this ambiguity is also of concern to young Japanese employees, since their career path is dependent on their own efforts and the competition with fellow employees. The company, obviously, had good reasons for expressing the career path in terms of the long run.

For most foreign employees, this lack of clarity and the anxiety it generates is of serious concern, because there are few examples of other foreigners who have achieved positions of authority in the company in Japan. Moreover, in none of the companies surveyed has a non-Japanese employee been transferred from Japan to a top management level in the overseas affiliate. At the present time, the firms surveyed claimed it would be difficult to transfer a foreign employee trained as a generalist to an overseas affiliate in a department chief position (*Bucho*). In most Japanese-affiliated companies overseas the top management

positions are held by Japanese nationals who have been assigned from the head office in Japan. There have been no cases in which a non-Japanese employed in the Japanese home office has been transferred to the top management position in the affiliated company overseas.

In some pioneering companies, including some we interviewed, foreign nationals are occupying management positions mostly at the section chief level (*Kacho*). These companies have adopted the strategy of delegating the top posts in the affiliated overseas companies to local native employees. If Japanese companies continue to change their human resource management policies in these positive ways, we can expect that foreign employees of Japanese companies will develop more positive attitudes toward their career development and will increase their years of service with those companies.

HITOTSUBASHI UNIVERSITY

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