

Foreign Employees for the Long-Term : Rethinking Hiring Policies at Japanese Companies



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When hiring foreigners in Japan, I often think that company policies and practices should not discriminate, but should differentiate between Japanese and foreigners in Japan. (「差別」せずに、「区別する」ということ) To discriminate is to make decisions that negatively affect an employee based upon factors not related to job performance, such as one's nationality, gender, ethnicity, etc. To make business decisions based upon subjective factors is clearly unfair and wrong. However, to ignore the inherent differences and not acknowledge the need for broader policies that respond to the needs of a diversifying workforce is clearly bad for business as well.

Consider this hypothetical situation:

- Mr. X and Ms. Y, both from Southeast Asian countries, were exchange students at Japanese universities.
- In 2010, Kokusai Buhin KK (KBK) hired both of them at their Tokyo headquarters as new graduates under the same procedure as other Japanese new graduates. While working at the company, they never received any special treatment or assistance (ie. special training, or “home leave” vacation time, etc.).
- In 2013, KBK plans on establishing an overseas subsidiary in Mr. X and Ms. Y's home country. So the HR Department decides to send an experienced Japanese manager to start up the business in that country. As well, Mr. X and Ms. Y are also to be sent as assistant manager trainees.
- The Japanese manager will be sent as an expatriate with a special compensation package that is typical for temporary overseas assignments. (expatriate package compensation)
- However, it is deemed that Mr. X and Ms. Y who are returning to their home country—and may remain in their home country indefinitely—shall be compensated according to local standards,

not based upon an expatriate package.

- When Mr. X and Ms. Y are told this decision by the HR Department, both of them become quite upset and angry. Mr. X decides to quit and find another job in Japan because he did not intend to leave Japan so soon. Ms. Y resigned as well because she felt it was unfair for the company to treat her differently than a Japanese person who would be expatriated.

What went wrong?

From a logical and reasonable business standpoint, the company wants to develop employees who fully understand the corporate mission & principles and who can contribute to the global expansion of the company. The company also wants to minimize costs. However, both Mr. X and Ms. Y felt betrayed by the company. Mr. X was not aware of the company's intention to send him away from Japan. Ms. Y worked happily and with high motivation while in Japan, but when the company wanted to send her abroad, she felt as if the decision to withhold expatriate compensation was not fair.

So what should be done?

Companies need to consider their foreigner hiring strategy (FHS). An FHS is NOT just a target to hire 10 or 20 foreign employees each year. A FHS is a business reason for hiring foreigners. Then, once the reason is clear, policies for hiring should be implemented to support the strategy.

Developing a Foreigner Hiring Strategy (FHS)

The FHS starts with considering the benefits/demerits and purpose of the foreigner hiring initiative:

I. Questions of benefits/demerits

- A foreigner's native language will not be Japanese. What language skills will help the business?
- A foreigner will know a region of the world other than Japan very intimately. How will this knowledge help the business?
- The foreigner may have specialized skills or experiences different than Japanese recruits. How will these skills/ experiences be put to use in the company?
- The foreigner may not have the mindset or skills that are valued by the company. How will the company train the foreigners?

II. Questions of purpose

- Are foreigners being hired to be transferred to their home country after receiving training in Japan?
- Are foreign workers being hired to replace Japanese workers?
- Are foreign workers being hired to take assignments anywhere in the world?

Developing Clear Hiring Policies

Once the company has formulated its FHS, it can then develop hiring policies that support the FHS. As of yet, I am not familiar with too many Japanese companies that have done this. Rather, I know of more companies that are hiring foreigners based upon the same policies that govern Japanese employees. In fact, I have recently heard of the term, “Japanese foreigners.” These are foreigners who are hired mainly because they have high Japanese proficiency and have seemingly well-fitted personalities for the Japanese company. However, such a hiring practice is short-sighted and fails to take into account the FHS. Such hiring practices may lead to the failed cases of Mr. X and Ms. Y as described above.

Hiring Policies: Globally unified expectations

Expectations for adhering to the corporate philosophy and the “corporate way” could reasonably be the same for all employees working in the global company, both in Japan and at overseas subsidiaries. In this way, all employees, regardless of nationality, should share in the same spirit of the company, strive to develop good working relations, communicate effectively with each other, and aim to develop one’s professional skills. There is no need to sacrifice such standards.

Hiring Policies: Different policies

However, the benefits/demerits and purpose for hiring foreigners should be considered separate from the hiring of Japanese nationals. For example, in the case that the company desires to hire foreigners to be transferred to their home country, the following policies may be considerable:

- While working in Japan, the foreigner receives special benefits such as housing support, special training (ie. Japanese language classes, fast-track leadership training, etc.) and/or special leave policies to return to one’s home country annually.
- However, once the employee is transferred overseas to one’s home country, the compensation structure would be localized upon transfer (rather than receiving expatriate type benefits).

Also, it is interesting to note that sometimes the foreigner is not willing to take an overseas assignment because of a choice, or need to remain in Japan. Therefore, when necessary, it is advisable to clearly state during the recruitment phase that acceptance of overseas assignments is a stipulation of employment. Then there would be less need for negotiation and explanation at the time of assignment. And hopefully, as a result of this clear communication and mutual expectation setting, both the company and the employee can enjoy a long-term working relationship together.