

March 24, 2016

## Japan's Recruiting Challenges

### *Why Japan is the Most Difficult Market to Recruit in?*

With a population of 126.8 million in 2016 Japan boasts the largest and most diverse economy in Asia, and is second only to the U.S. on the world's economic stage. The U.S. sends more exports to Japan than it does to any other overseas destination.

Unlike other countries the majority of the business is concentrated in one city "Tokyo".

With an unemployment rate of 3.20 % (February 2016); the war for talent is unlike anywhere else in the world. In spite of this, all the international firms are fighting for a very limited pool of talent.

Here are some of the specific Japan market challenges:

- 1) Culturally and historically Japanese have had a job for life mentality, so extracting a Japanese national from a large Japanese firm which they could never be fired from, is next to impossible. As a result Japanese are very adverse to the risk of changing their employer.
- 2) The traditional Japanese firms offer stability and a guaranteed promotional ladder based system – over time they rise to the top based on their years of employment and loyalty. Japanese companies invest in long-term pension plans, which can facilitate viable retirement at age 60.
- 3) Unlike almost any other market in the world, Japanese are not well versed in changing careers for more money or better opportunity. So the process of introducing the opportunity properly to an ideal candidate and his wife is critical.
- 4) Japanese are extremely loyal and when they do change jobs, will rarely work for a direct competitor, where their skills and contacts are most beneficial.
- 5) There have been enough foreign companies who have pulled out of the Japan market which has created a negative legacy which other foreign must overcome. Regardless of their reputation abroad, start-ups and small foreign firms have an uphill battle to identify quality candidates to represent their firms here in Japan.
- 6) Japan has the lowest bilingual population; approximately 90% of Japan's population does not speak English! Foreign companies clearly wanted the most talented professionals for their firms. Once speaking English becomes part of the hiring criteria, the talent pool is reduced to less than 10% of the population based on language skills alone. If a client is in a specialized niche business the talent pool becomes logarithmically much less – it becomes equivalent to finding "a needle in a haystack". Additionally even through these tough economic times, Japan has an unemployment rate of 3.2% (February 2016– see below chart from the Japan Ministry of Internal Affairs).
- 7) Demographically Japan's population is aging at an alarming rate. Japan's birthrate in 2005 stood at a record low. Making the matter worse is that Japan remains still reluctant to allow more immigrants and refugees in, despite an urgent need for new workers to replace its aging work force.

In 2005 people aged 65 or older accounted for a record high 20.3 percent of the population, up from the previous record high of 19.72 recorded in 2004.

*Statistics from Nihon University: Proportion of persons 60 and above:*

2000: 17.4%

2025: 28.7 %

054: 36.0%

- 8) On April 1<sup>st</sup> 2005 Japan implemented a strict “Personal Information Protection Law (*kojin jouchouno hogo ni kansuru houritsu*)”. This law prevents the release of personal information to a third party without that individual’s consent. This means traditional boiler room methods of recruiting are illegal, unethical and a more consultative approach must be used to develop candidate relationships.

In addition to the foregoing, there are a lot of “cowboys” in the recruiting business who do not represent clients well; often the best candidates are missed through misrepresentation, poor business manner/ethics, and/or ineffective consulting skills.

Foreign companies who are planning to build their Japan operations should be sure to do their due diligence to find an “Executive Search Firm” to represent them properly in the market; and more specifically a consultant who will responsibly take on the task to diligently fill the proposed role within a reasonable time frame, with the best available candidate.

JAPAN UNEMPLOYMENT RATE



SOURCE: WWW.TRADINGECONOMICS.COM | MINISTRY OF INTERNAL AFFAIRS & COMMUNICATIONS

### Japan Unemployment Rate 1953-2016

The seasonally adjusted jobless rate in Japan was recorded at 3.2 percent in January of 2016, down from 3.3 percent in the previous month and below market expectations. The jobs-to-applicants ratio increased to 1.28, hitting its highest level in 24 years. Unemployment Rate in Japan averaged 2.72 percent from 1953 until 2015, reaching an all time high of 5.60 percent in July of 2009 and a record low of 1 percent in November of 1968. Unemployment Rate in Japan is reported by the Ministry of Internal Affairs & Communications.

## **Japan Unemployment Rate Falls to 3.2% in January**

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A year earlier, the unemployment rate was higher at 3.6 percent.

The number of unemployed persons decreased by 200 thousand or 8.7 percent to 2.11 million from the previous year. While the number of employed persons increased by 900 thousand or 1.4 percent compared to January 2015 to 63.99 million.

The labour force participation rate increased by 0.7 p.p. to 59.7 percent from 59.0 percent in January last year.

The jobs-to-applicants ratio was 1.28 percent, up from 1.27 in December, hitting its highest level in 24 years.

*The above data was sourced from Trading Economics: [www.tradingeconomics.com](http://www.tradingeconomics.com)*