JOB TRAINING IN JAPAN: AN INCENTIVE TO INCREASE FOREIGN DIRECT INVESTMENT?

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INTRODUCTION

In the United States, there is severe competition between states for investment by both domestic and foreign firms. This competition is most severe for the location of manufacturing sites, research & development facilities, and high technology companies. However, there is also competition for a variety of types of companies including call centers and distribution facilities. In order to attract companies to locate in the state, the local or state governments offer many types of incentives to companies to convince them to invest in the state. Incentives are often related to taxes, land, energy and very importantly, job training.

Most states have limited resources to use or create incentives for new companies to locate in their states. One of the most common incentives used by states is providing job training to the workers of companies locating in the state. This is the primary incentive from the state government to encourage investment by new companies (attraction projects), and also to keep companies from leaving the state (retention projects).

These incentives are very effective since for manufacturing firms, and other types of site selections, the availability of a good workforce is the number one concern of executives. Also, job training is one service that government can easily provide since the states usually have very good job training and education systems.

For example, California is a "high cost" state where the expense and governmental regulations make it a difficult place to do business. The only reason for investment in California tends to be the high quality of the workforce as compared to other states. (The exceptions are industries that need to be near the customer. Such companies include retail, food service, and hospitality industries. These companies will naturally locate in states such as California since there is a large, wealthy population that will purchase goods and services.)

California has a special workforce development program that can be used to attract businesses to California and can be used as part of an incentive "package" that is provided to companies and site selection consultants. The high level of the college and university systems in California, as well as workforce development programs, is another major factor that attracts companies to invest in California.

California is not the only state in America that uses workforce development funds and programs to attract business investment. Almost all states have devoted some funding into workforce training programs as an incentive for business attraction and retention. Companies often cite the availability of workforce development funds and job training programs as the reason they made a site selection. And, if a state does not have such training available, then companies are not likely to locate in those states.

Some states have significantly more funds than others, and those states have been far more successful at attracting investments than other states. Most of the funds are raised

by the state through state taxes – they do not use Federal job training dollars to attract investment. In fact, it is not legal to use Federal job training money to entice companies to move locations between states.

These job training programs can also be used as an incentive for a company to expand their businesses since they will have financial support in training new workers. Companies use these job training programs not only to train their new workers, but also to train current workers as they companies expand and grow. These incentives are very attractive to young companies and small and medium sized enterprises (SMEs), as well as companies that have a limited cash flow. However, even large corporations take advantage of these programs. Job training is a major incentive for these companies to expand in their current location.

Also, states use these funds to try to attract companies to parts of their states that have higher than average unemployment and are in need of economic development. By spending tax dollars, states can stimulate the economy in areas of their states that are lacking in business activity and need stimulation. For this reason, job training programs are considered an economic development "tool" that states use to stimulate their economies.

Of course, location decisions are based on many factors such as land costs, transportation, energy costs, taxes and other factors. However, availability of an educated, trained workforce continues to be the number one factor on the list of site selection consultants when they are searching for a site location, and workforce development incentives are always sought by these consultants.

Japan is currently making an attempt to increase Foreign Direct Investment into Japan and is conducting a campaign to attract businesses to Japan. The origin of this research project came from the desire to discover if Japan is using job training and workforce development incentives to attract companies to Japan, especially to prefectures that have higher than average unemployment rates.

RESEARCH QUESTION AND GOAL OF STUDY

The research question is as follows:

"Does Japan use job training programs as an incentive to attract Foreign Direct Investment (FDI) into Japan? Furthermore, are job training programs used by prefectures in Japan as an incentive to attract foreign companies to invest in those prefectures?

The goal of this research was to determine if Japan is using job training programs as an economic development tool to attract foreign investment in the same manner that states in the U.S. use job training programs to attract investment in their state.

BACKGROUND

Japan is a highly developed industrialized country that has a very low rate of foreign direct investment in comparison with other industrialized countries. According to research presented by the American Chamber of Commerce in Japan, as well as the American Embassy and other researchers, the amount of FDI in Japan amounts to only about 2.5% of the economy. This is very low compared to the U.S. and European countries where the rate of FDI ranges from 20-40% of their economies. There are a variety of reasons for this low rate of investment which are beyond the scope of this research paper.

Regardless of the reasons for the low level of investment, the Japanese government has decided that there are benefits of having foreign direct investment and has therefore launched a campaign to double the FDI from its current level of about 2.5 % to at least 5% by the year 2010. This is a public policy decision by the Prime Minister of Japan and his government to increase FDI. This commitment to double the FDI was made by the Koizumi government and presumably will continue with future administrations.

One of the reasons for this desire to increase FDI is to create new jobs in areas of Japan that are experiencing higher than average levels of unemployment, or to stimulate the local economies in prefectures where workers are leaving the prefectures to find jobs in large urban cities such as Tokyo or Osaka. Therefore, FDI is seen as an economic development initiative to improve the economies of prefectures that are suffering economically.

Since Japan has made a public policy decision to increase FDI, Japan is taking many concrete steps to increase FDI and is investing a considerable amount of public funds to support this initiative. One of its main efforts has been through the Japan External Trade Organization (JETRO). This organization has been directed to help foreign companies invest in Japan. JETRO has "re-invented" its organization from an export promotion agency to an economic development organization that is seeking to attract foreign direct investment into Japan.

JETRO has been very aggressive in attempting to attract foreign companies to Japan. For example, it maintains an excellent investment website in English (and other languages) with information for foreign companies on "how to" establish their businesses in Japan. The information contained on the website includes information about each prefecture and also includes information about human resources and the labor market including the number of graduates from colleges and universities in each prefecture, especially in areas of engineering and science. JETRO devotes some space on its website to showing the high levels of the workforce in each prefecture.

JETRO also conducts trade missions to Japan with foreign companies to introduce these firms to potential Japanese business partners. Part of the process includes an introduction to officials of local city governments as well as staff of prefectural governments. These officials are able to describe to foreign companies the process of job

recruitment as one of the services the local governments can provide to foreign companies should they locate an office or factory in that prefecture.

JETRO also periodically conducts surveys of foreign companies in Japan to determine if there are any significant barriers to investment into Japan. A JETRO survey in April 21, 2006 found that almost 60% of foreign companies in Japan who responded to their survey were having trouble finding appropriate personnel for their operations. This is a problem since 50% of those firms were planning to expand their operations and hire more staff. In 1995, only 47% of foreign firms stated that they had trouble finding staff. Thus foreign companies in Japan in 2006 were having more trouble in recruiting qualified than in previous years. This fact alone would make it more difficult for Japan to increase FDI since foreign firms would have trouble finding workers.

Also in 2006, 40% of the responding firms were having trouble finding staff with suitable language skills. The figure was only 25% in 1995. According to JETRO, the reason is because of the current labor shortage which means foreign firms are competing with Japanese firms for labor. This fact also would make expansion of FDI more difficult.¹

Therefore, if Japan is going to double FDI by 2010, it will need to address the workforce issues of a shortage of qualified staff for foreign companies. One answer to this problem might be an increase in workforce training in the skills needed by foreign firms. Job training programs specifically developed for foreign owned firms might be necessary to attract foreign firms to invest in Japan, especially in areas that traditionally do not receive much investment. Areas such as Tokyo and Osaka normally receive most of the foreign investment. To attract investment in other areas of Japan, job training programs might be needed to develop an adequate number of workers for the new investment.

RESEARCH METHODS

To conduct this research, I started with some preliminary research in the U.S., followed by a 14 day visit to Japan in October 2006.

The first step was to conduct research by the internet. Internet research was conducted primarily on the JETRO website which has investment information in English for all prefectures as well as some major cities. The information includes economic data as well as information about human resources and education in the prefectures and cities, as well as contact information for local officials who are involved in business attraction efforts.

There is in each prefecture and major city a contact person who specializes in working with foreign companies, often in coordination with JETRO, or who is actually part of JETRO's staff. The contact information was listed on the website, including email

JETRO Press Release, "JETRO Releases the Results of its Survey of Foreign-affiliated Firms in Japan", April 21, 2006

addresses. The JETRO website is an excellent source of English language information on all prefectures for any foreign firm considering locating an office or factory in that prefecture.

The American Chamber of Commerce in Japan also maintains an extensive website which was examined thoroughly. This website has basic business information for anyone considering investing in Japan, and has extensive research materials on Foreign Direct Investment in Japan.

The next step was to send emails in English to all prefectures and cities on the JETRO website asking them whether they provided any job training programs as an incentive for foreign companies to locate in their prefectures. Emails were sent to the 47 prefectures and 15 cities listed on the JETRO regional information website.

The question by email in English was an inquiry as to whether there are any Human Resource Development incentives offered by the prefecture to attract foreign direct investment in their region. Specifically, they were asked if there were job training incentives, recruitment assistance, subsidies for hiring workers or any other workforce incentives being provided to foreign companies to invest in their prefecture or city. The response rate to these email inquiries was very poor, however, with only 5 responses.

Emails were also sent to JETRO and some American businessmen and government officials, as well as the American Chamber of Commerce in Japan (ACCJ), regarding job training in Japan and as to whether or not there were job training incentives available for foreign companies locating in Japan.

Next, interviews were conducted in the U.S. (San Francisco) with representatives of JETRO, as well as with Osaka, Kumamoto, and Aichi prefectures. These interviews were very useful and these representative offices were very helpful. Osaka maintains an office in San Francisco devoted to all aspects of business attraction to Osaka as well as promotion of tourism. Aichi maintains staff in the JETRO office in San Francisco dedicated to attracting investment into Aichi. Kumamoto prefecture representatives regularly attend Semicon, an annual international convention for semiconductor equipment manufacturers in San Francisco. Kumamoto's goal at the convention is to attract investment in their prefecture by foreign semiconductor equipment manufacturers.

In Japan, direct interviews were conducted with representatives of a diverse group of organizations such as the Tokyo Metropolitan Government, Yokohama City government officials, and Chiba Prefecture government officials, all dedicated to attracting foreign investment or assisting foreign businesses that have located in their area. Two JETRO investment seminars for foreign companies were attended, including the "U.S. – Japan Investment Initiative 'Investment Seminar in Yokohama'" on October 6, 2006, and a JETRO and Chiba investment reception on October 5, 2006 at Makuhari Messe in Chiba.

Direct interviews were conducted with Japanese business people and university researchers involved in areas related to job training. Students and general citizens were

interviewed regarding their impressions about FDI and their attitudes about working for foreign companies. These interviews were conducted in cities such as Tokyo, Osaka, Hiroshima and Kyoto. A seminar was conducted in Nagoya in regards to job training that was attended by Japanese businessmen, lawyers, and other professionals.

RESULTS AND FINDINGS

<u>Are there any job training programs in Japan designed to increase Foreign Direct</u> <u>Investment (FDI)?</u>

The major finding of this report is quite simple. At this time, there appear to be no specific job training programs in Japan that are used to attract FDI to Japan or any of the prefectures. There is no evidence that job training is being used as an economic development tool to recruit foreign companies to invest in Japan. Thus, one of the major economic development tools that is commonly used in the U.S. to attract investment is not being utilized at all in Japan.

Following are a few examples of the information provided by prefectural governments as well as certain cities in regards to whether or not they use job training programs to recruit foreign companies to invest in their city or prefecture. These responses came either from direct interviews or via email.

The Tokyo Metropolitan Government was very clear that there is no need to provide any special incentives to foreign firms to locate in Tokyo since foreign companies naturally locate in Tokyo even without incentives. However, they are providing support to foreign firms in Tokyo, especially the smaller ones. They have established the Tokyo Business Entry Point which provides counseling and guidance to foreign firms locating in Tokyo.

One of the services they provide is to introduce foreign companies to the same recruitment services and job training programs that all Japanese firms are eligible to use. Although this is not a special program developed for foreign firms, there is nothing that would prevent foreign firms from using existing job training programs. Therefore, the Tokyo Business Entry Point provides a valuable service to foreign companies investing in Tokyo.

Osaka is a very good example of a prefecture that is actively attempting to attract foreign investment to the prefecture. It maintains a very well established office in San Francisco with excellent English language material about investment opportunities in their prefecture. When asked whether they have any specific job training incentives to attract FDI, the answer was no, but they did have an abundance of information about the local workforce and educational facilities in the area.

Hyogo Prefecture also responded from the International Economic Development Division of the Hyogo Prefectural Government. Although they have no specific job training programs for foreign based companies, they did fax a list of all the relevant job training

programs in Hyogo Prefecture (in Japanese). Presumably, foreign firms can access these training programs.

Kagawa prefecture responded but had no workforce development programs specifically for foreign companies. KitaKyushu responded that there are no special incentives for training workers. However, they do have hiring incentives for foreign and Japanese firms. In fact, based on a review of the JETRO website, it is apparent that many prefectures have incentives for companies to hire new workers. These incentives are available for Japanese as well as foreign firms.

One representative of a prefectural government stated that he felt that a job training program would be a good incentive to attract foreign firms to his prefecture. He further stated that foreign firms are eligible for existing job training projects just like Japanese firms, but that they rarely participated in these programs. Usually foreign firms are introduced to public, government funded and managed job training and placement services through the "Hello Work" offices just like regular Japanese companies.

He further stated that although governmental agencies provide some recruitment assistance to foreign firms, private personnel agencies (temporary and recruitment firms) provide additional recruitment services. Recruitment for mid-level and higher positions is almost all done by private recruiting services.

Does Japan use the high level of its education and workforce to promote FDI?

A secondary finding is that the availability of a highly educated workforce in general is being used in the recruitment of FDI into Japan. Through JETRO's website and publications, as well as through the publications of many prefectural governments and cities, the high quality of the Japanese workforce and the educational system are both being used to encourage foreign companies to invest in Japan.

In other words, when promoting foreign investment in Japan, JETRO makes a great effort to show the high level of the Japanese educational and training system. For example, in JETRO's publication "10 Advantages to Investing in Japan", the fifth advantage listed is "Highly-skilled human resources." In this publication, JETRO states that Japan has "abundant highly-skilled human resources".

JETRO also provides a great deal of services to attract foreign companies to invest in Japan. One of its services includes introduction services to potential partners in Japan. Representatives of foreign companies are provided the opportunity to participate in Investment Seminars in Japan, usually free of charge. At these seminars, the foreign companies make a presentation to an audience of potential business partners. During the meetings that are scheduled, the business representatives meet with local officials who can provide business assistance, including employee recruitment services.

The city of Yokohama conducted one such investment seminar on October 6, 2006. Part of their presentation to the foreign business people was the high level of Human

Resources in the area. According to their statistics, there are more engineers in Kanagawa Prefecture (where Yokohama is located) than in Tokyo prefecture. They also indicated that there are 10 universities with science and engineering degrees in Yokohama. This publication further mentions that Japan has one of the highest rates of university attendance in the world and states that "Talented, highly educated human resources are available in abundance."²

JETRO also has an excellent publication called *Invest Japan* which sometimes deals with workforce issues. In the November 2005 edition (edition #10), they have an extensive article on investing in Kumamoto prefecture. In that article, they have a section called "Workforce with a Strong Background". They quote an executive of Teradyne corporation, Mr. Masao Suzuki, about the workforce. The article states that "the highly skilled workforce was one of the major reasons for choosing to establish their facility" in Kumamoto. He was quoted as saying "The governor's assurance to assist us in securing talented personnel was the decisive factor in choosing to set up our base in Kumamoto."

The article continues to state that Teradyne, which is a foreign owned firm, has been highly successful in recruiting top engineering talent from local universities. It also goes on to state that the "abundance of workers with a background in science and technologies is a large advantage for companies moving to the region." The local universities have specialized in semiconductor education and training and have created a workforce with the skills needed to manufacture semiconductors. Teradyne has been successful in recruiting post-graduate engineering students to work for them.

Kumamoto officials are actively attempting to recruit FDI by frequently attending international semiconductor conferences in San Francisco, U.S.A. The material prepared by these officials discusses the available and highly skilled workforce, as well as training programs that have been designed locally to train workers for the semiconductor industry.

It should also be mentioned that there are also important alliances between major universities and businesses at the local level that produce graduates with skills that would be useful for foreign firms. Many prefectures are trying to nurture and grow specific industries such as aerospace, biotech, semiconductors, and nanotech. In order to grow these industries, links have been developed between industry and universities. These alliances also recruit foreign researchers to participate in these alliances. This can be send as a strategy to encourage Human Resources Development at the highest level.

Another example of a prefecture actively seeking FDI is Aichi prefecture. This prefecture also maintains an office in San Francisco at the offices of JETRO. Based on an interview and an additional response to the email question, representatives of Aichi said they said would introduce foreign companies to the appropriate human resource programs as necessary. It also has assistance for recruiting.

² "Business Environment of Yokohama" by the Business Development Division, Economic and Tourism Bureau, City of Yokohama, October 6, 2006

Aichi's publication, "Aichi: The more you know, the more you like Aichi" mentions its "Talented Human Resources" and indicates there are 49 universities, 33 junior colleges, one technical college and 233 senior high schools in Aichi prefecture. It also has statistics on how many times Aichi residents have won the National Skill Olympics (almost twice as many winners as the second place prefecture, Tokyo).

In addition, Aichi has a service called I-BAC which is the Aichi-Nagoya International Business Access Center. According to their publications, I-BAC offers a variety of services for foreign companies seeking to locate in the prefecture, including information on human resources.

Another example is the following excerpt from the recruitment brochure "Greater Business Opportunities" by the Greater Nagoya Initiative: "The presence of 45 universities and technical colleges with science or engineering majors means a constant source of new and exciting innovations as well as a constant source of well-educated science and engineering personnel."³

The prefecture of Chiba has an excellent publication in English called "Chiba Means Business – The Gateway for Business Investment in Japan". In this publication, they highlight under "Excellent Human Resources" that there are more than 33 universities in the prefecture and 18 junior colleges. It also has very useful information on the Hello Work program that provides job referrals and recruitment services. Some of the Hello Work offices offer foreign-language assistance to job seekers and employers.

Are Japanese workers willing to work for foreign companies?

Willingness to work for a foreign firm is, of course, a major issue for Japan if it is to double FDI. There is no way that Japan can increase FDI if Japanese workers are reluctant to work for foreign firms. Historically, Japanese workers were offered life-time employment with major Japanese firms. Japanese workers were very hesitant to work for foreign owned firms since those firms did not guarantee life-time employment and had employment practices that were not common in Japanese companies.

In 2006, however, life-time employment is becoming rare even in Japanese firms. Therefore, Japanese workers are becoming more willing to change jobs and change companies. The labor market situation is becoming more "liquid" which means that workers are becoming more mobile and willing to change jobs to improve their careers.

In JETRO's publication "10 Advantages to Investing in Japan", it mentions that there is "labor market liquidity" that assists in the hiring of highly-qualified staff. This theme of "liquidity" of the labor market means that job seekers are no longer looking for life-time employment but are willing to take alternative paths in their job lives, including being willing to work for foreign firms.

³ "Greater Business Opportunities" by the Greater Nagoya Initiative

Tokyo Metropolitan Government officials stated that foreign firms do not have trouble attracting Japanese workers, in particular young workers, in Tokyo. The reason is that young workers do not see that they will be having life-time employment in a Japanese firm, and are likely to change employment situations in the future. Therefore, they see that opportunities will be greatest in foreign firms. They describe the employment situation in Tokyo as being very "liquid".

However, from interviews with Japanese university students, workers and businessmen, it became clear that the workers outside of Tokyo and Osaka are very reluctant to work for foreign companies. When given the choice of working in a Japanese firm or a foreign firm, those that were interviewed almost always said they would choose the Japanese firm, even if the jobs were exactly the same. Most of those interviewed (outside of Tokyo) said working for a foreign firm would be too risky.

One American businessman described it this way. Foreign companies have the image that they are unstable and might leave Japan at anytime. For that reason, this American businessman expressed his opinion that the best Japanese workers will not want to work for a foreign company.

This same American businessman had a few other interesting observations about foreign companies in Japan. He said that foreign companies, especially new ones, are having difficulty dealing with language issues, which does serve as a barrier for them. There exists in foreign businesses in Japan distinct cultures with top management being English speakers, middle management being bilingual, and the workforce generally speaking only Japanese. This suggests that an education program would be very useful in teaching Japanese to foreign executives and English to the Japanese workers.

Overall, in his opinion, workforce issues are very difficult for a foreign owned company. He also stated that a job training program for foreign companies could be very beneficial at upgrading the skills of workers that the foreign company hires.

One Japanese businessman in Nagoya provided another interesting observation. His background includes an MBA degree and many years of employment in the U.S. with Japanese firms. He stated that in Tokyo, there are many foreign firms and many Japanese workers have experience working with foreign companies. Because of that fact, there is less fear of working for a foreign company. In other prefectures, however, Japanese workers do not have such experience. Therefore, they are naturally more reluctant to work for foreign firms. It is considered "safer" to work for a Japanese firm.

For female workers, the opposite appears to be true. Many Japanese women would like to work for foreign firms. They perceive foreign firms as being more willing to promote female workers. This attitude seems to be true in most prefectures. Foreign firms in Japan actually appear to have an advantage in hiring qualified female workers throughout Japan.

<u>Is Japan's vocational training system being used to attract foreign companies to Japan?</u>

Japan has a very well developed vocational training system. In fact, the Japanese vocational training system is considered to be one of the best in the world. The government of Japan supports a variety of job training organizations that were contacted as a part of this research project. These organizations include the Employment and Human Resources Development Organization of Japan (EHDO), Overseas Vocational Training Association (OVTA), and The Japan Vocational Ability Development Association (JAVADA).

These three organizations were contacted regarding whether they offer any types of training programs to foreign firms in Japan as a part of the FDI recruitment efforts of Japan. The answer is that none of these organizations are involved in providing a job training program as part of an FDI effort. However, all three have resources that potentially could be used by foreign firms in Japan to upgrade the skills of their workers. Following is a brief description of each program and their interaction with foreign firms.

The Employment and Human Resources Development Organization of Japan (EHDO) is one of the primary organizations that fund job training programs in Japan. It operates many training centers in various prefectures, as well as working in cooperation with Polytechnic Universities, colleges, and centers. EHDO focuses on unemployed people by providing vocational skills training.

It also does provide training for employed persons (incumbent worker training) through the Polytechnic centers. This training is designed to improve human resources that support the industrial base of Japan. These are relatively short courses which average between 2-5 days. They also provide technical assistance and advice to employers to provide their employees with life-long human resources development. EHDO will send instructors to conduct training organized by employers and employer associations.

EHDO also provides through their Polytechnic colleges short training courses (over 60 hours) for employees where they can learn advanced technical skills and develop expertise. EHDO can offer career development assistance to businesses so that they can provide career advancement services for employees. There is also assistance provided to start-up businesses and entrepreneurial training. At the prefectural centers, start-up businesses are provided assistance in recruiting and training new employees.

EHDO representatives were not aware of any foreign firms using their programs but said it was quite likely that some companies did use their programs. They stated that they do not routinely track and study such information.

If Japan created a job training program to encourage FDI, clearly EHDO would be a very important player in that effort. EHDO already has established job training programs that would be very beneficial to foreign firms. It would be relatively easy for EHDO to create and implement such a training program as the training infrastructure is already in place.

Another relevant training organization is the Overseas Vocational Training Association (OVTA). OVTA provides Japanese workers training in foreign cultures and customs before they are dispatched to foreign countries. They also have a skills upgrade program for employees and can organize employee training programs for companies. Their goal is to help prepare Japanese companies for globalization.

This organization also specializes in training workers from foreign countries, primarily Asian countries, so that they have the skills necessary to work for Japanese companies within those countries. OVTA has great experience working with foreign companies and foreign countries, as well as providing job training services. OVTA also could be a very important player in providing job training to foreign companies in Japan since they have much experience dealing with foreign countries and companies, and also has job training facilities.

The Japan Vocational Ability Development Association (JAVADA) is an organization that is focused on vocational ability evaluation standards and systems and tests. Many of these skills standards are available for downloading from its website. JAVADA works frequently with foreign countries, primarily Asian, to spread the use of skills standards and evaluations to help those companies improve productivity and workers skills.

JAVADA also works with Prefectural Vocational Ability Development Associations to help individual employees to advance their careers through job training programs. This advancement of individuals leads to the development of society and corporations. These Prefectural Associations run Service Centers that provide employers and employees with professional information on vocational ability development. Professional consultants and career counselors assist individuals to upgrade their skills.

JAVADA stated that they have no mechanism to determine if foreign companies used their services, but some might have. They stated that no foreign company has asked about using their services. Since many of their services such as the Vocational Ability Evaluation System can be used from the web for no cost, they do not know who uses that information. However, the services are available to any company that is located in Japan.

In meeting with EHDO, JAVADA and OVTA, it was clear that they had no programs developed specifically for foreign firms operating in Japan, and that they were not aware of foreign firms in Japan using their programs. However, all these programs have abundant English language information on their websites and excellent printed materials in English. It would be relatively easy for any of these organizations, or all of them together, to reach out and recruit foreign companies in Japan to use their services. It would also be quite easy for them to develop training programs for foreign firms newly locating in Japan.

Another interesting finding was that some smaller Japanese firms also are not accessing the vocational training system as well as the larger firms. Interviews with Japanese businessmen in smaller companies indicated a belief that Japan's vocational training

system works well for large Japanese companies that already have a large budget for training. These same businessmen expressed their opinion that smaller companies are the ones that need more training but don't have the resources to do adequate training. These businessmen, some who are presidents of smaller companies, said that they want more government assistance with job training.

The same can possibly be said about foreign firms in Japan too. For example, most large corporations have adequate budgets for recruitment and training, but small and medium size enterprises (SMEs) do not. The SMEs are the firms that would need the most governmental assistance with job training.

SUMMARY

In the United States, job training programs are one of the most commonly used incentive programs used by the individual states to recruit investment by businesses into the states. In Japan, this study has shown that Japan does not use job training programs as an incentive to attract Foreign Direct Investment into Japan.

Japan does have a workforce that is excellent, and a very advanced workforce training and Human Resource Development system. Japan through JETRO and the prefectural governments do promote the fact that Japan has a very highly qualified workforce. However, in areas outside of the major cities, Japanese workers are reluctant to work for foreign companies. Therefore, foreign companies will have difficulty finding qualified staff in many parts of Japan. Executives in foreign based companies will not want to invest in Japan if they feel that they cannot find qualified workers.

One way to alleviate this concern would be to provide extra training to workers hired by foreign firms, especially in areas outside of the Tokyo and Osaka areas. This training program would be used to upgrade the skills of the workers employed by foreign firms which would help narrow the gap between the skill levels of employees in foreign and Japanese firms. This would also reduce the concerns of foreign executives about being able to find qualified workers.

Of course, job training is only one incentive that prefectures would use to attract FDI. Executives in foreign firms will consider a wide variety of factors when choosing a site location for an office or factory, but human resources tends to be the most important factor. Japan already has an excellent vocational training system, so it would be relatively easy for Japan to create a job training program for foreign companies.

Given the facts presented in this study, along with our experience in the U.S. with job training programs as incentives for investment, I have the following recommendations.

RECOMMENDATIONS

1. Japan should consider establishing a job training program as an incentive to attract FDI into Japan.

- 2. This job training program should be used primarily in prefectures with low numbers of foreign firms. There does not appear to be a need for such a program in Tokyo and some of the larger cities where foreign firms are already locating without the need for incentives, and where there is an adequate workforce willing to work for foreign companies.
- 3. Efforts should be concentrated on small and medium sized enterprises (SME's). Large foreign firms usually have an adequate budget for job training, although extra job training assistance is a good incentive for large firms too. Priority should be given to the SME's.
- 4. This job training program for foreign firms should be customized to the needs of the employer, not a standard program for all employers. Providing job training that is customized is the key to success. Language training in English for employees is also very useful. Foreign firms must also invest heavily in Japanese language training for foreign staff, and the Japanese language training should be paid by the foreign company as their investment in staff development.
- 5. In order to establish this type of job training program, there should first be a survey of foreign companies in Japan about their workforce needs and the types of training that they need to survive in Japan. The job training program should be conducted by established job training organizations in Japan.
- 6. If Japan does not create a new job training program for foreign firms, then more information should be provided to foreign companies about the current job training programs in Japan. This should be directed first to companies that are established here in Japan, and then to companies outside of Japan. This would hopefully increase their use of existing job training programs.

CONCLUSION

Based on this study, I have one final conclusion regarding the vocational training system in Japan. The three training organizations that were studied, EHDO, JAVADA and OVTA, are currently under review by the national government of Japan for budgetary reasons. Apparently there is consideration of reducing these programs due to budget deficits.

These agencies have concerns regarding the reorganization of their programs based on current budget shortfalls, and potential cutbacks of their programs. Even if these organizations are reorganized or privatized, it would be a mistake to reduce Japan's vocational training programs. In America and Europe, the perception is that Japan's vocational training system is one of the best in the world. Any reduction in that training system would make recruiting of qualified personnel by foreign firms even more difficult and would work against the efforts to attract FDI.

During this period of reorganization, one recommendation would be to use these organizations to provide a job training program to attract foreign investment. For example, these organizations could create a special program to use job training as an incentive for FDI and work with JETRO to attract FDI.

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