

# Research Focus

<<Japan-India Human Exchange Research Series ④>>

2017 August

## How to attract highly skilled Indian professionals to Japan

~No silver bullet, make steady efforts ~



2017

The Year of Japan-India  
Friendly Exchanges

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(\* ) I would like to express my special thanks to Mr. Ratul Rana (Sumitomo Mitsui Banking Corporation) for continuous productive discussions and helpful comments.

# Structure of material and summary

## < Introduction >

- In order to bring innovation and to promote developed specialized/technical professional markets, Japan has been trying to enhance entry of highly skilled foreign professionals. In spite of India's potential/competitiveness of human resources, highly skilled Indian professional in Japan is limited.

## < Destination of highly skilled Indian professionals >

- The US, UK, Canada, Australia and Singapore are major destinations for highly skilled Indian professionals. Prospects and opportunities for earning a higher salary and better quality of life at the host country are major reasons for migration.

## < Highly skilled professionals in Japan >

- Highly skilled foreign professionals in Japan has been increasing since 2012 and engineer/specialists from China are the main growth driver. Although the current volume is still very small, the government aims to enhance the entry of "highly skilled foreign professionals" through the "point-based system" which was introduced in 2012.

## < Highly skilled Indian professionals in Japan >

- The most distinct feature of highly skilled Indian professionals is a higher employment share in the information and communication industry. The government of Japan launched several initiatives to promote Indian investment in Japan and bilateral cooperation.

## < Difficulty of working in Japan >

- Long working hours, Japan's unique communication style, unclear/slow promotion system, requirement for higher Japanese language skills, schooling problem (limited capacity of Indian schools and high tuition for international schools) are the major difficulties/challenges for highly skilled Indian professionals to move Japan.

## < How to promote highly skilled Indian professionals in Japan >

- Considering the existing challenges and expected required time for changing the working/social system, the strategic direction is to advertise/emphasize the attractiveness of staying in Japan. Taking the opportunity to feel the attractiveness of Japan and Japanese people is a first step to make Indian people recognize these attractive aspects of Japan.

## About this research initiative

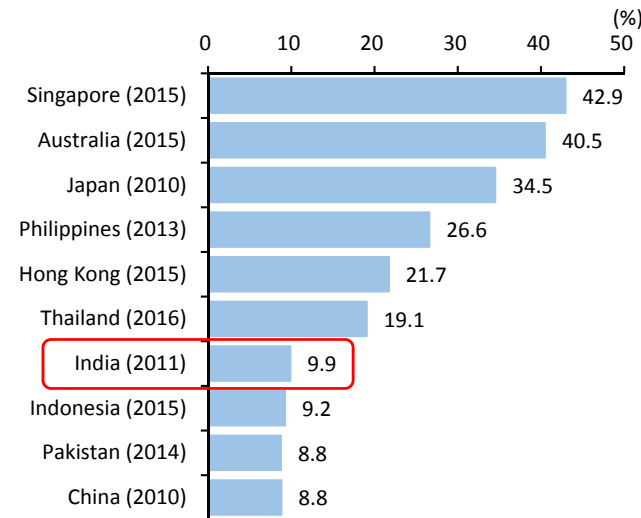
Issue	Contents
Why India-Japan	<ul style="list-style-type: none"> <li>• Although India is a very important strategic partner for Japan, economic and human relationships with India are not so strong compared with other countries.</li> <li>• Therefore, both governments are keen to enhance bilateral relationships.</li> </ul>
Why now	<ul style="list-style-type: none"> <li>• With the year 2017 being declared the "Year of Japan - India Friendly Exchanges", the timing may be right to consider ways and means to enhance the two countries' relationships.                             <ul style="list-style-type: none"> <li>✓ During the visit of H.E. Mr. Narendra Modi, Prime Minister of India, to Japan in November 2016, the two Prime Ministers, he and Mr. Abe agreed to mark the year 2017 as a year of Japan-India friendly exchanges.</li> </ul> </li> </ul>
Positioning of this research	<ul style="list-style-type: none"> <li>• This research initiative focuses on Japan-India human exchange (tourism, labor migration and international student exchange) and aims to promote the two countries' human exchange.</li> <li>• This research initiative was registered as an event celebrating the "Year of Japan-India Friendly Exchanges" by the Ministry of Foreign Affairs.</li> </ul>
Released reports	<ol style="list-style-type: none"> <li>1. Current structure and outlook of Indian visitors to Japan</li> <li>2. Japan visit promotion from India through "Cool Japan"</li> <li>3. Current structure and outlook of Indian residents in Japan</li> <li>4. How to attract highly skilled Indian professionals to Japan (This report)</li> </ol>



2017  
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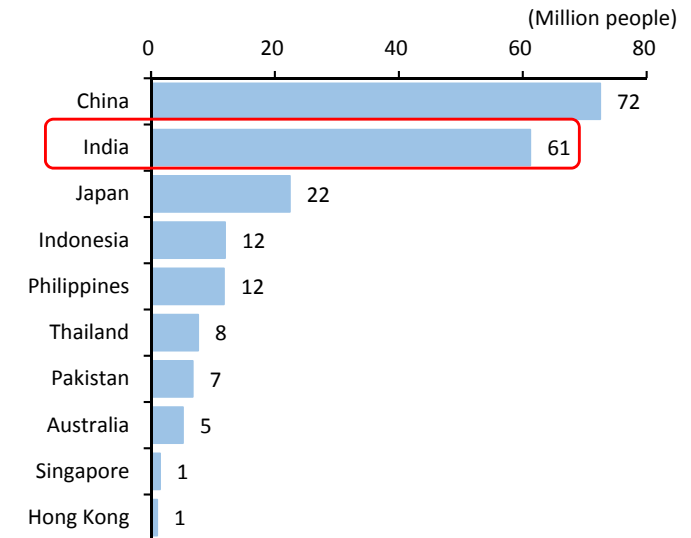
- In order to bring innovation and to promote developed specialized/technical professionals markets, the government of Japan has been trying to enhance the entry of highly skilled foreign professionals to Japan.
- Although it's difficult to have a quantitative international comparison about the human resource pool for "highly skilled professionals" as there is no unique/consistent definition among the world, various data shows that India has a large potential and global competitiveness.
  - India's educational attainment level is lower than that of other countries. However, owing to its population size, there are 61 million people age 25-65 who completed tertiary education. This is the second largest volume in the world after China.
  - The sub-category index of "Global Service Location Index", compiled by AT Kearney based on quality & skill of professionals and labor force availability in IT and BPO (Business Process Outsourcing), shows Indian professionals have competitiveness in these industries.
  - About 70 % of US's "H1-B", visas for specialty occupation which requires highly specialized knowledge, was issued for Indian people.
- In spite of India's potential/competitiveness, highly skilled Indian professional in Japan is limited. This short report focuses on the flow of highly skilled Indian professionals and considers how Japan can attract highly skilled Indian professionals.

## Educational attainment in Asia : at least completed tertiary, population 25+ years, both sexes (%)



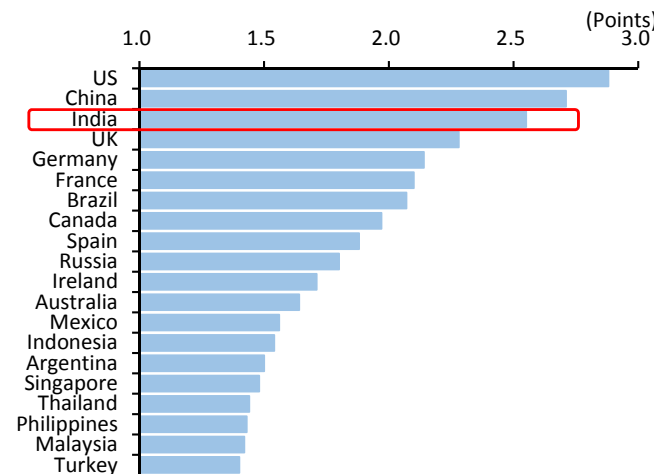
(Source) UNESCO Institute for Statistics

## Population age 25-65 at least completed tertiary education (2015)



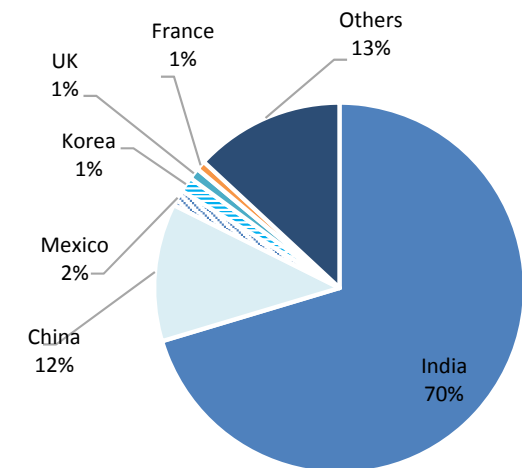
(Source) JRI estimate based on United Nation's educational attainment and population data

## People skills and availability index (Sub-category index of Global Service Index) (2016)



(Source) AT Kearney global services location index

## US's H1-B visa by country (2016)

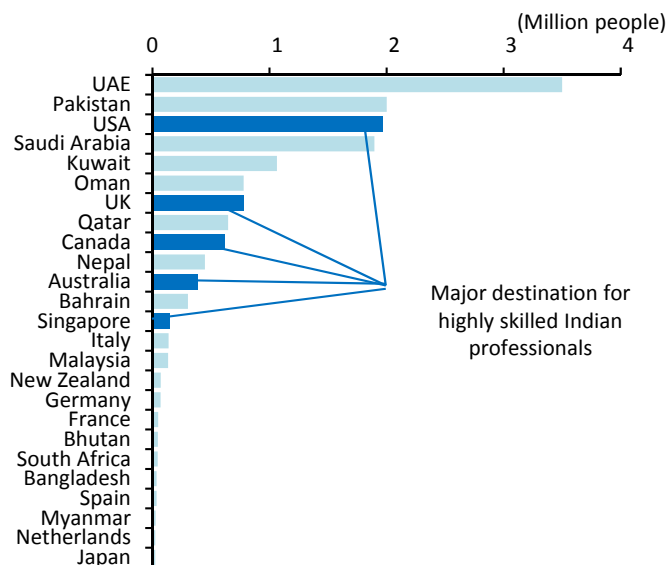


(Source) U.S. Department of State

# Destination of highly skilled Indian professionals

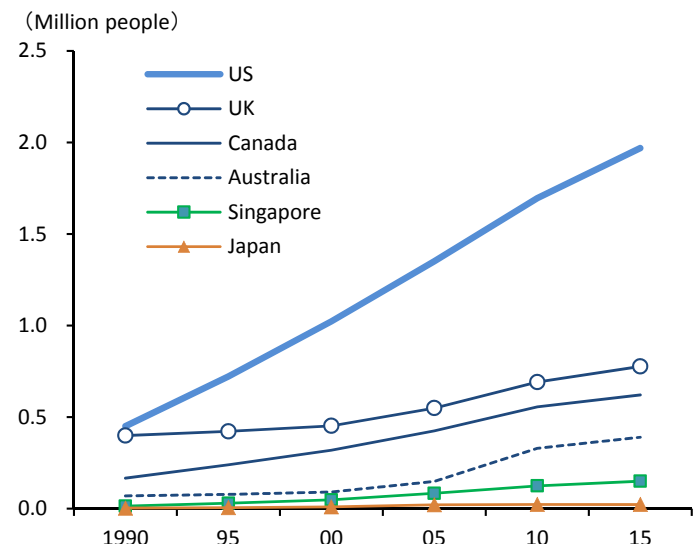
- While the Gulf Cooperation Countries such as UAE, Saudi Arabia, Kuwait, Oman, Qatar, and Bahrain attract most of the low skilled workers from India, the US, UK, Canada, Australia and Singapore have been the preferred destinations for highly skilled Indian professionals.
- (1) Prospects and opportunities for earning a higher income/salary, (2) better quality of life at the host country are the major factors for migration.
  - In fact, per capita GDP and global livability ranking show income and quality of life in major destination is much better than those in India.
- Reflecting US's larger R&D expenditure and higher salary for researchers, concentration in the US has increased in the last 20 years. However, this trend could change as the Trump administration is considering tightening its immigration policy.

Destination of Non-Resident Indians (NRIs) in 2015



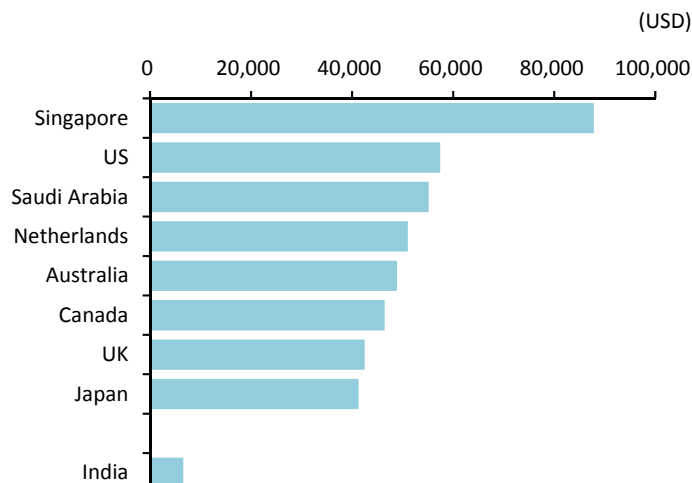
(Source) United Nations

NRIs in selected developed countries



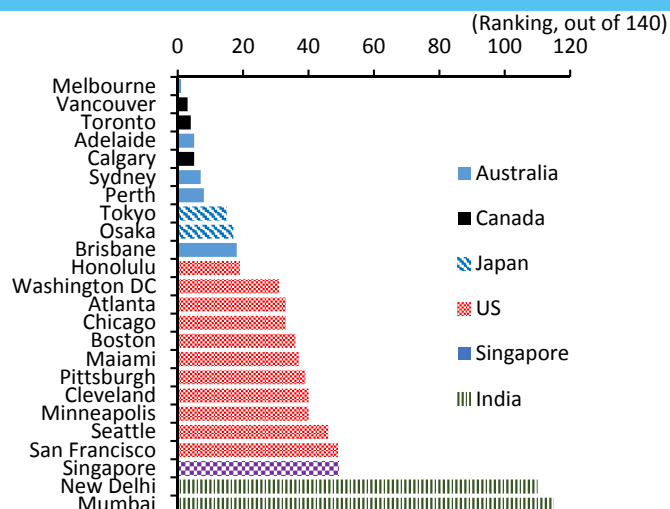
(Source) United Nations

Gross domestic product based on purchasing-power-parity (PPP) per capita GDP in 2016



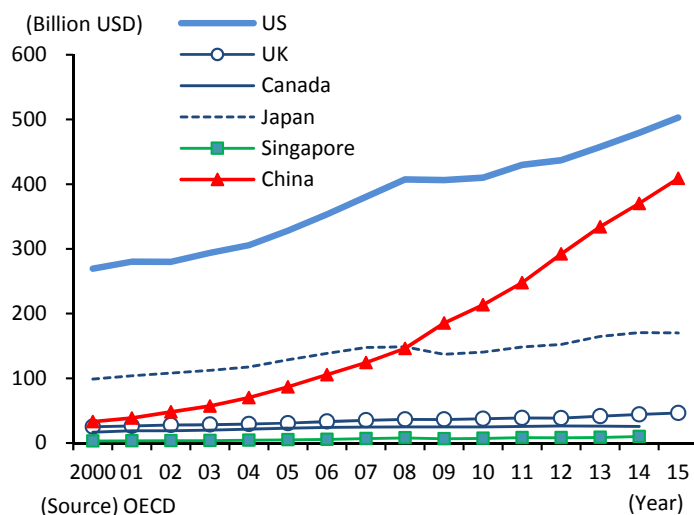
(Source) IMF

Global livability Ranking (2015)



(Source) Economic Intelligence Unit "Liveability Ranking (2015)"

Gross domestic expenditure on R&D



(Source) OECD

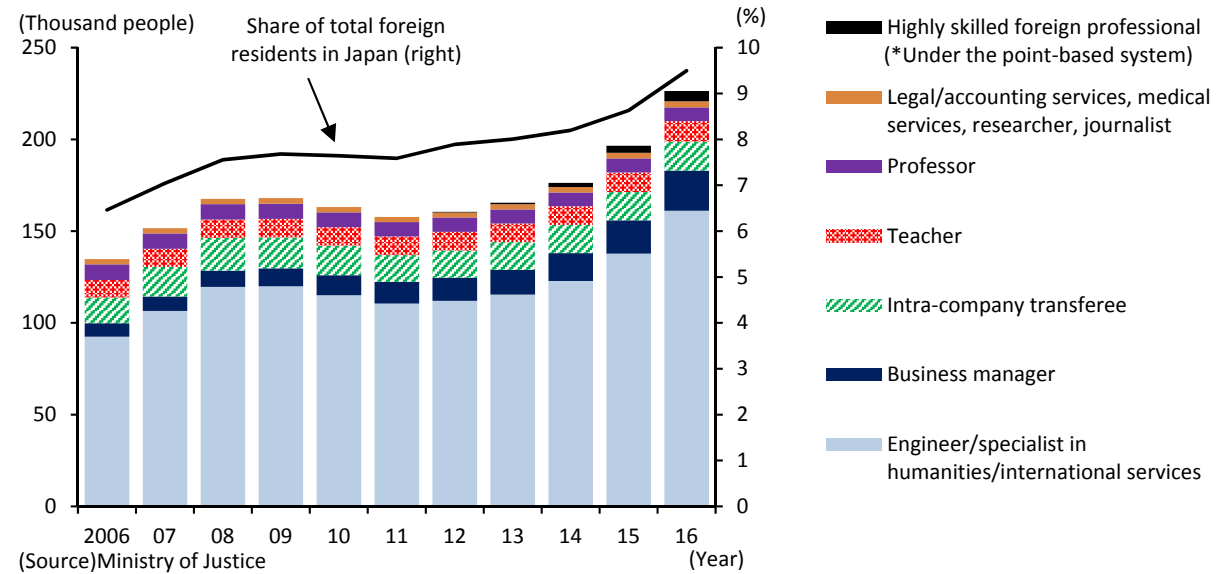
# Highly skilled foreign professionals in Japan

- After witnessing a decline during the global financial crisis in 2008-2009 and Fukushima disaster in 2011, the number of highly skilled foreign professionals (\*) in Japan have been increasing. Specialists in the field of engineering, humanities, international services from China are the main growth drivers.

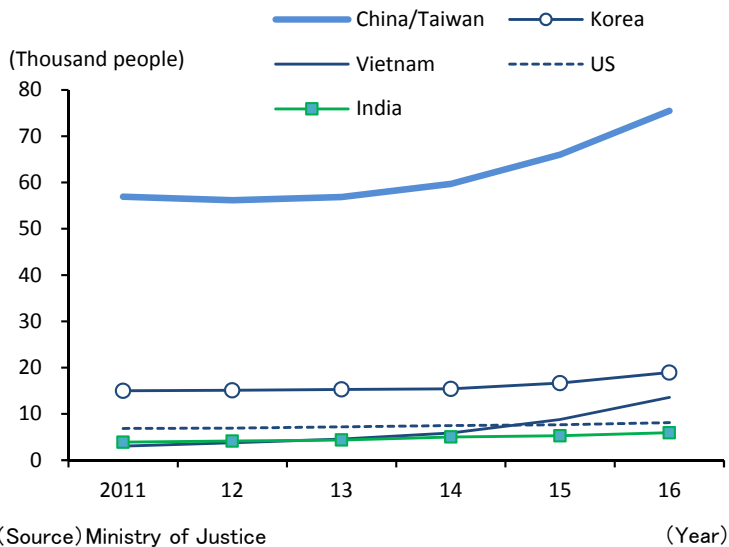
\* This report categorizes registered foreign residents with selected visa categories as highly skilled foreign professionals. This may not be the best estimate, as foreign residents holding other categories of visas (such as permanent resident/long term stay) could also be engaged in industries requiring very high level of skills and expertise.

- Although the current volume is very small, the government introduced its "point-based system" in 2012 to enhance the entry of highly skilled foreign professional. As of 2016, this category has about 5,500 people and about 65% comes from China. India is the third largest after China and the US. The government aims to increase this number to 10,000 by 2020.

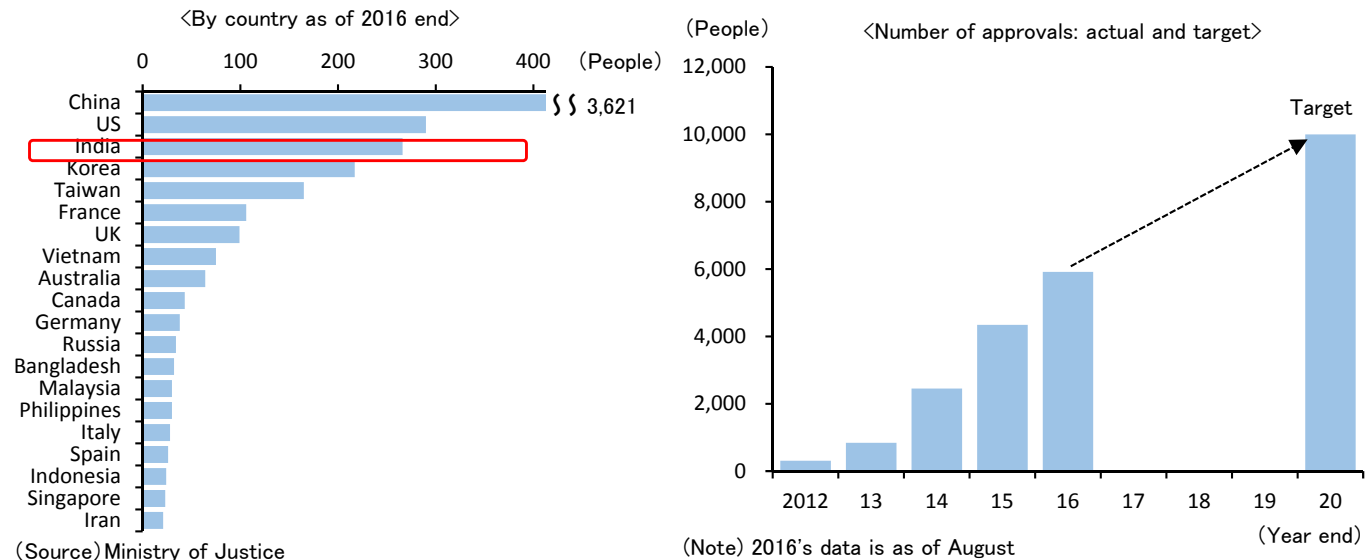
## Highly skilled foreign professionals in Japan by visa type



## Foreign engineer/specialist in humanities/international services



## Highly skilled foreign professionals under the point-based system



# Annex: Summary of points-based system for highly skilled foreign professionals

- At the conceptual level, the government of Japan regards human resources who have a complementary relationship with domestic capital/labor and bring innovations as “highly skilled professionals”. In practice, the activities of the highly skilled foreign professionals are classified into three categories: (1) advanced academic research activities, (2) advanced specialized/technical activities, and (3) advanced business management activities.
- Points are set to each criteria, such as academic background, professional career, and annual salary. If the total points reaches 70, preferential immigration treatment such as permission for bringing parents to Japan, relaxation of requirements for permanent residence, etc., will be granted.

Category of highly skilled foreign professionals	
Category	Type of activity
Advanced academic research activities	<ul style="list-style-type: none"> <li>Activities such as engaging in research, research guidance or education based on a contract entered into with a public or private organization in Japan.</li> </ul>
Advanced specialized/technical activities	<ul style="list-style-type: none"> <li>Activities such as engaging in work requiring specialized knowledge or skills in the field of natural sciences or humanities based on a contract entered into with a public or private organization in Japan.</li> </ul>
Advanced business management activities	<ul style="list-style-type: none"> <li>Activities such as engaging in the operation or management of a public or private organization in Japan.</li> </ul>

(Source) Immigration Bureau of Japan

Points calculation table for advanced academic research activities.		
Category	Criteria	Points
Academic background	Holder of a doctor's degree	30
	Holder of master's degree	20
Professional career	7 years or more	15
	5 years or more	10
	3 years or more	5
Annual salary	Points depend on age and salary	10-40
Age	Up to 29 years of age	15
	Between 30 and 34 years of age	10
	Between 35 and 39 years of age	5
Bonus points 1	Research achievement	25
Bonus points 2	Work for an organization which receives financial support measures to related to innovation	10
Bonus points 3	Employment in a small or medium sized enterprise whose experiment and research expenses are more than 3% of total revenue	5
Bonus points 4	Holder of foreign work related qualifications, etc.	5
Bonus points 5	Person who has earned a degree at an institute of higher education in Japan	10
Bonus points 6	Person who has passed level “N1” of the Japanese language proficiency test	15
Eligible points for highly skilled foreign professionals		70

(Source) Immigration Bureau of Japan

## Preferential immigration treatment for highly skilled professionals

- Permission for multiple activities
- Grant of a 5 years period of stay
- Easing of requirements for acquiring permanent residence
- Permission for the spouse of the highly skilled foreign professionals to work
- Permission for bringing parents to accompany the highly-skilled foreign professionals to Japan under certain conditions
- Permission for a domestic worker to accompany the highly-skilled professionals to Japan under certain conditions
- Preferential processing of entry and residence procedures

(Source) Immigration Bureau of Japan

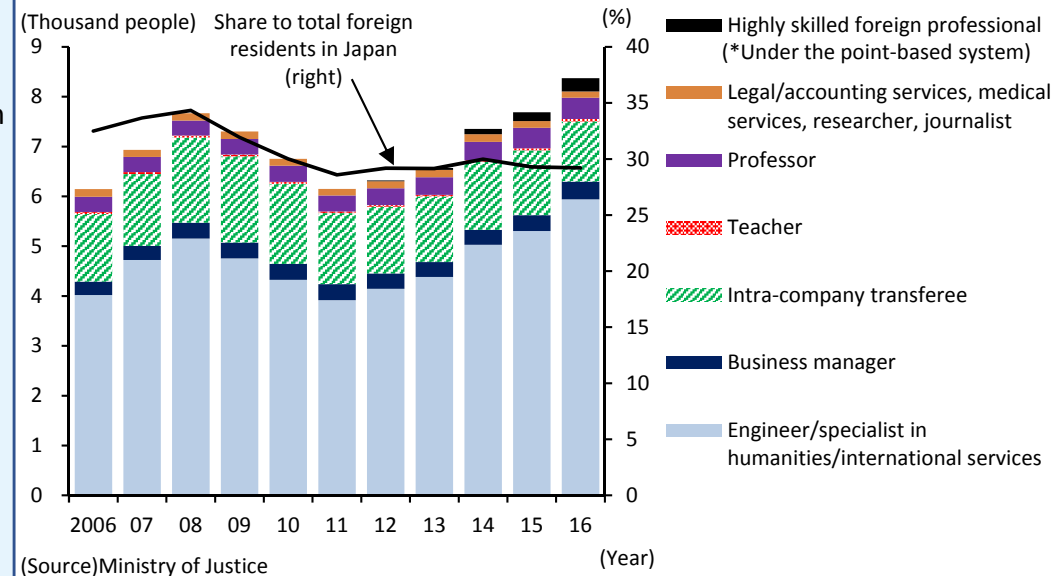
Annual salary points allocation table				
Age JPY	Less than age 30	Age 30-34	Age 35-39	More than age 40
10 million	40	40	40	40
9 million	35	35	35	35
8 million	35	35	35	30
7 million	25	25	25	-
6 million	20	20	20	-
5 million	15	15	-	-
4 million	10	-	-	-

(Source) Immigration Bureau of Japan

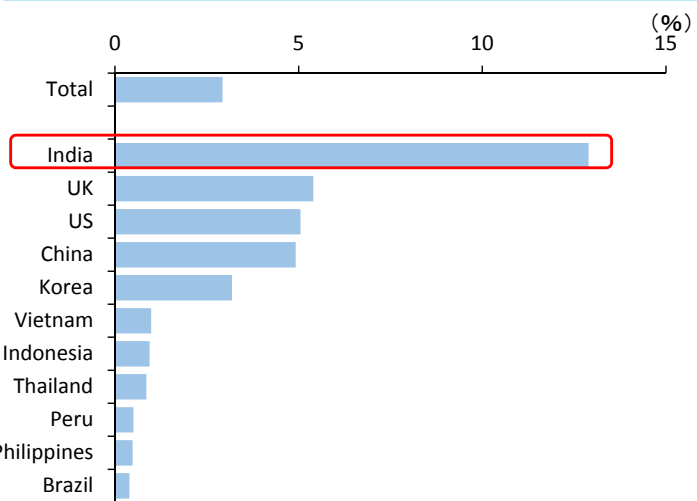
# Highly skilled Indian professionals in Japan

- The trend of highly skilled Indian professionals from India follows the overall trend and has been increasing since 2012. In comparison to inflow of highly skilled professionals from the world, higher share of intra-company transferee from Indian to Japan can be observed. Highly skilled professionals from India were mostly observed in the Information and Communication Technology (ICT) related industries. According to the Census survey of 2015, about 13% of Indian people were engaged in ICT industries. Given India's global competitiveness in the ICT industry and the higher concentration of in this industry, there is a general perception about strong Indian presence in Japan's ICT industry. However, India's employment share in ICT industry of Japan was much lower than that of China, South Korea and USA.
- With a view to enhance productivity in ICT industry by attracting talented professionals from India, the Japanese government aims to promote investment from India into this sector. The government launched "Japan-India IoT (Internet of Things) investment Initiative" in December 2015 and "IoT Acceleration Consortium", a framework for IoT collaboration among government/industry/academic in Japan, and National Association of Software and Service Companies (NASSCOM) in India concluded memorandum of understanding to find an opportunity for business collaboration in February 2017.

## Highly skilled Indian professionals in Japan

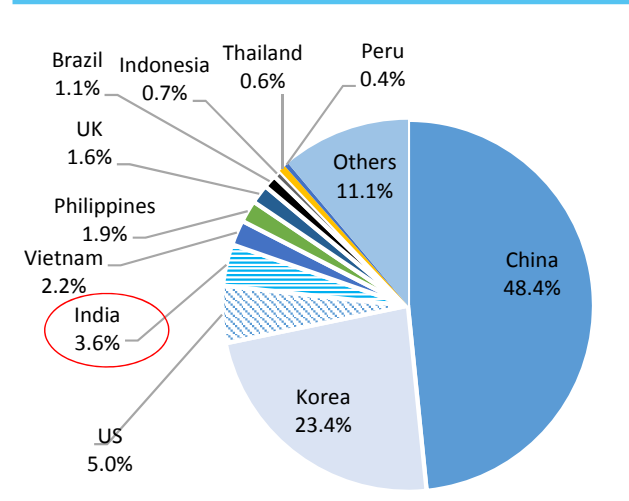


### Employment share in information and communication industry (2015)



(Source) Ministry of Internal Affairs and Communication "Census 2015"

### Foreign professionals structure in information and communication industry (2015)



(Source) Ministry of Internal Affairs and Communication "Census 2015"

### About Memorandum of Understanding (MoU) for Internet of Things (IoT) cooperation between Japan and India (Feb 2017)

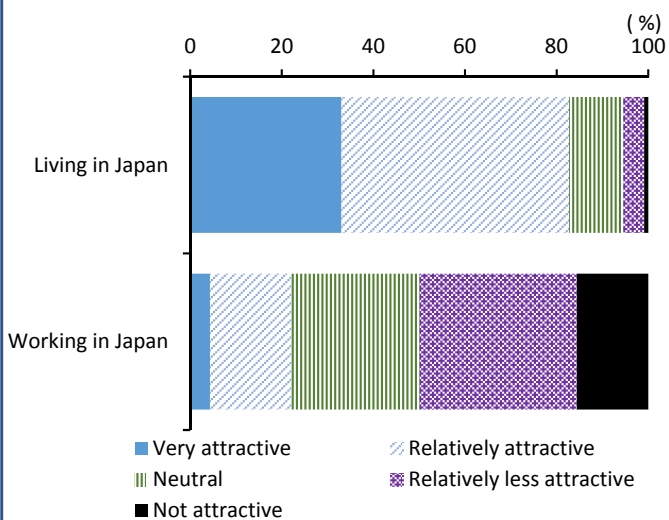
Issue	Contents
Background of MoU	<ul style="list-style-type: none"> <li>Japan needs to accelerate IoT activities toward the realization of the "fourth industrial revolution" to achieve productivity increase.</li> </ul>
Highlights of MoU	<ul style="list-style-type: none"> <li>Periodical information sharing, business collaboration opportunity assessment between National Association of Software and Services Companies (NASSCOM) and IoT Acceleration Consortium (ITAC).</li> </ul>
About NASSCOM	<ul style="list-style-type: none"> <li>Industry association for IT business in India.</li> <li>About 2,000 companies participate.</li> </ul>
About ITAC	<ul style="list-style-type: none"> <li>Framework for IoT collaboration among government, industry and academic sectors.</li> <li>About 2,800 companies participate.</li> </ul>

(Source) Ministry of Economy, Trade and Industry

# Difficulty of working in Japan

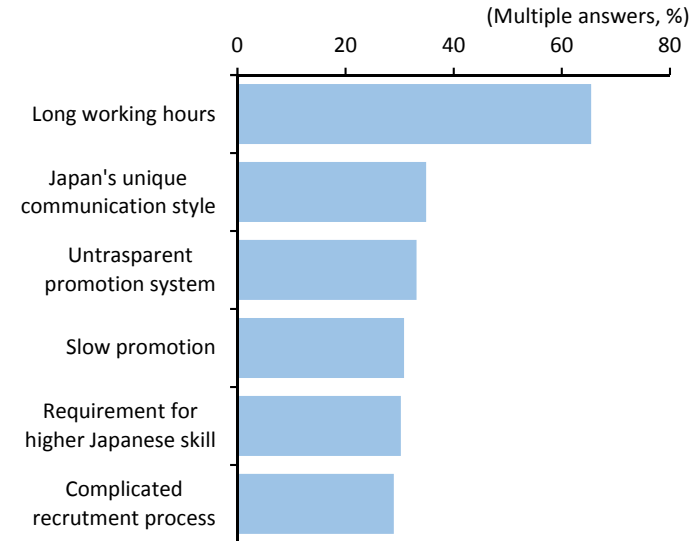
- Many foreigners feel that Japan is a good country to live in but not so attractive in which to work.
- The survey of the Japan Association for Promotion of Internationalization shows long working hours, Japan's unique communication style, unclear promotion system, slow promotion systems, and the requirement for higher Japanese language skill are the major difficulties to work in Japan. As for Japanese skill, even for foreigners who have graduated from a foreign university, many companies require at least intermediate business level. Based on the survey, Japanese corporations feel that the lack of a Japanese manager who can utilize foreign staff is the crucial issue.
- In addition to these general challenges for non-Japanese, anecdotal evidence shows Indian people are very particular about schooling for their children and many people hesitate to move to Japan due to limited capacity of Indian schools and high tuition for international school.

Foreigner's perception about living/working in Japan (2016)



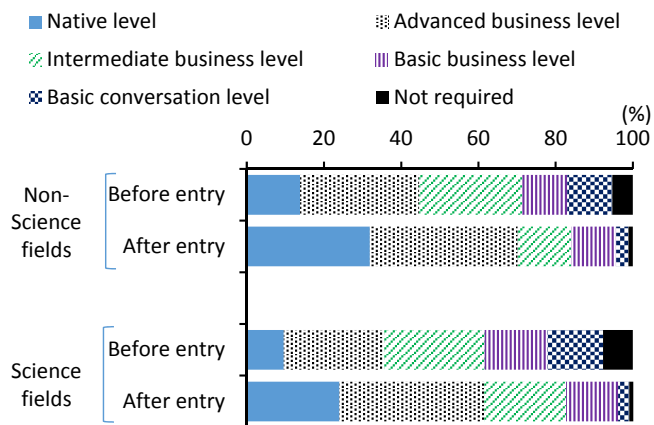
(Source) Ministry of Economy, Trade and Industry

Difficulties /Challenges for working in Japanese companies (2015)



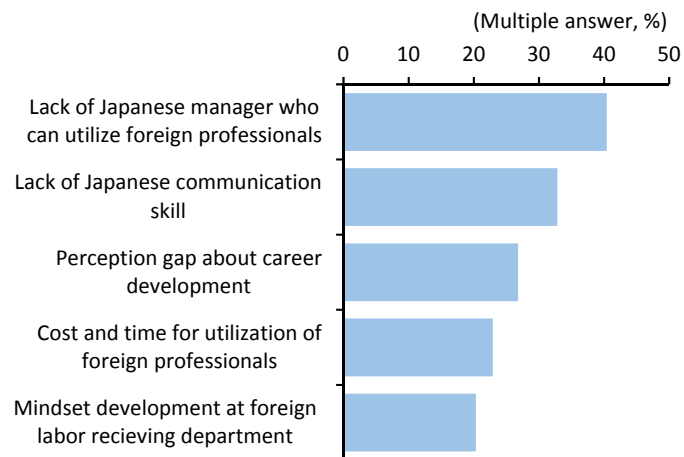
(Source) Japan Association for Promotion of Internationalization.

Companies' expectation about Japanese skill for foreigners who graduate from overseas universities



(Source) Disco's survey about highly skilled foreign professional recruitment (2016 Nov)

Challenge for utilization of foreign professionals



(Source) Disco's survey about highly skilled foreign professional recruitment (2016 Nov)

Type of school, tuition, and challenge for Indian

Issues	Tuition for junior high school (excluding fees for special activities)	Challenges
Japanese school	<ul style="list-style-type: none"> <li>Free for public school</li> <li>About 500 thousand JPY per year</li> </ul>	<ul style="list-style-type: none"> <li>Education is provided in Japanese.</li> <li>Education system does not match with Indian parents' expectations.</li> </ul>
Indian school	<ul style="list-style-type: none"> <li>About 1.0 million JPY per year</li> </ul>	<ul style="list-style-type: none"> <li>Limited capacity</li> </ul>
International school	<ul style="list-style-type: none"> <li>More than 2.0million JPY per year</li> </ul>	<ul style="list-style-type: none"> <li>High tuition</li> </ul>

(Source) The Japan Research Institute



# How to attract highly skilled Indian professionals to Japan



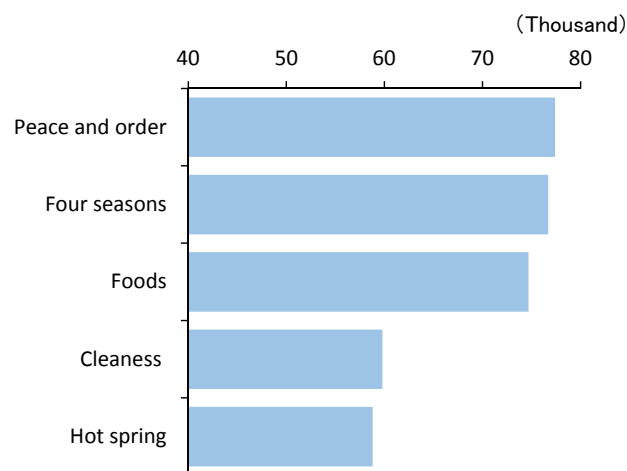
## Challenges, recommended policy direction to increase the number of highly skilled Indian professionals into Japan

Challenge	Approach
Education	<ul style="list-style-type: none"> <li>Consider providing certain financial concessions to foreign nationals sending their children to international schools.</li> <li>Enhance new entry of international/Indian schools in Japan.</li> <li>Reform education system in Japanese school (for example, consider introducing a few English classes/courses, alongside the usual courses taught in Japanese, from the primary education in Public schools).</li> </ul>
Language & culture	<ul style="list-style-type: none"> <li>Provide Japanese training to Indian professionals</li> <li>Provide English training to Japanese managers</li> <li>Enhance globalization of Japanese corporations</li> </ul>
Visa system	<ul style="list-style-type: none"> <li>Reconsider relaxation of eligibility of highly skilled foreign professional.</li> <li>Simplify VISA procedure for intra-office transfers from Indian to Japan.</li> </ul>
Inheritance tax	<ul style="list-style-type: none"> <li>Reconsider appropriate tax base for assets overseas (* tax system was revised in FY 2017)</li> </ul>
Labor system	<ul style="list-style-type: none"> <li>Develop more transparent wage/promotion system based on performance.</li> </ul>

(Source) The Japan Research Institute

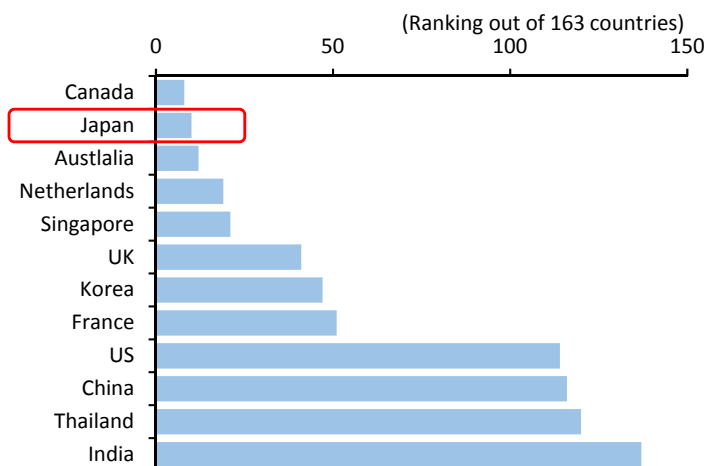
- Owing to wide divergence in the working and social systems prevailing in Japan and India, it might appear to be difficult to attract high skilled and talented professionals from India. However, with some concerted and supportive efforts in the area of schooling, language, VISA system, taxation, etc., the gap between Japan and other destinations preferred by high-skilled professionals from India can be narrowed.
- Making the working and social system/structure more accommodative to high-skilled foreign professionals is a slow and lengthy process. As such, another strategic approach is to attract high-skilled professionals from India through advertising and promoting about the attractiveness of staying in Japan. For example, advertising Japan's peaceful living environment and attractiveness of culture and personality (politeness, kindness, and sincerity) could attract Indian people to Japan. Making opportunities to feel Japan and Japanese people is a first step to make Indian people recognize this attractiveness. Therefore, promotions for tourism and content exports (which was analyzed in the first and the second reports) are crucial issues.
- Another important initiative is to promote Indian international student exchange with Japan (This point will be analyzed in the next reports).

### Japanese's perception about attractiveness of Japan (2017)



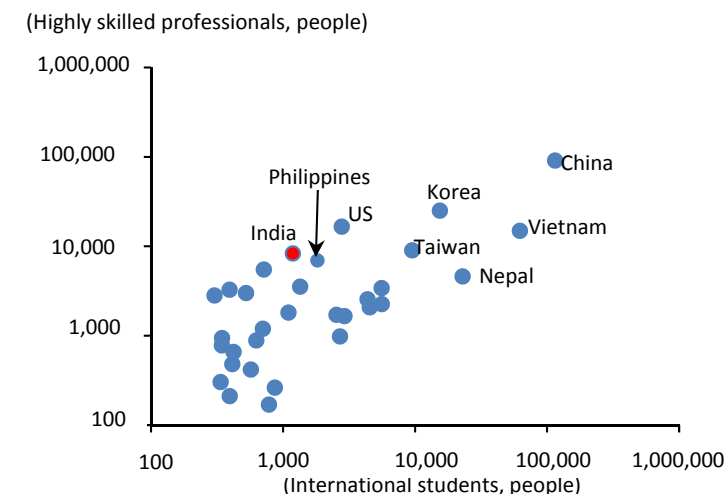
(Source) Macromill

### Global Peace Index (2017)



(Source) Institute for economics & peace

### International students and highly skilled professionals in Japan (2016)



(Source) Ministry of Justice