JAPAN AND TECHNOLOGY WORKERS FROM INDIA: WORKING THROUGH INSTITUTIONAL STICKINESS

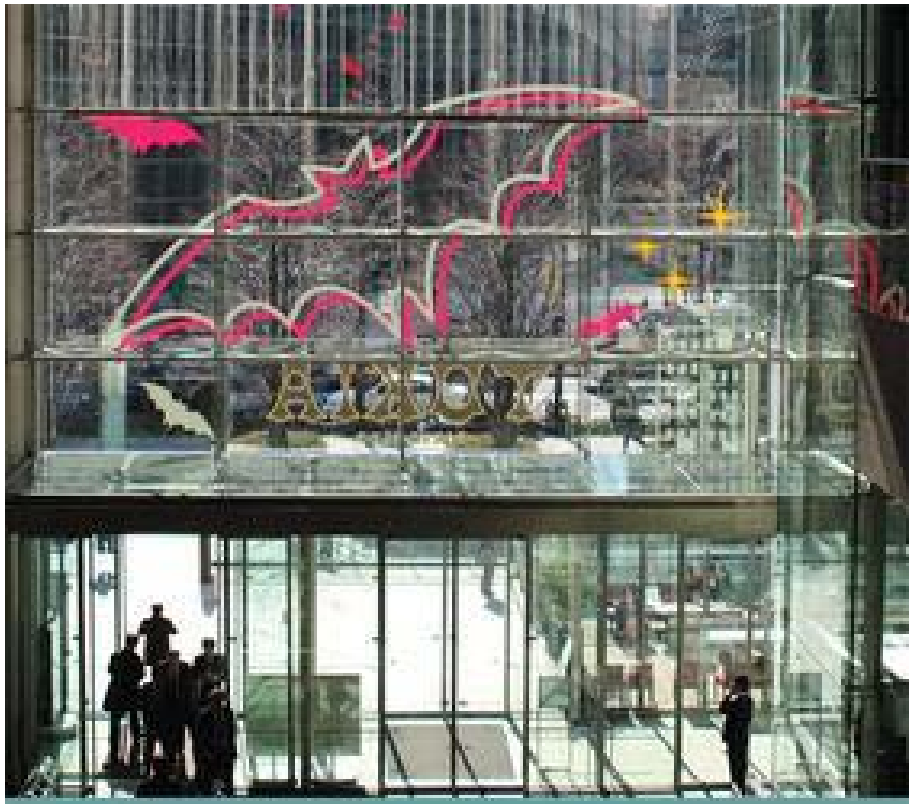
ANTHONY P. D'COSTA
CHAIR AND PROFESSOR OF CONTEMPORARY INDIAN STUDIES
DEVELOPMENT STUDIES, SCHOOL OF SOCIAL AND POLITICAL SCIENCES
UNIVERSITY OF MELBOURNE

7TH ADB-ADBI-OECD-ILO ROUNDTABLE ON LABOR MIGRATION IN ASIA: FINANCE AND TECHNOLOGY TO INCREASE THE POSITIVE IMPACT OF MIGRATION ON HOME COUNTRIES

JOINTLY ORGANIZED BY:
ASIAN DEVELOPMENT BANK AND ASIAN DEVELOPMENT BANK INSTITUTE

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT INTERNATIONAL LABOUR ORGANISATION

18-19 JANUARY 2017, ADB AUDITORIUM, MANILA



INTERNATIONAL MOBILITY, GLOBAL CAPITALISM, AND CHANGING STRUCTURES OF ACCUMULATION

Transforming the Japan-India IT relationship

Anthony P. D'Costa

THIS PRESENTATION

- Focus on institutional stickiness and their negotiation for technology workers
- Japan's Context
  - Structural shift toward services employment in Japan
  - Demographic pressures
  - Weak tradable services position
  - Small number of foreigners
- Institutional stickiness that go beyond immigration policies
- Incremental changes in institutions to facilitate greater inflows

LOOKING INTO THE JAPAN AND INDIA RELATIONSHIP

THE IT INDUSTRY: SOFTWARE SERVICES

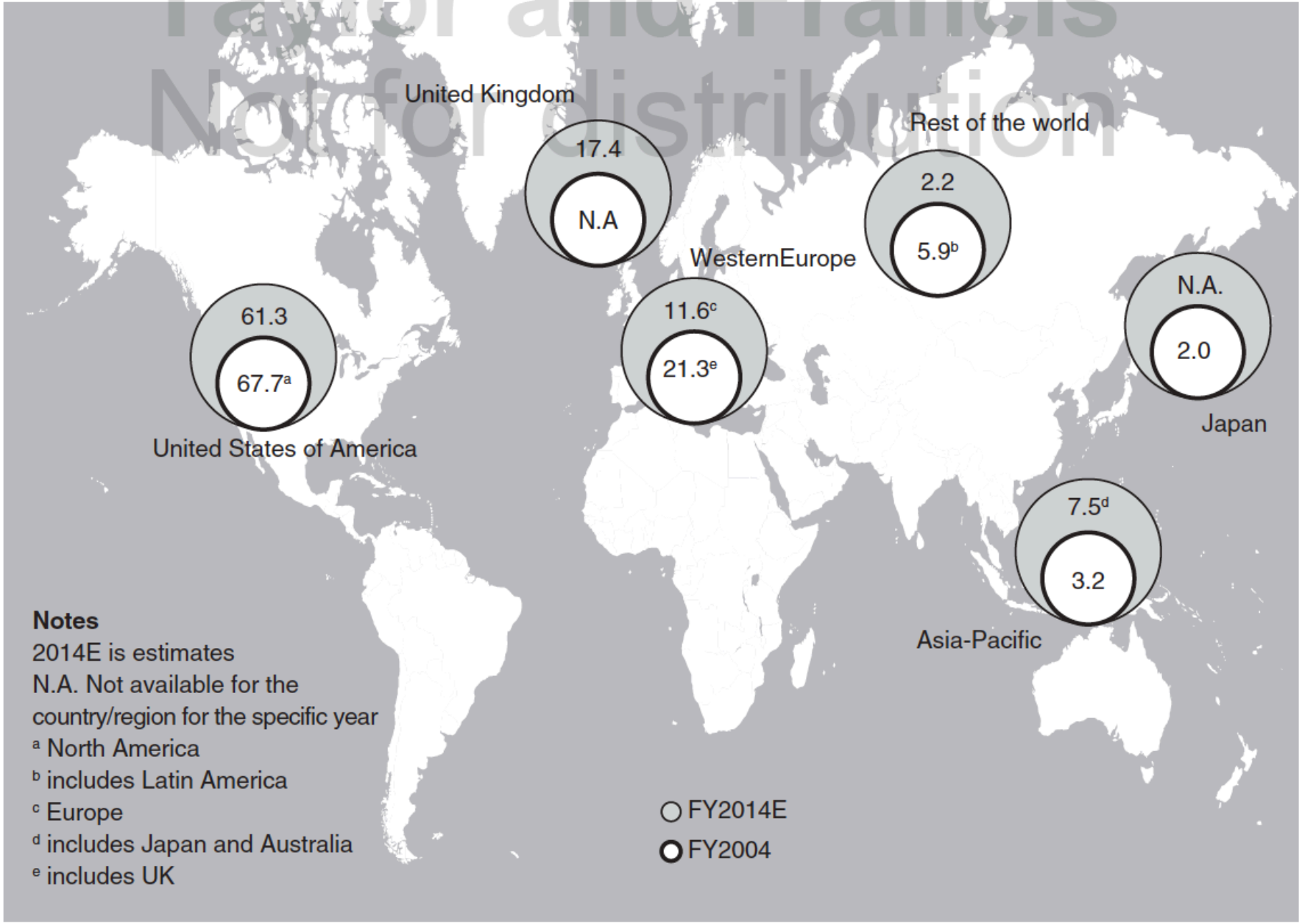


Figure 1.1 India's Exports of Software Services (% share of total by market)

Balance of Trade in US Services (US $ millions)

Years	Total Private Services			Affiliated[1]			Other private services[2]			Business, professional, and technical services[3]		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
1999	271,343	192,893	78,450	61,640	35,728	25,912	28,084	24,959	3,125	28,940	19,854	9,086
2000	290,381	216,115	74,266	65,641	39,967	25,674	31,014	28,387	2,627	31,686	20,223	11,463
2001	274,323	213,465	60,858	66,455	41,234	25,221	31,305	32,773	-1,468	45,806	28,926	16,880
2002	280,670	224,379	56,291	73,397	44,918	28,479	34,283	36,116	-1,833	49,970	35,321	14,649
2003	289,972	242,219	47,753	78,599	46,937	31,662	39,662	39,628	34	52,229	37,197	15,032
2004	337,966	283,083	54,883	89,278	51,053	38,225	49,972	45,817	4,155	58,025	41,911	16,114
2005	373,006	304,448	68,558	96,193	58,363	37,830	53,525	46,216	7,309	66,210	51,160	15,050
2006	416,738	341,165	75,573	109,058	68,751	40,307	64,432	60,457	3,975	75,476	64,464	11,012
2007	488,396	372,575	115,821	133,049	77,051	55,998	80,456	73,986	6,470	94,043	72,554	21,489
2008	532,817	409,052	123,765	141,340	86,680	54,660	86,429	83,892	2,537	102,857	85,509	17,348
2009	512,722	386,801	125,921	141,289	89,558	51,731	89,125	85,795	3,330	105,077	83,908	21,169
2010	563,333	409,313	154,020	151,905	97,170	54,735	97,656	84,966	12,690	116,311	92,256	24,055
2011	627,781	435,761	192,020	173,025	113,872	59,153	105,809	80,061	25,748	126,704	109,542	17,162
2012	654,850	450,360	204,490	181,588	119,758	61,830	106,895	77,360	29,535	136,512	112,718	23,794
2013	687,410	462,134	225,276	187,746	127,215	60,531	114,316	76,435	37,881	141,828	119,101	22,727

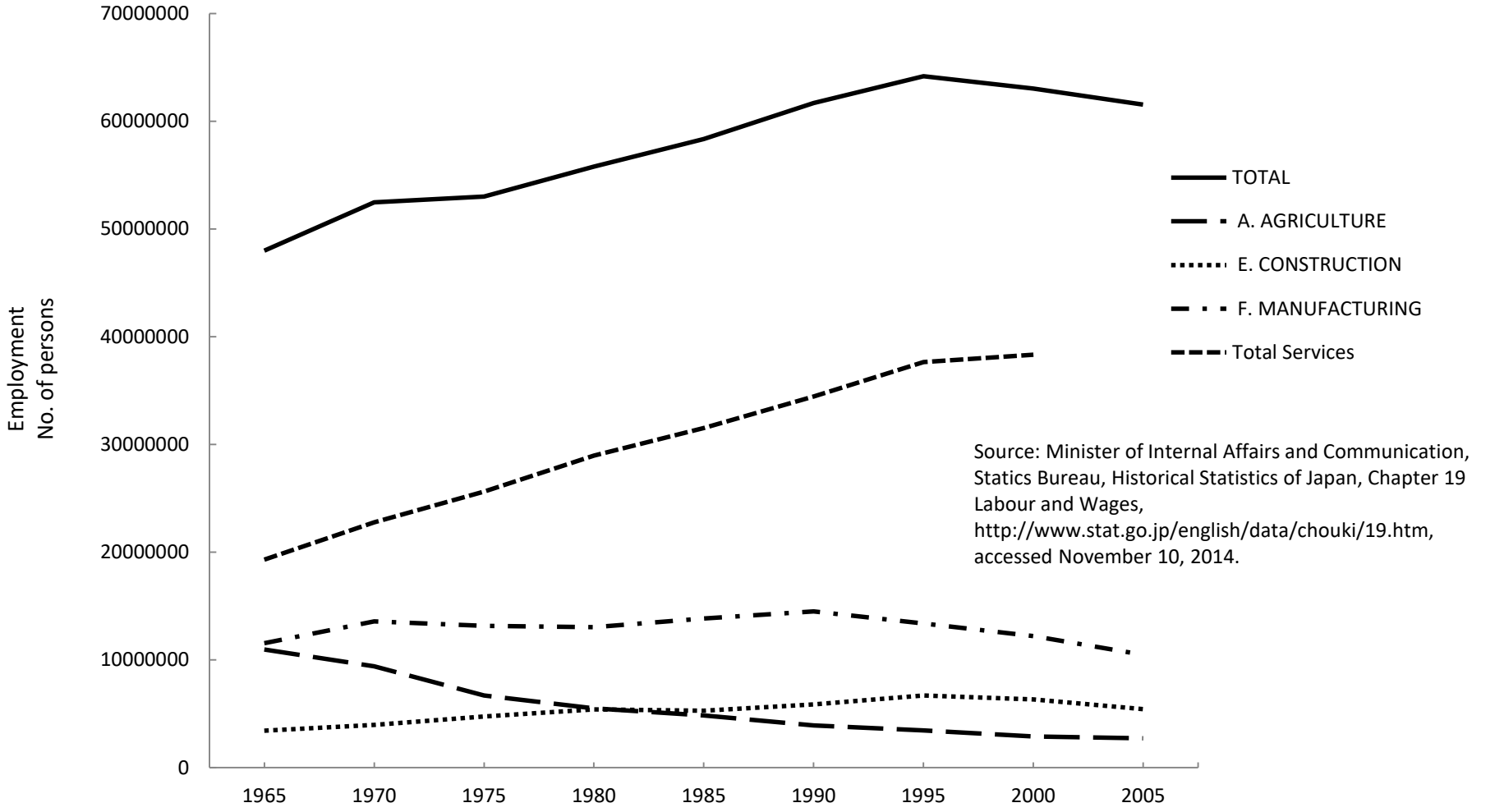
Source: US Bureau of Economic Analysis, http://www.bea.gov/international/bp_web/tb_download_type_modern.cfm?list=4&RowID=160, accessed November 15, 2014

Notes:

1. By U.S. parents to/from their foreign affiliates and by U.S. affiliates to/from their foreign parent groups
2. Includes financial services, insurance services and telecommunications
3. Includes Computer services, Information services, Research and Development services, Professional and management Consulting services, Business and management consulting and public relations services

JAPAN'S STRUCTURAL SHIFT TOWARD SERVICES

Shifts in Japanese Employment by Principal Sectors



Source: Minister of Internal Affairs and Communication, Statics Bureau, Historical Statistics of Japan, Chapter 19 Labour and Wages, http://www.stat.go.jp/english/data/chouki/19.htm, accessed November 10, 2014.

Japan's Goods and Services Trade Balance (US$ million)

Calendar Year	Trade Balance	Goods Balance	Services Balance	Computer and Information Services Balance
2000	69,200	115,024	(45,824)	(1,496)
2001	26,569	69,275	(42,706)	(1,224)
2002	51,641	92,336	(40,695)	(1,006)
2003	72,280	103,695	(31,415)	(1,036)
2004	94,080	128,347	(34,267)	(1,139)
2005	70,348	94,456	(24,108)	(1,308)
2006	63,258	81,409	(18,151)	(2,150)
2007	83,479	104,654	(21,175)	(2,636)
2008	17,780	38,593	(20,813)	(3,033)
2009	22,800	43,178	(20,378)	(2,899)
2010	74,683	90,762	(16,079)	(2,525)
2011	(42,632)	(20,410)	(22,222)	(3,013)
2012	(105,675)	(72,961)	(31,251)	(3,142)
2013	(119,684)	(103,478)	(16,206)	(3,191)

Source: JETRO 2014. International Economic Research Division, http://www.jetro.go.jp/en/reports/statistics/, accessed December 5, 2014.

Note: Figures in parenthesis denote deficits.

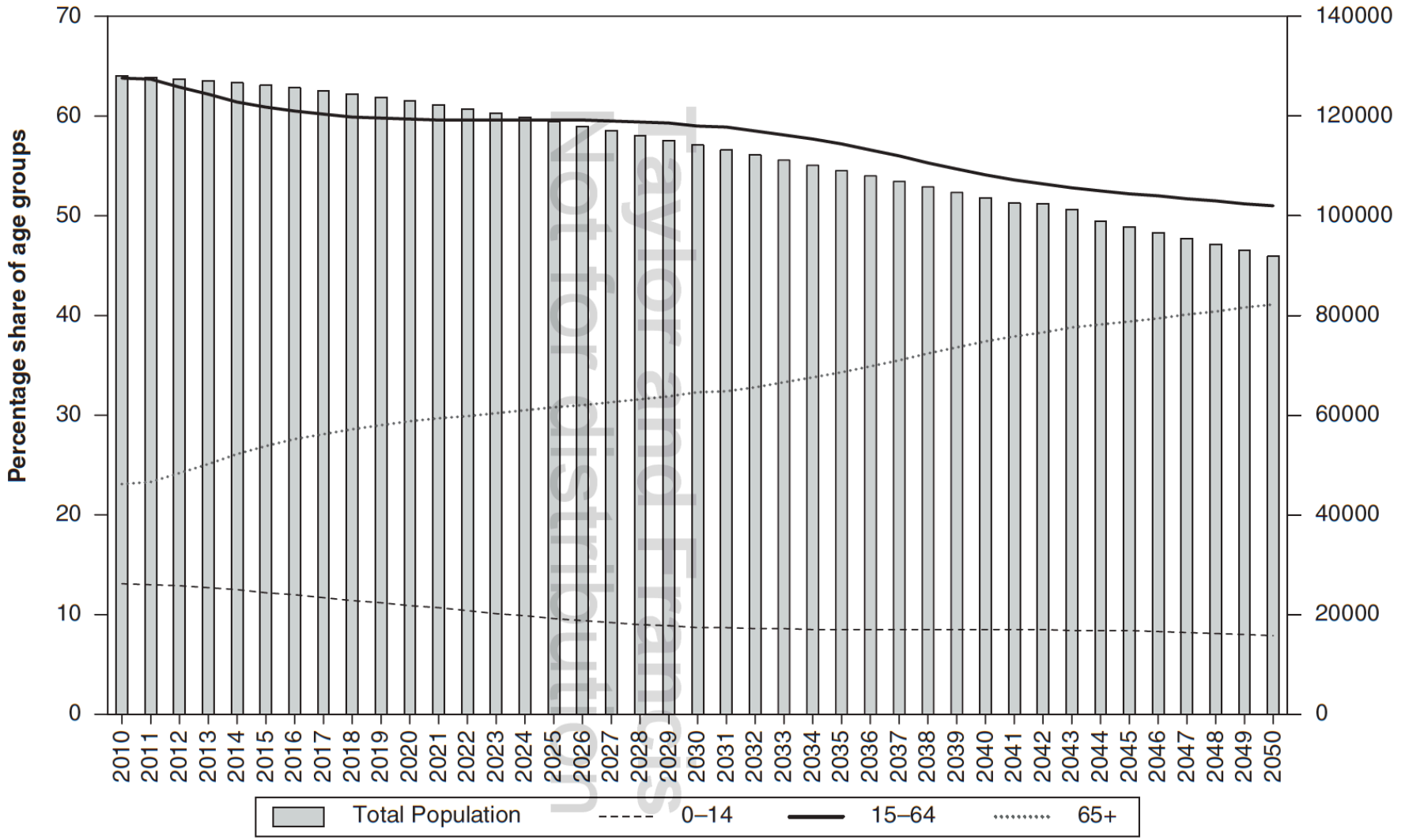


Figure 6.1 Japan's population projections to 2050 (in '000s).

INDIA: Expectations and Reality

1. Young country with rising expectations

Working age population (between 15 and 64 years) to touch 1 Billion, surpassing China by 2030.

65% of India's population is below the age of 35

Employment challenge – Need ***12 million*** *new jobs a year to absorb growing working population*

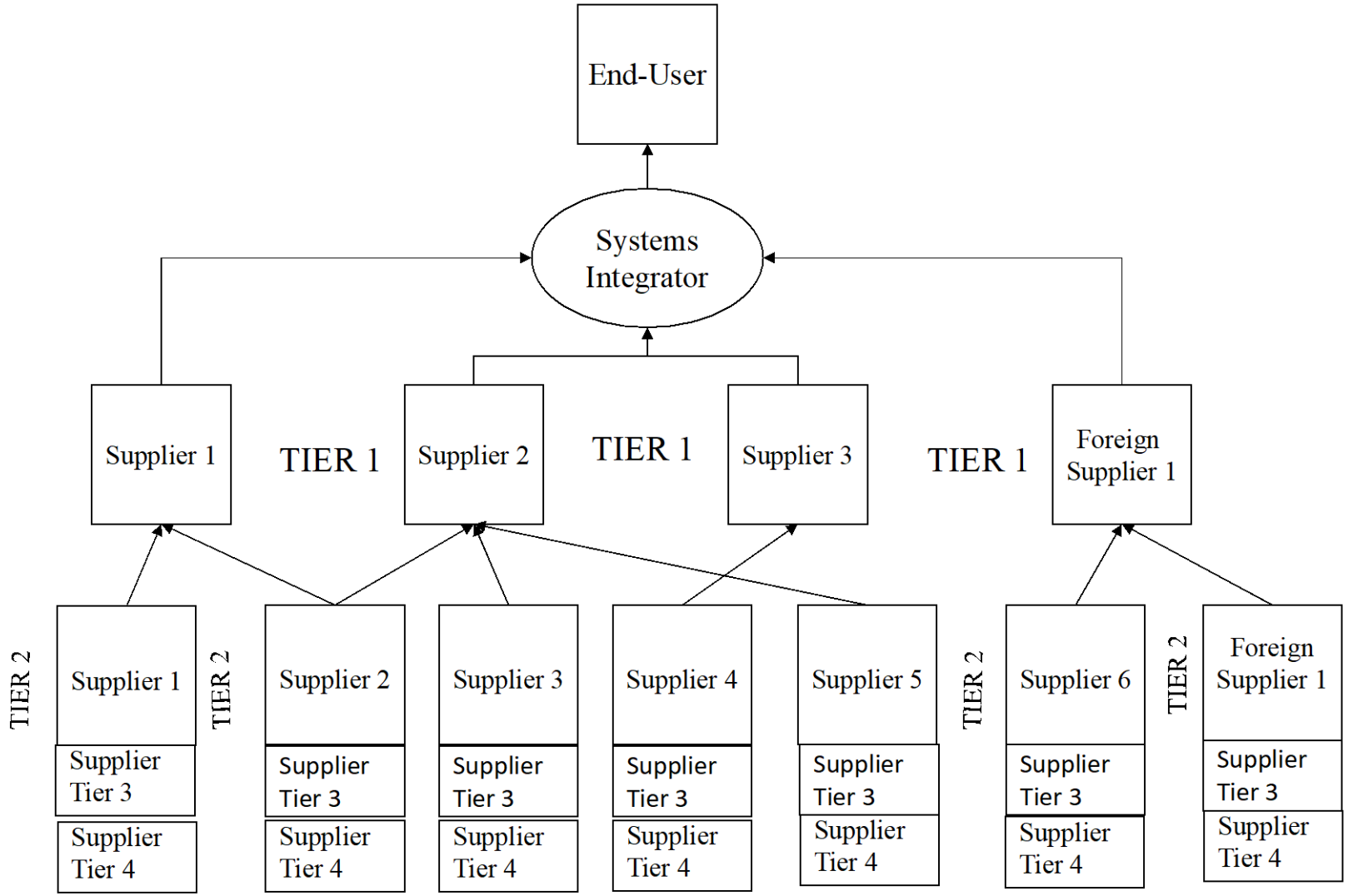
Employability challenge – ***50 million*** *people need to be skilled each year, current capacity only 3 million*

Source: ASSOCHAM/PwC "Innovation-driven Growth in India" (2015).

JAPANESE INSTITUTIONAL STICKINESS

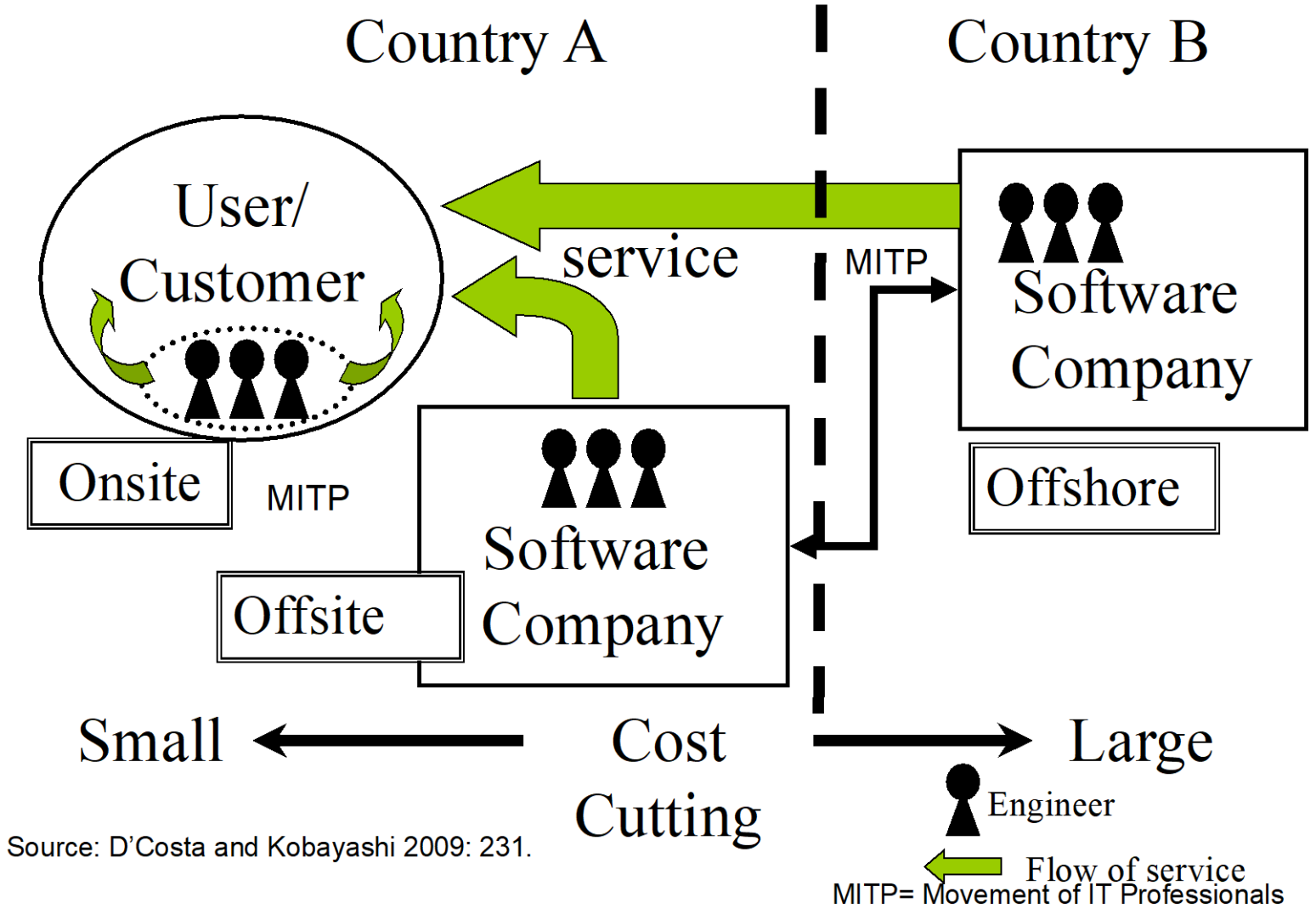
- IT Industry specific and business practices
  - Japanese trajectory of the industry (no independent software sector)
  - Japanese standards
  - Keiretsu
  - Systems integrators/Long-term relationships, subcontracting system
  - Language/business culture
- Immigration policies
  - Provincialism
  - Visa ad hoc
  - Parentage not location of birth for citizenship
- Meeting needs of foreign technology workers
  - Children's education
  - Career path
  - Diaspora
  - Family unity

Figure 1: Systems Integrator and the Japanese Supplier System



Source: Compiled by author

Figure 2: Degrees of Software Services Outsourcing and International Mobility



Source: D'Costa and Kobayashi 2009: 231.

Foreigners Registered in Japan by Country in Descending Order, India's Relative Position

1984	Persons	1990	Persons	1995	Persons	2000	Persons	2005	Persons	2010	Persons	2013	Persons
Total	850,885	Total	1,075,317	Total	1,039,149	Total	1,686,444	Total	2,011,555	Total	2,134,151	Total	2,066,445
N&S Korea	687,135	N&S Korea	687,940	N&S Korea	666,376	N&S Korea	635,269	N&S Korea	598,687	China	687,156	China	648,980
China	67,895	China	150,339	China	222,991	China	335,575	China	519,561	N&S Korea	565,989	N&S Korea	519,737
USA	27,882	Brazil	56,429	Brazil	176,440	Brazil	254,394	Brazil	302,080	Brazil	230,552	Philippines	209,137
Philippines	9,618	Philippines	49,092	Philippines	74,297	Philippines	144,871	Philippines	187,261	Philippines	210,181	Brazil	181,268
UK	6,354	USA	38,364	USA	43,198	Peru	46,171	Peru	57,728	Peru	54,636	Vietnam	72,238
Vietnam	3,911	Peru	10,279	Peru	46,171	USA	44,856	USA	49,390	USA	50,667	USA	49,979
W.Germany	2,997	UK	10,206	Thailand	16,035	Thailand	29,289	Thailand	37,703	Vietnam	41,781	Peru	48,580
Thailand	2,536	Thailand	6,724	UK	12,485	Indonesia	19,346	Vietnam	28,932	Thailand	41,279	Thailand	41,204
India	2,434	Vietnam	6,233	Vietnam	9,099	Vietnam	16,908	Indonesia	25,097	Indonesia	24,895	Taiwan	33,322
France	2,250	Canada	4,909	Iran	8,645	UK	16,525	UK	17,494	India	22,497	Indonesia	27,210
Canada	2,149	Malaysia	4,683	Canada	7,226	Canada	10,088	India	16,988			India	22,522
Brazil	1,953	Australia	3,975	Indonesia	6,956	India	10,064						
Australia	1,686	Indonesia	3,623	Australia	6,036								
Malaysia	1,649	India	3,107	India	5,508								
Indonesia	1,643	Iran	1,237	Malaysia	5,354								
Iran	543	Germany	3,606	Germany	3,963								
Peru	452	France	3,166	France	3,772								

Source: Japan Immigration Association (various years); for 2013, Ministry of Internal Affairs and Communications Statistics Bureau, http://www.stat.go.jp/english/data/nenkan/1431-02.htm, accessed December 8, 2014.

Inflows of Highly Skilled* Foreigners and Shares of the Highly Skilled by Select Sending Countries (2006-13)

	2006		2008		2010		2012#		2013	
	Numbers	% share	Numbers	% share	Numbers	% share	Numbers	% share	Numbers	% share
Total inflows from Asia	84,296	5.5	119,965	7.2	121,121	7.2	120,527	6.8	124,483	6.7
China***	48,675	8.6	71,522	10.9	72,309	10.5	66,950	9.8	66,983	9.6
India	6,103	32.3	7,611	34.1	6,712	29.8	6,271	27.3	6,499	27.1
N and S Korea**	17,053	2.9	22,543	3.8	22,326	3.9	20,964	3.7	21,045	3.8
Philippines	3,178	1.6	4,149	2.0	3,846	1.8	4,086	1.9	4,271	1.9
Total inflows	124,671	6.0	156,875	7.1	152,423	7.1	149,362	6.6	153,764	6.6

Source: Ministry of Justice, Japan, "Statistics on Legal Migrants and Statistics on the Foreigners Registered in Japan," http://www.moj.go.jp/housei/toukei/toukei_ichiran_touroku.html, (in Japanese), accessed January 15, 2015.

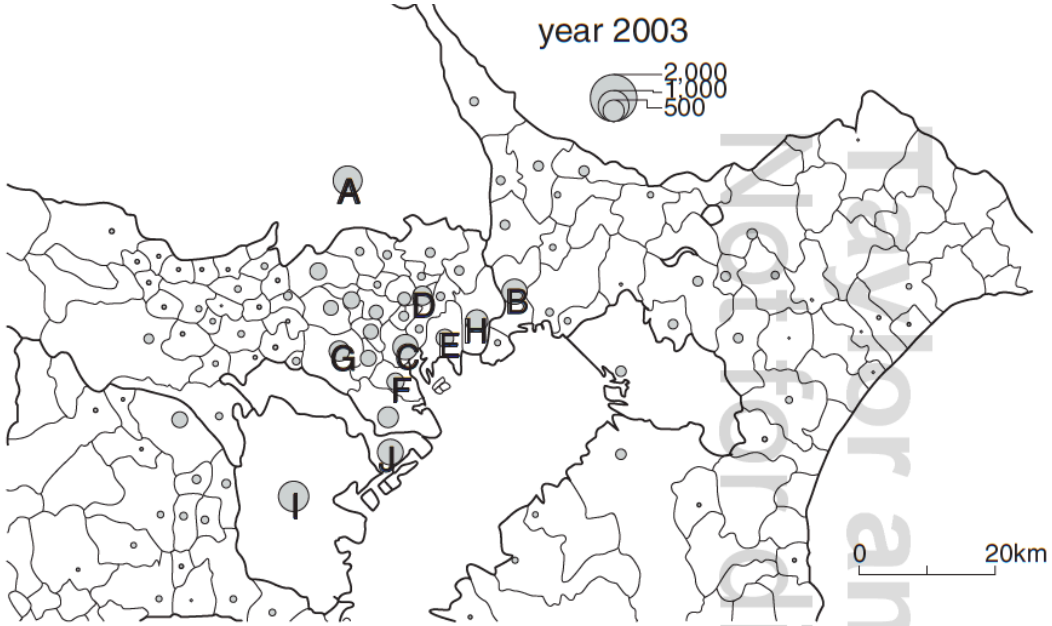
Notes:

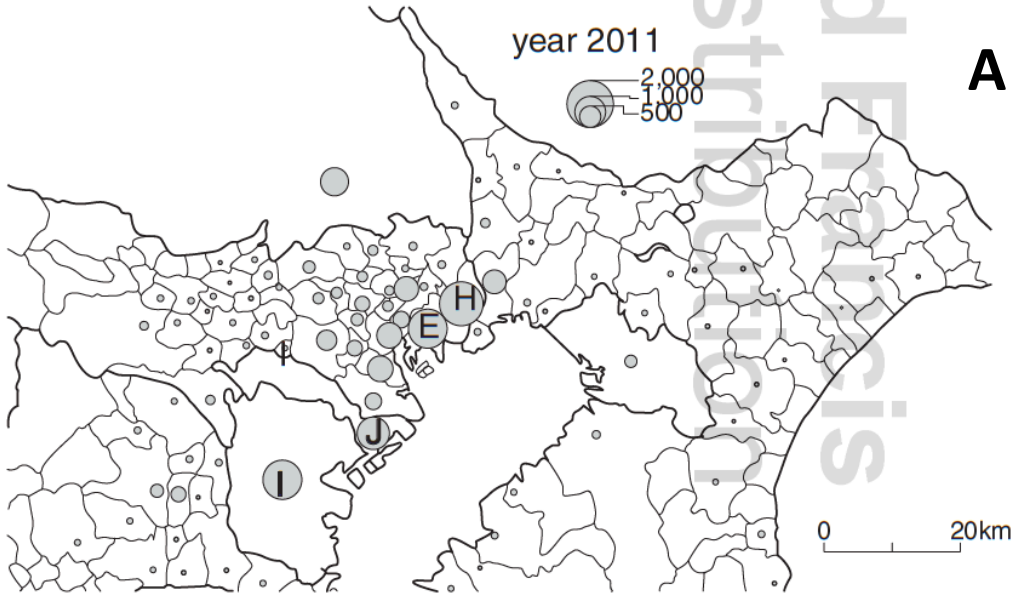
* Share of highly skilled is the sum of professors, investor/business managers, researchers, engineers, specialist in humanities and international services, and intra-company transfers of a sending country divided by the total registrations as foreigners (staying in Japan for more than 90 days) of that sending country

** includes both South and North Koreans who have been long time residents of Japan but have not taken up Japanese citizenship

*** Data are based on figures as of the end of the year registered. China includes Taiwan, Hong Kong and Macao. The definitions and statuses are included in the Immigration Control and Refugee Recognition Act

There have been some minor changes in definitions such as separating People's Republic of China and Republic of China (Taiwan) and some new categories added to the statistics on registrations since 2012. See: http://www.immi-moj.go.jp/english/newimmiact/pdf/RefugeeRecognitionAct03.pdf





		2003	2011
A	Saitama Pref.	720	880
B	Ichikawa City	550	589
C	Minato Ward	523	810
D	Taito Ward	344	612
E	Koto Ward	267	1,088
F	Shinagawa Ward	363	592
G	Setagaya Ward	372	426
H	Edogawa Ward	513	2,080
I	Yokohama City	695	1433
J	Kawasaki City	632	1,038

A community in the making

Figure 8.2 Changing concentration of Indian residents in the Greater Tokyo area.

POINTS BASED SYSTEM

A total of 70 points or more allows a foreign professional to enter under one of these three broad areas. In addition, the government has reduced the number of years of residency needed to become a Japanese permanent resident from five to three.

The main components contributing to the 70 points are: level of formal tertiary education, work experience, salary secured from the hiring firm, and age; bonus points are given for having studied in Japan and ability to speak Japanese.

These attributes expected from a foreign professional are clearly aimed to fill shortages of skilled professionals and make their integration in the Japanese business environment smoother. It is also worth noting that points are given for professionals below 39 years of age; the highest number of points is given for those under 29, suggesting lower costs, easier adjustments, possibly longer stays, and greater contribution to government tax revenues.

Global Indian International School, Tokyo: 2016: 7 students from GIIS Tokyo appeared for the examination and out of them, 4 secured a perfect score of 10/10, 2 scored 9.8/10 and 1 student secured 8/10.

Learning the Indian Way

Government officials in Japan have set a clear goal. They want to improve the English education system by 2020, the year Tokyo hosts the Olympic Games. In our series "Testing Japan's English", we look at some of the challenges that people face along with their own solutions in learning the language. The Indian community has actively invested in providing quality English education at affordable prices unlike the American and British international schools in Tokyo where annual bills per student run into 2-3 million yen. Today we drop by an Indian school that's becoming increasingly popular with Japanese children. NHK WORLD's Gene Otani reports.

Meeting of Japan and India (The Final Push to Adjust to Accumulation Crisis)

Japan in India

Delhi-Mumbai Freight Corridor

- Connecting industrial estates, ports, roads for FDI
- Smart Community project
- Neemrana, Rajasthan (Hitachi, Nippon Express, energy/water, sewage)
- Sanand, Gujarat (MHI, industrial park, solar)
- Dahej, Gujarat (Hitachi, Itochu, Kitakyushu City, water desalination)
- Haryana (Mitsui, Toshiba, Tokyo Gas, NEC, green industrial park)
- Manesar, Haryana (same as above, energy, logistics)
- Shendra, Maharashtra (Mitsubishi Corp., Yokohama City, energy, water, urban development)
- 15 billion yen
- Public-private partnership with GOI and GOJ

CONCLUSION

- Institutional stickiness goes beyond immigration policies
- Industry-specific and locational barriers
- Societal challenges for integration
- Both Japanese government and business have responded to shortage of technology workers
  - Accommodating foreigners in business, some career path
  - Easing of visa restrictions
  - Community sponsored response to needs (school)
  - Bilateral business and political realignments