

LUT SCHOOL OF ENGINEERING AND SCIENCE  
INDUSTRIAL ENGINEERING AND MANAGEMENT

# **Preparation for project work in Japan**

## **from human resource management viewpoint**

Bachelor's thesis

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## ABSTRACT

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This thesis aims to identify the human resource management (HR) processes upon preparing project work in Japan. The content is targeted at SMEs with limited HR resources and the support from the local partner company for project initiation.

As the research method literature review and interviews have been used. The first part of the literature review examines the stages of companies' international operations from the HR management aspect and the management of expatriates. The second part focuses on the permit and registration process, including the work permit legislation. Aim of the interview is to find out challenging factors in a project human resource management in Japan and how case companies managed in practice.

Japan is a challenging country for foreign companies because of the language barrier already at the data collection stage. Obtaining a work permit is complicated and time-consuming. Research result exposed the most typical business types when a foreign company starts operations in Japan and the steps of the residence permit application process and necessary registration processes for international assignees after arriving in Japan.

## TIIVISTELMÄ

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<p>Opinnäytetyön tavoitteena on selvittää henkilöstöhallinnan (HR) prosesseja yritysten projektityön valmisteluvaiheessa kun kohdemaana on Japani. Sisältö on kohdennettu pk-yrityksille, joiden HR resurssit, sekä kohdemaan kumppaniyrityksen tuki projektin alustukseen ovat rajatut.</p> <p>Tutkimusmenetelminä on käytetty kirjallisuuskatsausta ja haastatteluja. Kirjallisuuskatsauksen alkuosiossa tarkastellaan yritysten kansainvälisen toiminnan vaiheita henkilöstöhallinnan näkökulmasta ja ekspatriaattien hallintaa. Loppuosiossa tarkastellaan Japanin lupa- ja rekisteröintiprosessia. Haastattelun tavoitteena oli selvittää miten yritykset käytännössä menettelivät HR prosessissa ja mitkä olivat haastavia tekijöitä Japanin projektityön alkuvaiheessa.</p> <p>Japani on haasteellinen maa ulkomaalaisille yrityksille kielimuurin vuoksi jo tiedonkeruuvaiheessa. Työluvan saaminen on monimutkaista ja aikaa vievää. Tutkielmassa saatiin selville tyypillisimmät yritysmuodot kun ulkomaalainen yritys aloittaa toimintaa Japanissa, oleskeluluvan hakuprosessin vaiheet ja rekisteröintiprosessit ekspatriaattien saapuessa Japaniin.</p>	

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## **ABBREVIATIONS**

COE	Certificate of eligibility
HR	Human resource
HRM	Human resource management
HQ	Headquarter
IHRM	International human resource management
MNE	Multinational enterprise
PM	Project management
SMEs	Small and medium-sized enterprises

# **1 INTRODUCTION**

## **1.1 Background of the study**

Japan's population structure is aging rapidly. According to the Statistic Bureau (2018, p.13) percentage of elderly people (65 years old and over) out of the entire population in the year 2017 was 27,7%, and projection for 2060 is 38.1%. As a part of the solution to compensate for the labour shortages, Japan started to accept more foreign workers. Traditionally work visa was issued only for specialists and skilled labours to prevent the flow of cheap labours to Japan, which impacts on the employment rate of the Japanese workforce. The new law in 2019 opened a channel for basic labour in 14 professions, such as social workers and engineers. However, this new permit requires intern training period or Japanese language skills, over N4 in the Japanese proficiency test, or passing JFT basic test in level A2 (Sawaji, 2020, p.23).

EF (Education First) provides a ranking of English proficiency Index (EPI) yearly. Test takers were from 88 different countries in 2018, and Japan was ranked in position 49. This position belongs to the low proficiency band by EF classification (EF 2018, p.7). Despite internationalization and need of foreign workforce, information including official forms for companies and workers coming from overseas in other languages than Japanese is limited, especially in provincial cities and rural districts.

## **1.2 Research objectives, questions, and limitations**

This thesis aims to identify the human resource management (HR) process when preparing and for a project work in Japan, as gathering information is difficult at this stage. Research papers about how large companies manage expansion internationally can be found easily, but this work is limited for small and medium-size enterprises (SMEs), which does not have local knowledge or language skill internally, nor direct support from target country's partner or client. Target is also to create basis for guiding package for SMEs, which do not necessarily have proper HR section, that handling person can save time if a similar project is undertaken. The result of the thesis shows what issues companies need to do to start project work in cost and time effective

way. Primary research question is what are necessary processes at the beginning stage of the project work in Japan. The secondary research question is what are challenging factors related to expatriates management, not only in the working environment but also as a residents in Japan.

### **1.3 Theoretical framework and research method**

The theoretical framework of this study consists of these elements: international human resource management, international project work and residence permits. The research method consists of literature review and interviews. Literature review shows aspects of human resource management and processes, which can be applied to international project work.

### **1.4 Structure of the study**

This study consists of seven main chapters. The first chapter is the introduction, which includes background of the study, objectives, limitations and research method. Chapter 2 to 3 consist of a theoretical part, where terms are defined, and different aspects of international human resource management is studied. Chapter 4 to 5 consist of processes for expatriates to enter Japan. Chapter 6 is case study and the last chapter is conclusions.

## 2 CONCEPTS OF PROJECT HUMAN RESOURCE MANAGEMENT

The following are definitions which are crucial for this study. Key concepts are project work, human resource management, and international environment.

**Project** is defined by Project Management Institute (2018, p.5) as follows. “Temporary endeavour undertaken to create a unique product, service, or result. The temporary nature of projects indicates a definite beginning and end. The end is reached when the project’s objectives have been achieved or when the project is terminated because its objectives will not or cannot be met, or when the need for the project no longer exists.”

**Project management** is defined as “The planning, monitoring, and control of all aspects of a project and the motivation of all those involved in it, in order to achieve the project objectives within agreed criteria of time, cost, and performance.” (Lester, 2014, p.7)

Project human resource management is a part of project management. **Human resource management** itself was defined by many writers. Paauwe (2009, p.40) defines it as a “role of the HR-function is to maximize the contribution of human assets in order to achieve corporate goals.”, And Dessler (2016, p.34) describes as “the process of acquiring, training, appraising, and compensating employees, and of attending to their labour relations, health and safety, and fairness concerns.” HRM can also be called as staffing and personnel management. HRM is responsible for practical tasks related to personnel as well as legal issues in the operation of the company. HR could be divided into two parts: operational and administrative HR management (HRM - human resource management) and leadership and competence development (HRD - human resource development). (Ammattinetti, 2018)

**Project human resource management** includes the processes that organize, manage, and lead the project team. As a process, development is the initial stage, where identifying project roles, responsibilities, required skills and creating a staffing management plan. The second stage is acquiring project team, where confirming HR availability and obtaining the team necessary to complete the project. The third stage is developing the project team, whose aim is to improve the competencies, team interaction, and team environment to improve project performance. The

last stage is the management of the project team, tracking team member performance and giving feedback, resolving problems and managing changes to optimize the project performance. At the beginning of the project, that constant output from the first and second stage are development of the human resource plan and project staff assignment with resource calendars. (Project Management Institute, 2018, p.215-217)

What will be emphasized, when the management needs to be done in internationally was defined by Sims as follows. **International human resource management (IHRM)** is as an umbrella term that includes all aspects of an organization's HRM, payroll, and talent management process operating on a global scale. IHRM is the process of procuring, allocating, and effectively utilizing human resources in international business. More specifically, a process of employing, developing and rewarding people in international or global organizations. It involves the world-wide management of people, in different cultures and environments, not just the management of expatriates. (Sims, 2019, p 42-44)

Compared to HRM, IHRM is responsible for more HR functions, for example, the management of international assignees, including issues like foreign income and social tax, foreign work visas and assistance with international relocations. Broader knowledge about foreign countries, their employment laws and practices, and cultural differences are required. Also, HR personnel will involve more with the lives of employees, as the company relocates employees and possibly their families. (Dowling, 2008, p.5-8)

Nowadays, many projects exist in the international environment and cultural diversity. The confluence of the key concepts, as mentioned earlier together, is **international project human resource management**. Culture involves behaviours and expectations that occur independently of geography, ethnic heritage, or common and disparate languages. Culture can affect the speed of work, the decision-making process, and the impulse to act without proper planning. This may lead to conflict and affecting the performance of the project unit. (Project Management Institute, 2018, p.420-420)

However, this thesis is about starting stage of an international project, thus development of HR management during the project is not included in the framework. The main focus is on processes, which companies encounter upon preparing for project in Japan.

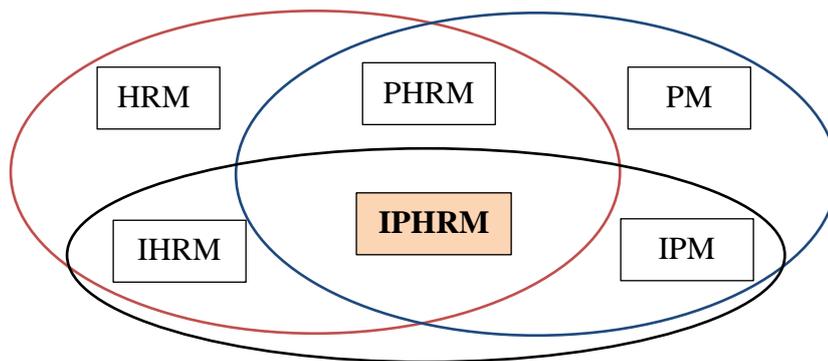


Figure 1. International project human resource management

### 3 INTERNATIONAL HRM STRATEGY

#### 3.1 Setting of the international HRM

Internationalization of HRM can be seen in many different settings. Briscoe points out three types of setting. Headquarter (HQ) of multinationals, home country subsidiaries of foreign-owned firms and domestic firms (immigrant employees).

##### **HQ of multinational**

In setting of HQ of multinational HR manager is working in HQ of the traditional multinational enterprise (MNE). The focus is from the HQ out to subsidiaries, controlling HRM practices in all foreign operation. However, it is common that the subsidiary has local HR personnel as support.

**Home country subsidiaries**

In this setting, the HR personnel who works in his home country but works in a local subsidiary or acquisition of a foreign MNE. This is a typical situation, for example when the home country company has been acquired but also usual for a subsidiary established by the foreign firm and HR personnel is sent out from the parent company.

**Domestic firms**

A purely domestic company may also confront the complexity of the international business, when hiring immigrants or business field requires to deal with foreign supplier or customers. (Briscoe, 2009, p.20-24)

No matter the type of organization, HR personnel will confront the situation, where they must balance needs and requirement between working organization and partners (Briscoe, 2009, p.26)

Briscoe named these as an international setting, but in project work, managers might need to move from HQ to several subsidiaries, and the companies might have workers of many nationalities no matter where the project will be held. Thus, these three settings might be mixed in practice. In the case of Japan, some tasks are necessary to handle on the spot, for example because of the visa application process complicacy. However, it does not mean that workers in home country subsidiaries are locals. It is enough that HR personnel has local knowledge or has the skill to gather them. When settings are mixed, it is essential to keep clear where the responsibility of HR is and share the information.

**3.2 International orientation strategy**

One aspect of international strategy is to classify the company's orientation to three different categories based on the degree of domination of the HQ over subsidiary management and HR practices.

**Ethnocentrism**

An ethnocentric strategy means that most of the managers of the company are expatriates from HQ, foreign workers from subsidiaries' view. It is believed that HQ's way of leading is better than other countries, so reliance enhances the parent company's control over subsidiaries.

**Polycentrism**

In a polycentric strategy, the HQ gives the subsidiary the freedom to act, considering local circumstances and how HRM can be adapted to suit local customs and practices. Locals from the subsidiary country are preferred to hire.

**Geocentrism**

This is the most global orientation, where company develop HR practices to detail to suit all subsidiaries and standardize procedures. Staff can be hired from anywhere in the world. (Dowling, 2008, p.80-87)

In the early stages of an international project, nearly always ethnocentrism is practised in a SMEs because of the lack of contacts and know-how about the target country unless the managers already have the knowledge and cultural understanding. In the time of globalization, people who are used to move and travel internationally might think that the new environment works similarly as previous ones. However, every country has its own feature, and communication problem emphasizes the culture gap which effects to the project. Japan is one of the countries, where a lack of language skill means in addition to verbal communication difficulty, reading and writing are not possible. The company must keep this in mind when communicating and assigning staff.

## **4 INTERNATIONAL ASSIGNMENT MANAGEMENT**

Employees who are working and temporary residing abroad within the company's foreign operation are called expatriates or international assignee. (Dowling, 2008, p.4) International assignment management is an essential part of IHRM.

### **4.1 Reason and types of international assignments**

Dowling (2008, p.88) lists up as primary reasons for using international assignments include position filling, management development, and organization development, which selection indicates the importance of the management development for the company. Dennis divides these more clearly into two categories, demand-driven and learning-driven. Demand-driven purpose includes operational tasks, such as subsidiary start-ups and functional tasks for running the business. The learning-driven purpose, for instance, includes management development, exchange of knowledge and transfer company culture. (Dennis, 2009, p.166) Dowling's model's position filling corresponds to demand-driven, and this is usually the part, which suites the SME and beginning of the international project work. In SME, the learning process often takes place alongside handling the practical matters, because there is not enough resource, nor experience to do it systematically.

Various types of international assignments can be detected, and Dowling gathered them mostly based on lengths of the assignments; long term, which is also called a traditional international assignment, varies from one to five years. Rest are short assignments: short term (less than three months), extended (less than one year), commuter assignments, rotational assignments, contractual assignments, and virtual assignments. Commuter assignments mean staff commutes on a weekly or bi-weekly basis (daily commuter not included), in rotational assignments staff commute for a short, set period assignment followed by a break in the home country. Contractual assignments usually last 6-12 months, where staff with specific skills assigned for a limited duration. Virtual assignments were not specified by duration, but it was described as assignments where manager from home-base takes responsibility for a part of the organization. (Dowling, 2008, p.90-91)

Feature comparison of long and short term assignment is summarised in Table 2. When considering a situation that subsidiary is established in a country, where is lower living cost than in the home country, sending expatriate is more expensive than hiring local staff. Also, what longer the assignment is, more challenging the arrangement is, and family member's travel and accommodation cost will be possibly added. Thus, the table displays cost-effectiveness as an advantage of the short term assignments. However, when assignments recur, in such cases as a commuter or rotational assignments, travel costs will be high, especially when commute distance is long.

Table 2. Differences between long term and short term assignments

	<b>Long term assignments</b>	<b>Short term assignments</b>
<b>Purpose</b>	Filling skills gaps / organizational development	Skills transfer / problem solving / managerial control
<b>Duration</b>	Typically 12-36 months	Typically up to 6 months or 12 months
<b>Family's position</b>	Family joins the assignee	Family stay in home country
<b>Advantages</b>	Constant monitoring / good relationship with locals	Flexibility, cost-effectiveness
<b>Disadvantages</b>	Expensive, less flexibility	Work permit issues / side effects / poor relationship with locals

## **4.2 Expatriate selection criteria**

According to Dowling, essential factors for expatriate selection can be divided into individual factors and situation factors. Individual factors are technical ability, cross-cultural suitability and family requirements. Situation factors are country requirements, language requirements and company requirements. Research indicated, that for most of the companies, person's ability to fulfil the task is considered as the most important selection criteria. Beneficial features of cross-cultural suitability are culture empathy, adaptability, diplomacy, language ability, positive attitude, emotional stability and maturity. Family requirements will be an important issue when the project is long. The contribution of the spouse makes to the success of the overseas assignment is proven in many researches. Country requirements are an essential factor to clarify, because this affects directly if the expatriate can obtain a work permit or not. Language skill can be considered as cross-cultural ability, but if work task requires the skill, this becomes situation-determined. (Dowling, 2008, p119-120)

## **4.3 Compensations and benefits**

Standards of compensations and benefits vary from country to country. Even when expatriate was sent from Finland, it is not always clear which country's practice applies. Defining the foreign assignment policy is one solution to systematise and clarify contents of the contract with employees and avoid conflicts upon international assignments. According to Herodin (2009, p.15-16), comprehensive and efficient expatriation policy should contain the following elements: basic salary and extras, accommodation, cost of living allowance, home trip, company car, education of children, partner's career, relocation support.

### **International social security and pension**

When a Finnish employer sends his employee to a country, with which Finland does not have a social security agreement, the employer must insure the employee according to the Finnish earnings-related pension legislation. The employee must be insured throughout the posting,

regardless of the length of the posting. During the expatriation, the pension contributions will be paid on the based on the insurance wage. The employer and the employee together determine the insurance wage, which the employer informs the pension institution. (Finnish centre of pensions, 2019)

From the expatriate side, enrolling in the social security system of the destination country might be necessary and occasionally obliged to pay contributions to both countries. However, insured person may not be eligible for benefits because the work period does not fill the coverage period requirements. International social security was born to avoid this dual burden of contribution payments, and it enables to totalise working periods that the employee may qualify for benefits. Implementation of international social security with Finland is ongoing in Japan. (Japan pension service, 2019)

Actual agreement between Japan and Finland is expected to be concluded at the end of 2020. An employee posted from Finland to Japan by a Finnish company would be subject to Finnish legislation on earnings-related pensions and unemployment insurance for a maximum of five years. During this period, insurance contributions would be paid to Finland, and Japan would not collect compulsory premiums in accordance with Japanese legislation. (Finnish Centre for Pensions, 2019)

### **Foreign per diem**

If the foreign assignment is short, less than one month, it is often considered as a business trip (Finnish centre of pensions, 2019). Per diem, i.e. daily allowance covers for a sensible increase in living expenses incurred by the assignee during business travel. Per diem does not include an allowance for travel expenses or accommodation expenses. The maximum per diems payable for business travel to Japan in the year 2020 is 82 euro (Finnish tax administration, 2019)

## **5 ENTERING JAPAN: PERMITS AND REGISTRATIONS**

A company need to choose entry method when developing internationally. In Briscoe's model company enters new market step by step. The first stage of the internationalization is portfolio investment and exporting, stage two is establishing sales subsidiary or local sales office, step three is doing operation through contracting / franchising / licensing. Alternatives for this stage three is operations through wholly-owned subsidiary and operations through international alliances / mergers / joint venture. Market entry choice will be partially determined by the company's own internationalization approach, but also by entering country law, the timing of entry, and the risks it wants to avoid. (Briscoe, 2015, p41)

Briscoe's model doesn't fit all industries, nor all the project works. Purpose of project work is not to expand and maximize business activity, because the scale and duration of the project are already known, or at least there should be a plan before entering a new country. The selection of company type must be based on what is the most effective way to fulfil the need of the project.

In addition, focus on this thesis is on SMEs, which do not have a direct local partner. Thus sales subsidiary, local sales office, and wholly-owned subsidiary will be left as the suitable company types from Briscoe's model. Possibilities for a foreign company to establish a business in Japan also has some limitation. Chapter 5.1 describes about typical business establish models in Japan for foreign companies, 5.2 focuses on mandatory processes of permits and registration.

### **5.1 Common business establishment form of foreign companies in Japan**

According to the Japan external trade organization (JETRO), foreign companies commonly establish a business presence in Japan in one of three types: representative office, branch office and subsidiary.

**Representative office**

A representative office is usually a temporary setup that enables foreign companies for supportive tasks, that foreign companies can start full-scale business operations later.

In the name of the representative office, it is possible to do

- market survey
- information collection
- implement publicity/advertising efforts

Not possible to

- do sales activities
- sign contracts (hire local staff, open bank account, lease real estate in the company name)

The establishment of representative offices does not require registration, so this is cost-free, but contract with local company / authority must be signed by the head office of the foreign company or the representative at the representative office in an individual. All workers must be sent from HQ.

**Branch office**

Foreign companies to engage in continuous business activity with profit must register in Japan. To establish the branch, registration is required at least (1) the representative in Japan, (2) the establishment of a branch office, (3) a Japanese corporation, or (4) a partnership. Branch is not an independent company, but an extension of the headquarter, that is not expected to engage in independent decision making.

**Subsidiary company**

A subsidiary is a separate entity from the parent company. Parent company bear the liability of an equity participant specified by law for all debts and credits generated by the activities of the subsidiary. There are few subsidiary types in Japan, but by excluding ones, where investors will have unlimited liability, joint-stock corporation (Kabushiki-Kaisha (K.K.)) and

limited liability company (Godo-Kaisha) will be left. Limited liability companies (LLC) have greater self-determination through their articles of association. (JETRO, 2018)

If simplifying, a representative office is the most natural way to establish a business. If the company needs to start a business with profit in Japan, the next option is a branch. A branch is a suitable choice, when expansion is only area wise. A subsidiary is needed when the company expands not only area-wise, but also in business field, which can be considered as a rare case when case is project work without local partner. Table 1 summarises the main differences between business types. If the company expands to a new market because of the low cost of business handling, often tax percentage is also low in the destination country. In this situation, the branch applies for double taxation exemption, and HQ pays tax with home country percentage. The subsidiary is responsible for paying tax only locally that this can be considered as a benefit. However, establishing a subsidiary is a heavy process, that companies, which choose this as a business form as a first step of internationalisation, are usually large companies, with the intention to do long run business in Japan.

In addition to these common three company types, interview indicated the existence of **on-site office** alternative, which condition is mostly the same as a representative office, but work content was not limited same way. The business type information is necessary information upon the work permit application process, where the host company in Japan and its' relationship with HQ will be required.

Table 1. Business type comparison chart

	Representative/ on-site office	Branch	Subsidiary
Business activities (with profit)	No	Yes	Yes
Business	-	Same as HQ	No limitation
Reports to	HQ	HQ	Holding company
Contracts with locals	No	Yes	Yes
Capital	No	No	Yes

Liabilities	-	Extends to the parent company	Limited to the subsidiary
Tax	-	Yes (HQ tax %)	Yes (Only in Japan)
Process speed	Fast / easy	Medium	Slow /complicated

## 5.2 Work and residence permit

Every country has control over its definition of citizenship and the immigration that it allows into its territory. The EU is a special case, in terms of visas because of the free movement of labour within member countries, but most of the countries require a work permit or visa, when a foreign person is transferred for work over six months. Visa rules vary significantly from country to country and in different situations and gaining approval of various visas can be complicated and time-consuming. HR section must do research and prepare, that there will be enough time to gain the necessary approvals for expatriates' transfers. (Briscoe, 2009, p.113)

### 5.2.1 Visa types

The Japanese government has maintained that the country admits only skilled economic migrants. However, Japan is poised to adopt a new approach to immigration that will allow up to 500,000 guest workers into the country to ease labour shortages and created “designated skills” residency status for workers in shortage areas. (Harding, 2018)

This residency status has now name “Specified skilled worker” and applicable industry field has expanded to total 14, for example care worker, building cleaning management, electronics and information industry, shipbuilding and machinery industry, accommodation industry and agriculture. Jobs to engage in with this status are separately specified. Technical skill and Japanese language skill must be confirmed by exams to obtain this residency status.

(Ministry of foreign affairs, 2019)

In addition to new status “specified skilled worker”, Japan has several different statuses of work visas delineated by the Japanese Ministry of Foreign Affairs. Professor, artist, religious activities, journalist, business manager, legal/accounting service, researcher, instructor, Engineer/Specialist in humanities/International services, Intra-company transferee, nursing care, entertainer, skilled labour and technical intern training. All visa category and residence status for work and long-term stay is in table 1. (Ministry of foreign affairs, 2019)

Table 3. Visa - work and long-term stay

<b>VISA - work and long-term stay</b>		
<b>Visa category</b>	<b>Residence status</b>	<b>Examples</b>
<b>Highly skilled professional visa</b>	Highly skilled professional, Highly skilled foreign professional	
<b>Working visa</b>	Professor	University professor
	Artist	Composer, artist, photographer
	Religious activities	Monk, missionary
	Journalist	Journalist, news cameraman
	Business manager	Company president
	Legal/Accounting services	Judicial scrivener, public accountant
	Medical services	Dentist, nurse
	Researcher	Researcher
	Instructor	Teacher, etc. at elementary/intermediate/high schools
	Engineer/Specialist in humanities/International services	Engineers, interpreters, designers, foreign language teacher

	Intra-company transferee	Person transferred to the Japanese branch (different office of the same company)
	Nursing care	Certified care worker
	Entertainer	Musician, dancer, sportsperson
	Skilled labour	Animal trainer, pilot, sports trainer, sommelier
	Specified skilled worker	Work-ready foreign nationals who possess certain expertise and skills in certain industrial fields
	Technical intern training	Technical intern
<b>General visa</b>	Cultural activities	Unpaid internship
	Student	College student, pre-college student
	Training	Trainee in a local government
	Dependent (Family stays)	The spouse and children of a foreign national with a working visa
<b>Specified visa</b>	Spouse or child of Japanese national	Spouse of a Japanese national, biological child of a Japanese national
	Spouse of permanent resident	Spouse of a permanent resident
	Long-term resident	Person with Japanese ancestry, Indochinese refugee settler
	Designated activities	Foreign nationals who wish to enter Japan as personal help privately employed by diplomats
<b>Start-up visa</b>	Start-up	Entrepreneur supported by municipalities in Japan and the spouse or children of the entrepreneur
<b>Diplomatic visa</b>	Diplomat	Diplomatic agents, diplomatic couriers

<b>Official visa</b>	Official	Administrative and technical staffs of diplomatic missions and members of the service staff
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(Ministry of foreign affair, 2019)

Work permit validity period varies, and they are renewable. The duration of the valid period of visa, which will be granted is somewhat subjective. The immigration office decides on the perceived strength of the application.

Non-work visas for entry into and visits within Japan are not necessary for citizens from most Western countries, as Japan has visa exemption arrangements. The allowed length of a non-work visit to Japan is dependent upon the visitor's nationality. For instance, 90 days is allowed for visitors from Europe and the Americas. (Going Global Career Guides. Japan, 2006)

### 5.2.2 Obtaining a work and residence permit

The simple flow of obtaining work and residence permit is as follows:

- 1) Certificate of Eligibility (apply to the immigration office in Japan)
- 2) VISA (apply to the council of the embassy of Japan in the resident's home or living country)
- 3) Residence permit (apply upon arrival to Japan immigration)

#### **Certificate of Eligibility (COE) application**

To obtain the work permit, the applicant must apply first a certificate of Eligibility (COE) in an immigration office in Japan. This certificate confirms qualifications, the position description and the job parameters upon applying for VISA. If a foreigner presents a COE at the Japanese consulate when with visa application, the case can be handled as it is already examined by the

Minister of Justice regarding the conditions for landing and the residential status. Thus, inspections on visa issuance can be performed quickly. (Immigration service agency of Japan)

The application can be submitted by personnel of the hosting organizations, by the applicant himself visiting Japan with a temporary visa, or by certified Japanese Immigration Lawyers and forward this document to the immigration office. This process usually takes 4 to 6 weeks to complete. Accompanying family members should submit their entry visa applications together with the principal applicant. Accompanying spouses must obtain their employment authorization in order to work in Japan. (Going Global Career Guides. Japan, 2006)

Required formats to be filled are COE application and letter of guarantee. There are 13 different types of COE applications based on what is the purpose of entry / requesting visa status. Letter of guarantee can be anyone, who is the residence in Japan, but it is common, that person in the hosting organization fills the form. Necessary documents are an application form, photo (4x3cm) and supporting documents. Supporting documents depends on status in the application. For example, if applying status is engineer, required documents are as follows: copies of the company registration, a diploma of graduation with a major in the subject, host organization's statement of profit and loss, certificate of the work content, and certification of the activity, the duration, position and the remuneration of the applicant. (Immigration services agency of Japan)

### **VISA application**

The embassy of Japan in Finland advises the VISA application process as follows. Applicants wishing to work in Japan, should in principle first obtain a Certificate of Eligibility. Visa applicants must send the following documents to the Embassy of Japan by post in advance at least one week before departure to Japan.

- Visa Application Form, completed and signed
- Passport-sized photograph (taken within the last six months)
- Copy of valid passport ID page

- Copy of Certificate of Eligibility

The Embassy of Japan in Finland accepts only the QR code generated version of the Visa application form. Therefore, this should be filled digitally and printed out afterwards. The embassy of Japan contacts the applicant after Visa is accepted and issued. It normally takes five working days to issue a visa. The applicant must visit the embassy with a valid passport and original COE to receive Visa. (Embassy of Japan in Finland, 2020)

**Residence permit**

After receiving the VISA, the applicant must enter Japan within three months because Certificates of Eligibility expires three months after the date of the issue. Applicant must show the passport with Visa and COE upon arrival to Japan. (Embassy of Japan in Finland, 2020)

At a port of entry, landing permission and residence card will be issued after immigration inspection. Visa does guarantee the entry to Japan, even the possibility of rejection at this stage is slight. After Immigration examination, the applicant receives a seal of landing verification and a residence card. (Ministry of internal affairs and communication, 2012)

Within 14 days of moving into an address in Japan, Working Visa holders must apply for Resident Registration at a local government office near to where they are living. (Embassy of Japan in Finland, 2020)

### 5.3 Residence registration

Expatriates receive the residence permit at the arrival port in Japan, but they need to go through residence registration at municipality office. This can be a city hall or ward office, depending on the city size. Foreign resident usually receives “living guide” of the area upon address registration. How comprehensive the guidebook and language support are, depends on municipality, but the main contents are administrative procedures conducted by the city, use of community facilities and other useful information for everyday living. Minato ward in Tokyo, where many foreign-owned companies are located, has good service for foreigner residents. Based on the guidebook, there are five necessary residence registration processes.

#### 1. Address registration

For moving into the city directly from abroad, the passports and residence card are required, and the address needs to be registered within two weeks after moving in at the ward office (Minato city 2018, p.88). When the address is changed within the city, there is no need to bring a passport any longer, but the residence card and my number (national identification number) cards are required in order to register the address.

#### 2. My number

An individual number (My number) is the Japanese version of a social security number that started to be used gradually after 2016. This 12-digit number set is permanent and valid when the holder officially lives in Japan. My number is set upon when a person receives a residence permit and a notification card is sent to the registered address. The notification card can be used as My number card on many occasions with other IDs, but the actual My number card is required to apply separately as in the guide sent with the notification card. My number card is an ID for the purposes of social security administration. It is also required for opening a bank account and sending and receiving money. (Minato city 2018, p.94).

#### 3. National health insurance

The main benefit of national health insurance (NHI) for residents is that members are responsible for paying only 30% of the medical fee when showing the NHI card at hospitals, clinics and pharmacies. There is also a ceiling for payment when the medical treatment charge is high.

Under Japanese law, all residents are required to enrol in the public health insurance scheme. Those who have registered themselves as residents must subscribe to NHI within 14 days after moving to the city. Residence card, my number card are required for applying. (Minato city 2018, p.99)

Even though NHI is described as mandatory insurance, this is not monitored. There are Japanese people who do not belong to the system, because they have not paid the insurance fee. Also, individuals who are subscribed to public service health insurance in Japan are not eligible for NHI. The companies registered in Japan need to provide public service health insurance for their employees.

#### 4. Pension

As a resident, foreign project worker also needs to enrol in the pension system in Japan if age is between 20 and 59. There are two types of pension, a national pension plan and an employee pension. If the worker is hired in a registered company in Japan, one belongs to the employee pension plan. However, it is possible to apply the exemption of pension payment if income is low. (Case study revealed that case companies' posted workers could apply for pension exemption immediately after registering because they did not receive a salary in Japan.)

#### 5. Tax

There are two types of tax in Japan, income tax and residence tax. If the person works in a registered company, income tax will be deducted from the salary. The residence tax invoice applies from the year when a person was registered as a resident on the 1st of January. The tax

amount will be calculated by the previous year's income. (Immigration services agency, 2019, p.85)

#### **5.4 Emergency situations and other guidelines from the municipality office**

Mandatory registering processes were noted in the earlier chapter, but some other issues on “living guide” are useful for expatriates.

##### Hospitals and clinics

Now Japanese ministry of justice is trying to gather all prefecture's medical services under one website. Some prefectures offer hospital search classified by treatment language, but this is not yet a comprehensive list. Municipality office usually have regional a list of hospital information in English even it does not guarantee if hospitals have English-speaking staff. <https://internationalpatients.jp/en/>

##### Disasters and evacuation points

A natural disaster does not luckily occur daily, but evacuation practice is good to know in advance. Earthquakes are not a rare phenomenon in Japan, and sometimes it has a big impact. There are several evacuation points set based on a residential area, and the municipality office provides the information.

##### Waste sorting, recycling and smoking rule

In Japan, each city sets the rules of garbage handling of the area. Waste must be sorted to different categories, must put into predefined see-through garbage bags sold in stores, and must put it to in a specific place in a specific day of a week, often before 8 in the morning. Minato

city in Tokyo has the following garbage categories: Recyclable plastics, plastic bottles, bins, cans, used papers, combustible waste, incombustible waste, large-sized waste. About smoking rule, Minato city prohibits smoking in the public area except in designated smoking areas. (Minato city, 2015)

This part was clearly emphasized in the guidebook, and it is understandable since the temperature can be up to 40 degrees in summer and the air is humid in Japan. Leaving garbage for a long time outside causes not only smell but also hygiene problem. The smoking rule is strict in a public area in Japan. Smoking inside home is allowed, but usually balcony is a non-smoking area.

## **6 CASE SHIPBUILDING PROJECT IN JAPAN**

### Interview research method

Qualitative research was used as a method to define what was a challenging issue upon the project work in practice compared to the theory. The data used in the empirical part were obtained by interviewing the two persons from different companies A and Z, which participated in a shipbuilding project between the years 2015 to 2017. Interviews were conducted as semi-structured, where the questions were only introductory and subject to discussion leading.

### Interview background

The project was a cruiseship building in a Japanese shipyard, whose client was a European cruise company. The shipyard had many main contractors from around the world, and main contractors often had subcontractors.

### Company structure of case companies

Company A was a subcontractor of the main contractor B. Company A and B were Finnish companies, and they had only on-site office in Japan. The interviewee was company A's general manager, who also worked as a project manager for company B. Person who made HR planning was general/project managers and practical HR issues were first handled by the secretary of main contractor B's headquarter. Later, Japanese speaking project assistant was sent from company B. As a usual pattern, main contractor B arranged COE, apartment, and flights for subcontractor A.

The second interviewee was a project assistant from company Z. Z was the main contractor, which HQ was located in Finland. They had both branch and on-site office in Japan. Generally, workers sent from outside Japan belonged to on-site office, including the interviewee, who was Japanese but posted from Finland. The employee in the branch office was for example an accountant, who was hired locally. The persons who made HR planning were project managers, and practical HR issue was handled by project assistants in Japan.

Both company's international setting of HRM can be recognized as a home country subsidiary because HR personnel were sent from HQ and worked at the on-site office. International orientation looks like ethnocentrism, but since both companies had persons with local knowledge from outside Japan, geocentrism is the setting. Workers' assignment type was mostly rotational assignments, where they had typically less than eight weeks working period, which was followed by two weeks holiday.

### **Company A: Challenging issues from HR management view**

Company A was specialized in shipbuilding and refurbishment. Employees in HQ were used to travel and work abroad. Because a significant part of the work is a project style and HR planning required on-time knowledge, company A did not have a separate HR section, but HR planning was handled by general manager or project manager, and practical HR issues were done by executive secretary.

At the beginning of the project in Japan, the main contractor's secretary took care of HR works, but then project assistant with local language skill was sent to Japan after acknowledging that the Visa process was too complicated and it needs to be taken care of on the spot.

Registration was not needed for opening on-site office, but many documents about the company had to be arranged for the immigration office, that employee was granted the work permit and could have been dispatched from HQ. The hard requirement for visa limited staff selection.

According to the Finnish centre of pensions, if international assignment lasts less than one month, it will be considered as a work trip. Company A insured and paid foreign per diem to all international assignees, no matter of the working period was.

According to general manager, the Japanese organization was very hierarchical. People at meetings did not have the authority to decide things, and it was tough to reach the responsible person. Information flow and decision making were slow. Country culture and shipyard characteristic influences selecting expatriates. However, when selecting workers, not in a manager position, main criteria is work skill, an employee's life situation, and balance of communication skill with team and environment, even language skill and earlier experience in the same locale has a weight.

Another unique feature in Japan was that most of the materials must have been shipped by freight. This takes much more time than projects in the EU area and affected staff scheduling.

Since company A and B had only on-site office, they could not make any contract as a company in Japan. Thus, some issue, such as apartment arrangement, was dependent on the shipyard, that required pre-negotiation.

### **Company Z: Challenging practical HR issues**

The project assistant of the company Z was sent from Finland. However, she had local knowledge as a Japanese person. She did preparations and supporting work for over 200

dispatched workers to Japan. Interviewee's main answer for what was a challenging issue in the project was work permit process' complication and conflicts between workers and local people with accommodation issue. Also, health care related tasks were time-taking because she was often asked to work as an interpreter at clinics.

The company used the service of Gyoseishoshi lawyers (certified administrative procedures legal specialist), which was introduced by the shipyard. This Gyoseishoshi company was specialized for immigration procedures. Gyoseishoshi has the national qualification to prepare documents to be submitted to a public agency in order to gain license or approval and they can proceed process behalf of the clients. They checked all COE applications and brought them to the immigration office for further process. Nevertheless, the requirements to obtain a COE were unclear in the beginning. Suitable visa categories for their worker were 1) Engineer/Specialist in humanities/International services, 2) Intra-company transferee, and 3) Skilled labour. Intra-company transferee visa required over 1-year work experience as a supervisor at dispatching company, and engineer and skilled labour visa required long work experience. Even when the worker filled the requirement, gathering all certifications were challenging. Convincing workers and subcontractor's HR personnel that all documents must be collected and filled precisely as required by Japanese authority, was repetitive work. Immigration officers are not specialised in all work fields and understanding documents in English could be limited. Simple documents, which filled requirements, were most quickly accepted.

Municipality office did not provide service nor forms in English, which caused, that Japanese speaking person had to deal with this issue, even forms were mostly allowed to fill in with western letters and numbers. Other companies, which did not have any Japanese speaking staff, Gyoseishoshi service was also used here.

Apartments which are rented to foreigners are small part of the whole estate rental market in Japan. Owners are afraid of tenant's cultural difference and behaviour, and staff in management company often lack communication skill in a foreign language, that presumed solving possible problems will be difficult. Japanese are generally sensitive to odour and afraid, that apartment will catch the smell of exotic food.

Throwing garbage in the wrong way was a common problem, no matter where the workers came from. Some cases led to an eviction warning from the landlord. This was a big problem, since there was a competitive situation with apartments with other companies, due to large project work. Another common complains related to accommodation were worker smoking in the wrong place, and noise, since Japanese apartment wall is rather thin.

## **7 CONCLUSIONS**

This thesis aimed to identify the essential process and challenging factors upon preparing stage of a project work in Japan, especially for SMEs, which HR resource and partner company's support with local knowledge was limited. With literature review general IHRM aspects and process, which can be applied to project work, were inspected. Process part listed compulsory processes for expatriates entering Japan. Interview research from case companies from shipbuilding industry was conducted to study how SMEs handle project preparation and what was challenging factors in practice.

International project human resource management includes following processes as an essential part in preparing stage of the project: identify project roles and acquire project team, train them and assign expatriates based on the created HR plan. These are operational HRM, and the same time the project requires administrative HRM, which includes for example arrangement of permit issues.

Briscoe provided in literature the three traditional HRM settings, which are headquarter of multinational, home country subsidiaries, and domestic firms. In SMEs, these settings can be mixed in practice. Some HR process can be handled in HQ, and some tasks are necessary to manage in the subsidiary country. When settings are mixed, it is essential to keep clear where the responsibility of HRM is in each task and share the information.

International orientation strategy indicates the involvement level of HQ in subsidiary management. Strategies in HR staffing is traditionally categorised to ethnocentrism, polycentrism, and geocentrism. Dowling's approach put ethnocentrism and polycentrism against each other, where first one prioritises HQ's company policy and second one focuses on the benefit of hiring host country nations. A company with geocentric orientation has no constraints to HQ or host country and borrows the best practice from around the world, by hiring third-country nations. In the case study companies, visa application process had to be handled in Japan, because of its complicity and HR assistants were posted from HQ. This situation looks like ethnocentrism, but this is geocentrism because assignees had local knowledge and language skill. However, for the position, which required highly local and timely skill, such as accountant for the branch, was hired locally. HRM is always about people. In the large companies, HR can sometimes be considered as a mass but in SMEs, categorising HR by nationality or residence country increases a risk to eliminate good candidate upon selection of employee.

Reasons for an international assignment in project work for SMEs are usually demand-driven, and assignment length can be from traditional long-term to variations of short-term. Preparation for short-term assignment is easier than long-term assignment, where also family members will join the assignee. Case company's assignment type was rotational assignments, where staff commute for a short, set period assignment followed by a break in the home country. Case companies however handled assignments as a business trips, that all assignees were insured and foreign per diem was paid no matter the assignment length was.

Purpose of project work is not to expand and maximize business activity, because the scale and duration of the project are already planned. The selection of company type upon entry to Japan must be based on what is the most effective way to fulfil the need of the project. Foreign companies commonly establish a business presence in Japan in one of three types: representative office, branch office, and subsidiary. A representative office is the most natural way to establish a business because this type is typically used for market survey and networking purpose before establishing an actual subsidiary. If a company needs to start a business with profit in Japan, the next option is a branch. A branch is a right choice when the expansion is only area-wise. A subsidiary is needed when the company expand its business field. Case

companies established an on-site office, which condition was very similar to the representative office, but business content was not as limited. Business type information is required in the residence permit process.

Japan currently issues work visa for 16 different residence status categories. They are mostly for highly skilled workers, but one is for basic labour, special skilled worker. This new category requires an intern training period or applicant must pass Japanese language test. Visa for short-term stay up to 90 days is exempted from most of the citizen of European countries, when their visits are not engaged in paid activities. To obtain the work permit, the applicant must apply Certificate of eligibility (COE) from the immigration office in Japan. After COE is granted, Visa is applied from the embassy of Japan in the applicant's home country. The final residence permit is issued when the visa holder arrives in Japan. Within 14 days new residence must do resident registration at the municipality office. The process includes address registration and enrolment to the health insurance system. Registered information automatically will be forwarded to the individual number issuer and tax office. Resident must enrol in the Japanese pension system, but possible to apply for pension exemption, when stay in Japan is not continuous.

Interviewee, who was in HR management position in case company commented as a challenging issue in Japan, was complicity of the whole visa process and hard work permit requirement, which limited the staff selection. The business type was the on-site office, which did not require registration, but this caused a dependency on the shipyard or service provider with matters, where a foreign company could not sign the contract. Japanese culture in the shipyard was hierarchical that it was difficult to reach the person, who has the authority to make decisions. This information delay affected to HR planning. Since Japan is an island in a distant location from Europe, many materials were shipped and went through Japanese custom. This increased uncertainty with the arrival schedule of materials, which again affected to HR planning. Challenging issues from HR administrative view were work amount with work permit process, solving conflicts between workers and local people, for example problems related to accommodation.

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