Japanese Technical Intern Training Program: A Way to Develop Human Capital in South East Asia

Peemmaphat Buarapha and Saliya De Silva

Faculty of Economics, Saga University, Japan

***Keywords**: Technical intern training program; Human capital; South East Asia*

Introduction

It is well known that the Asian Newly Industrialized Economies (NIEs) achieved their remarkably fast economic growth through export-oriented policies that led to Foreign Direct Investment (FDI) and acquisition of foreign technology since the 1960s. The other South East Asian countries (hereafter SEACs) also replicated these policies following the Asian NIEs. Japan, due to increasing labor costs, relocated its labor-intensive manufacturing to the Asian NIEs in the early 1960s. During that time Japan was in the second stage of industrial restructuring to catch up with the Western economies. However, after the Yen appreciation in 1985, Japanese export started to decline and lost its competitive situation against the Asian NIEs in consumer electronics. Thus, Japan relocated its manufacturing firms again to low cost SEAC countries, such as Thailand and Indonesia.

Even though, these SEACs used similar strategies in developing their own economies as the Asian NIEs like South Korea since the 1960s, they still have not been able to escape from the "Middle Income Trap" (MIT) passing the required amount of GNI per capita (i.e. pass $12,535 GNI p.c. in 2020). One reason why SEACs are still in the MIT lies in their lack of human capital (HC). The foreign firms use various strategies such as retaining tacit knowledge, separating the production process in different countries, in order to keep the secrets by themselves. Like what happened in Asian NIEs, the duty of absorbing foreign knowledge and technology lies upon the host country's workforce. Therefore, Human Capital Development (HCD) is imperative to increase the absorptive capacity of the host country. One of the ways used by SEACs in recent times for HCD in their home countries is

through Japan's Technical Intern Training Program (TITP). A question arises whether TITP is an effective way of HCD in labor sending SEACs.

Objectives

This research aims to analyze how successful TITP has been addressing the HCD issue of SEACs enabling them to overcome the MIT.

Methodology

This paper is based on desk research conducted by analyzing qualitative and quantitative secondary data collected from prior literature and relevant databases. The protocols of systematic reviews were used to carry out the literature review. The analysis was carried out to achieve the research objective as follows. Firstly, the data on HCD strategy through TITP and number of trainees from SEACs' were analyzed to give a clear idea of the current situation. Then the prior literature concerning the opportunities and challenges of TITP was systematically reviewed.

The definition of HCD, according to Lawrence and Ismail (2009), is the knowledge, skills, and expertise one accumulates through education and training. Ratnayake and De Silva (2018) argue that HCD should not only focus on the improvement of knowledge and skills but also on developing attitudes such as social values and work ethics. During the latter half of the 20th century, SEACs had a more positive policy towards FDI, mostly from Japanese-affiliated firms. These countries wished to develop their HC from backward linkage with foreign firms but failed. This is because, as Booth (1999) suggested, educational progress in the fast-growing SEACs had been much slower than in NIEs such as Taiwan and Korea, which made it hard to absorb the knowledge and technology from Japan. Many emerging Asian countries also use the strategy of exporting their labor force to technologically advanced countries to develop their HC. Japan's Technical Intern Training Program (TITP), which gained increasing interest from SEACs in the past three decades for their labor exports, is an alternative way to develop HC apart from FDI.

Results and Discussion

The TITP was established in 1993 with the purpose of accepting young workers from various countries, who then obtain industrial and vocational skills in Japan, thereby, contributing to the improvement of their occupational live after their return to home countries. TITP has gone through several changes since its establishment. The most notable one was in 1997 when it extended the period of training from a maximum of 2 years to 3 years. In 2009, the Immigration Control and Refugee Recognition Act was Revised, then in July 2010 the "Technical Intern Training" (i) and (ii) residence statuses were added. With the revised law, the labor standard and minimum wage law was applied to the Technical Intern Trainees (TITs). This also distinguishes "TIT" who get on-the-job training from the "Trainee" status which are limited to off-the-job training. In 2017, a TITP was changed again and "Technical Intern Training (iii)" was also added, which extended the training period from 3 to 5 years.

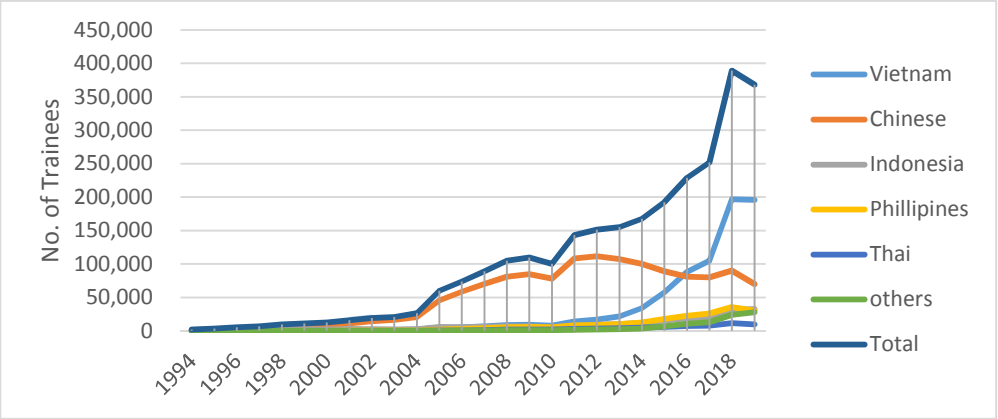

Figure 1: Number of TITs by countries

Source: Year 1994-2010: Ratnayake Piyadasa and Saliya De Silva (2018); Year 2011-2016: Ministry of Health, Labor and Welfare of Japan; Year 2017-2019: Organization of Technical Intern Training. https://www.otit.go.jp/research/.

According to Ratnayake and De Silva (2018), the number of TITs in 1994, was 2,138 people (Figure 1). The number kept rising and reached 10,550 in 1997, the year in which the training period was extended from two years to three years. According to the Japanese Ministry of Health and Welfare, in 2011 the new status of trainees was accepted, and the number rose to

143,308 people, with 108,252 trainees coming from China and 13,789 trainees from Vietnam. According to the Organization for Technical Intern Training, in 2019, the number of TITs increased to 389,321, or about 255.51% since 2011. Surprisingly, in 2019 most of the TITs came from Vietnam accounting for 196,001 people or 53.5% of all the TITs, followed by China 69,795 people, Indonesia 32,528 people, Philippines 30,326 people, Myanmar, 13,739 people and Thailand 9,587 people. The sharp increase of TITs from SEA countries shows that they have a great interest in developing the human capital of their work force through the TITP.

Many studies prove that TITP benefits both the trainees themselves and their home countries. The workers can earn better income in Japan and after going back to their home country, develop technical knowledge and management skills, improve their attitudes, learn the Japanese language, and get better job opportunities after the program. For the SEACs not only they can resolve the immediate issues related to jobs creating and increasing foreign currencies, but can also improve the labor quality and labor productivity and human capital, which are regarded as long-term development objectives (Nguyen *et al.*, 2018; Ratnayake and De Silva, 2018).

Many researchers also claim that TITP contribute to solve Japan's labor shortage problem. Employers in Japan use the TITP to recruit foreign labor to fill low- and semi-skilled jobs. Most TITs work in industrial cities which are home to large scale companies. These large companies rely mainly on Japanese labor force, forcing micro, small and medium enterprises in these prefectures to turn to TITs (Verité, 2018). However, research on TITs also found many concerns on human rights. For instance, in 2016, US Department of State reported that 2,977 out of 3,918 workplaces were found with violations of working hours, safety standards, payment of overtime wages, and other regulations. The Verité organization (2018) found in a sample of Chinese TITs, that they faced many problems such as financial penalties, withholding of assets/wages, being threatened to end their contract from employer and even physical violence. The main cause of this problem was the high pre-departure fees collected from the trainees (Ishizuka, 2013).

The human rights and desertion problems cannot be overlooked. However, what this research would like to focus more on is the problem of the trainee

not being able to develop their skills and transfer technology, since it is the fundamental goal of the TITP. There are many reasons which leads to this problem. Firstly, Ratnayake and De Silva (2018) stated that TITs were generally given simple routine, mostly menial '3K' works (Kitanai - dirty, Kitsui - difficult and Kiken – dangerous), which makes the TITs unable to develop advanced skills. Secondly, Nguyen et al. (2013) claimed that many TITs fail to see the long-term benefits of grasping skills and knowledge to reach the professional level and focus only on making money. The lack of Japanese language skills is also an impediment. Moreover, the returnees claimed that they failed to use the knowledge they had learned in Japan after they returned to their home countries, due to the unavailability of similar jobs in corresponding fields (Nguyen *et al.*, 2018; Ratnayake and De Silva, 2018). To make technology and skill transfer to TITs successful, proper human capital development practices need to be applied to the TITP.

Many researchers tried to identify the factors which lead to the success of TIT's human capital development. Nguyen et al. (2018) tried to identify factors, which determine the success of the TITP by conducting surveys on 120 graduated TITs and 207 TITs who were in the pre-training period before going to Japan. The factors include 1) Self-awareness orientation and Japanese teaching, 2) Japanese language, 3) technical trainee plan, 4) preparation for Japanese language proficiency and national technical tests, and 5) working conditions. Unfortunately, they found that the five variables have only 25% influence on the success of the TITP. The factors related to working conditions were found not significant on the TITs' human capital development. Major factors that influence the success of TITP include preparation for the Japanese language proficiency test and other national technical tests.

To find whether TITP helps the sending countries' economies or not, we must see whether there is application of knowledge and skills learnt from Japanese firm into local industries and TITs become entrepreneurs in their home countries. Regarding this topic Saputra, Setiawan and Yandri (2008) studied about Indonesian TITs in Japanese SMEs and their potential to develop micro-small business in Indonesia by interviewing the trainees. They found that the important factors which influences the capability in developing a technology based business creation are saving accumulation

and business interest; reason to become an entrepreneur; industry where they are working at; division where they are working at; jobs characteristics; understanding level of productivity and quality of products; what kind of machine is being operated; and understanding level of machine operating system. About 70% of the Indonesian trainees working in Japanese SMEs acquire the necessary human capital in developing their business starts up. About 25-40% save enough money for their business creation.

Conclusions

TITP helps the developing countries by creating jobs, developing workers' skill, providing better life after the program and finally to help overcome the MIT. The program also solves Japanese labor shortage problem. However, much research also highlights problems occurring in the program. To solve the problem concerning workers' HCD, the factors, which influence success of TITP need to be thoroughly investigated. Not only technical skills which are important, but language skills, entrepreneurship skills, and social values and work ethics are also essential. Due to the COVID-19 pandemic, many reports show a lot of foreigners losing their jobs in Japan. On the other hand, Japan is also facing lack of foreign labors due to the pandemic. According to Japan Today article on June 6, 2020, the number of people who had been expected to enter Japan this year as TITs fell far short of the expected 400,000 people. Lastly, with the International Olympic Committee's decisions to hold the Olympics in 2021 in Tokyo, with or without the pandemic, we assume that the demand for TITs would not be declined. Thus, the prospective youth from the developing SEACs should prepare themselves to take this opportunity at it most to develop their knowledge, skills, and attitudes through participating in the TITP in in Japan.

References

Arokiasamy, L. and Ismail, M. (2009). Human capital development and its impact on firm performance: Evidence from developmental economics', *Journal of International Social Research*, 2, 265–272.

Booth, A. (1999). Initial conditions and miraculous growth: Why is South East Asia different from Taiwan and South Korea ? *World Development*, 27(2), 301–321.

Ishizuka, F. (2013). *International labor migration in Vietnam and the impact of Receiving Countries' Policies*. 414. Chiba, Japan

Nguyen, D. B. L. *et al.* (2018). Factors influencing the success of the Vietnamese technical trainees: an empirical study of the technical trainee training program By Japan International Technical Cooperation Organization (JITCO), *International Journal of Multidisciplinary Thought*, 7(2), 221–234.

Ratnayake, P. and De Silva, S. (2018) *Human Capital Development in Asia with Japanese Techincal Intern Training Programme – Opportunities and Challenges*. Saga University Economic Society.

Saputra, W., Setiawan, B. and Yandri, E., 2008. *Indonesian Trainees In Japanese Smes, Capital Accumulation And Micro-Small Business Development In Indonesia: A Preliminary Study*. Munich Personal RePEc Archive Paper No.11491. University Library of Munich, Germany.