HR REPORT

for Japanese Corporations in Asia

Q2
2024

>Talent Needs in Asia Countries

>People and Organization Column

PERSOLKELLY Group operates in 13 countries and regions in the Asia-Pacific, and supporting our clients' talent needs. This report summarizes the latest job trends in each country based on around 100,000 hiring needs per year (*), which are submitted to our group in Asia-Pacific countries. We hope this report will be helpful to your organization's growth.

※Numbers of recruitment cases in 13 countries and regions in Asia and the Pacific

Talent Needs in Asia Countries (Singapore)

The following graph shows the number of new job openings we received from Japanese and non-Japanese companies, and compares it to the same period last year, set at 100.
Please refer to the graph for the changes by quarter through the year as well as the trends in job openings in each country from the previous quarter and the same period last year.
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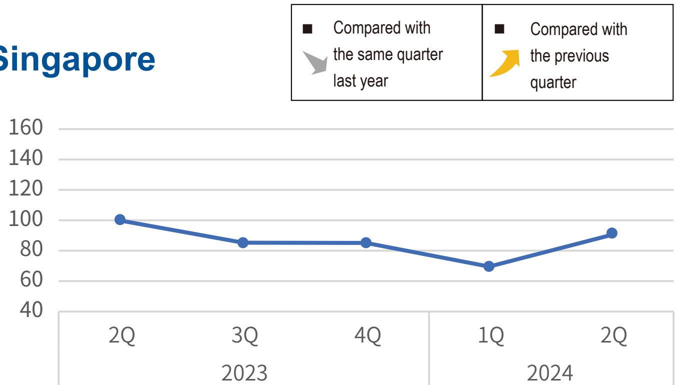
Information in each section is accurate as of the end of June 2024. For the latest trends, please contact the sales executive in charge.

Compared with the same period in the last year — Significantly Increasing / Gradually Increasing / Stable / Slightly Decreasing / Significantly Decreasing

Singapore



Written by:

Amily Yoong, PERSOL Singapore

In Q2 2024, Singapore's tight labor market presents recruitment challenges, particularly in growth sectors such as health and social services, information and communications, professional services, and financial services. With a notable increase in job vacancies, younger job seekers are taking longer to accept roles, exploring different career options. Consequently, employers must adapt their recruitment strategies to attract and retain talent by offering competitive benefits and career development opportunities.
Additionally, job hopping remains a concern, with employees considering job changes within the first six months. To mitigate this, employers need to create a valued and engaging workplace environment to reduce hiring costs and improve productivity. Investing in talent development and offering clear career progression paths are essential strategies to retain ambitious employees.
The Singaporean workforce continued to prioritize skills growth amidst rising workloads and accelerating changes. Notably, more than half of employees in Singapore reported that their employers provide adequate upskilling or reskilling opportunities, a crucial factor for those considering job switches. With the increasing adoption of generative AI (GenAI), workers are leveraging this technology to enhance efficiency, with over 60% expecting GenAI to significantly improve their productivity in the next year.
Moreover, the widespread trust in AI tools among Singaporean workers, with a global usage rate alongside Hong Kong at 60%, presents a significant advantage. These tools improve productivity by assisting with tasks like drafting communications, summarizing content, and brainstorming. Therefore, employers should continue investing in AI technologies and provide continuous learning opportunities to ensure their workforce remains competitive and adaptable.
Furthermore, the integration of foreign talent continues to be a strategic focus, with around 20% of larger firms having at least 30% of their PMET workforce comprised of foreigners. Proper integration and complementing the local workforce without causing social friction are crucial. Thus, employers should promote a diverse and inclusive workplace, ensuring that foreign talent is integrated seamlessly.
Looking ahead to Q3 2024, the focus will likely remain on integrating AI technologies, enhancing skills development, and addressing labor market imbalances. Employers should continue to prioritize flexible work arrangements, invest in employee development, and implement strategies to reduce burnout and improve mental health support.

Talent Needs in Asia Countries (Malaysia)

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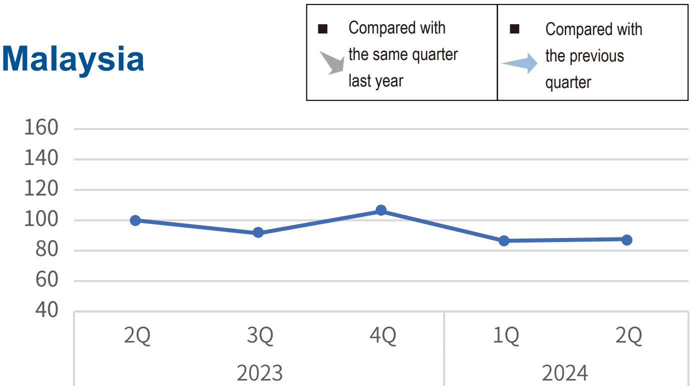
Compared with the same period in the last year

Significantly Increasing | Gradually Increasing | Stable | Slightly Decreasing | Significantly Decreasing

Malaysia



Written by:

Shion Kurakawa, PERSOL Malaysia

According to data released by the central bank and the government, the country's gross domestic product (GDP) grew 4.2% year-on-year in the first quarter of 2023 (4th quarter of 2023: 2.9%), exceeding the pre-announced forecast of 3.9% growth by public opinion surveys and the government. The increase in employment and wages has driven growth in personal consumption, while improvements in investment activities have been supported by increases in capital expenditure in both the private and public sectors.
Exports have recovered, driven by the increase in external demand. On the supply side, most sectors recorded high growth, with the manufacturing sector in particular bouncing back as both the electrical & electronics (E&E) industry and the non-E&E industry recovered. The expansion of the services sector was driven by the increase in retail trade and the continued support of the transportation and storage industry. On a quarter-on-quarter basis, the economy grew 1.4%.
The central bank has maintained its 2024 economic growth forecast at 4-5%. The economic growth rate for 2023 is expected to be 3.7%, a sharp decline from the 22-year high of 8.7% in 2022.
According to the Department of Statistics Malaysia (DOSM), the labor force population in the first quarter increased by 0.3% to 16.96 million. The increase in employment has been concentrated in the services sector, particularly in wholesale and retail trade, food and beverage services, and information and communication activities. The unemployment rate remained at the lowest level of 3.3%, unchanged from the previous quarter.
Many industries are undergoing digital transformation (DX) to improve operational efficiency, enhance customer experience, and strengthen competitiveness. As a result, there is high demand for talent who can drive DX and automation in fields such as financial services, manufacturing, retail, e-commerce, IT, and healthcare. Key skills and experience in demand include fintech, industrial automation, e-commerce, software development, cloud computing, cybersecurity, and health informatics.
In fact, for the period of April to June 2024, PERSOLI Malaysia's job postings indicate that 33% were in the IT industry, 44% were in construction and manufacturing, and 11% were in the services sector, reflecting the high demand for IT talent.
In the job market for Japanese candidates, the demand for Japanese language skills in BPO companies remains high, and there are also increasing job opportunities in manufacturing, IT, and the service industry. Many Japanese job seekers are seeking family relocation for international education of their children, and customer support positions in BPOs that do not require extensive experience are still common.

Talent Needs in Asia Countries (Thailand)

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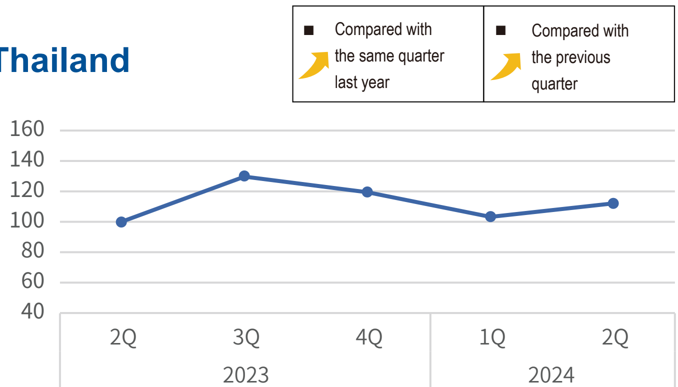
Thailand



Written by:
Yuko Otsuka, PERSOL Thailand

Among Japanese people in Thailand, the weakening yen, the rise of electric vehicles, and the trends of Chinese companies have been frequent topics of conversation over the past year.
On May 20, the National Economic and Social Development Council (NESDC) announced that the real GDP growth rate in the first quarter of 2024 (January to March) was 1.5% year-on-year. Due to the delay in the change of government, public investment resulted in a -27.7% decline as expected. The manufacturing sector also saw a negative result of -3% due to the poor performance of automobile production and sales. On the other hand, the tourism sector performed well, with an 11.8% increase in the accommodation and service sectors. While the expansion of service exports, personal consumption, and private investment drove the growth, the 2024 growth forecast was revised downward to 2.0%-3.0% from the previous 2.2%-3.2% prediction.
The National Statistical Office (NSO) announced on May 16 that the unemployment rate in the first quarter (January to March) was 1.0%. While this is a decrease from the same period last year, the rate has been gradually rising from April to June. The authorities predict that the number of unemployed will increase, especially in the agricultural sector, due to the impact of the drought, in the next quarter. On the other hand, the number of employees in the hospitality and restaurant sectors has increased compared to the previous quarter, reflecting the growth of Thailand's tourism industry in the labor market. While the demand for labor in the service sector has recovered, the minimum wage has been increasing. As a result, it has become common to see Myanmar employees who speak English in restaurants catering to foreigners. As a side note, it is often observed that Japanese people who have just learned Thai cannot be understood by these Thai speaking Myanmar.
Laotian workers who speak Thai are also employed in large numbers in Thailand, and the government's increase in the minimum wage and the transfer of labor from other countries seem to be influencing to the labor force transition in Thailand's aging society.
At our company, the number of full-time job postings has continued to increase, up 13% from the previous quarter and 16% year-on-year. However, this growth is largely driven by strong demand for talent from non-Japanese companies, while Japanese companies have seen a decline of 2% from the previous quarter and 7% year-on-year. The impact of the closure of major auto manufacturers' factories and the layoff of hundreds of employees at auto parts manufacturers can be seen in the number of job postings.
Additionally, the rise of Chinese companies has brought high demand for Chinese people and Chinese speakers, regardless of whether they are Japanese or non-Japanese.
According to an announcement by the Department of Business Development (DBD) of the Thai Ministry of Commerce dated June 24, Japan ranked first in the number of foreign business approvals from January to May 2024 with 84 cases (investment

value of 40,214 million baht), with investments in areas such as advertising, research and development services, surface treatment services, and software development. Singapore ranked second with 51 cases (investment value of 5,189 million baht), followed by the United States with 50 cases (investment value of 1,196 million baht), China with 38 cases (investment value of 5,485 million baht), and Hong Kong with 28 cases (investment value of 12,048 million baht). While Japan is performing well in terms of the number of investment projects and investment value, we can’t ignore the presence of China, not just in terms of the number of tourists.

Talent Needs in Asia Countries (Indonesia)

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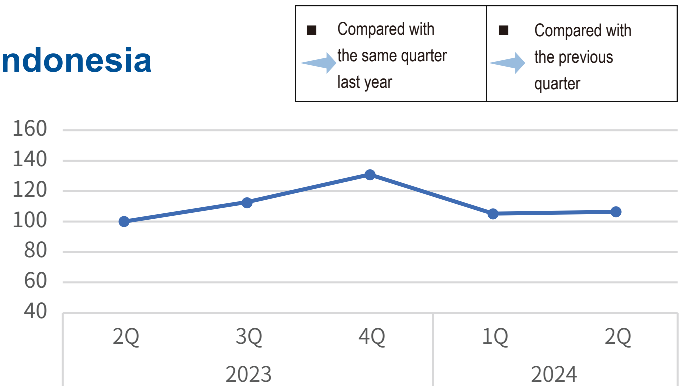
Indonesia



Written by:

Junpei Miyata, PERSOL Indonesia

In the first quarter of 2024, Indonesia's GDP growth rate improved to 5.11% year-over-year, up from the 5.04% growth recorded in the previous quarter. This result exceeded the initial forecasts, showing a robust economic performance. Factors contributing to this include the general elections held in February and increased household spending during the Ramadan month.
Looking at the different sectors, all industries except agriculture, forestry and fisheries saw year-over-year growth. The sectors with the highest growth rates were administration (18.88%), transportation and warehousing (8.65%), and hotels and restaurants (9.39%).
Corresponding with this strong economic growth, Indonesia's unemployment rate has also improved. As of February 2024, the overall unemployment rate was 4.82%, with 5.89% in urban areas and 3.37% in rural areas, recovering to pre-pandemic levels. Compared to the same period last year, this marks a significant 0.63% decrease. Analyzing by age group, the highest unemployment rate is among the youth. Among the major Asian countries, Indonesia was one of the countries with the second highest unemployment rate after India. However, given the expected continued economic growth in Indonesia, a stable improvement in the unemployment rate is anticipated.
Regarding hiring trends in the second quarter of 2024, the number of new job postings increased by 100.9% quarter-over-quarter and 113.7% year-over-year, indicating a robust job market. Particularly, the demand for Japanese talent remains high, contrary to expectations of a slowdown after the COVID-19 rebound. The most common job categories are sales/customer service/consulting (38%), back-office (21%), manufacturing engineers (19%), and construction engineers (13%).
For local staff, the highest demand is for back-office positions such as HR, interpreters, and accounting, followed by sales and IT-related roles. Given the continued economic growth and active job market, the recruitment difficulty is expected to increase. Especially when comparing Japanese companies and large multinational firms, there is a gap in recruitment capabilities, so companies need to consider improving their recruitment processes and capabilities.
In 2024, we have seen an increase in diverse HR-related inquiries. To provide appropriate support aligned with the changing job market and client needs, our company is further strengthening our services and structure to offer solutions in areas such as recruitment, labor management, HR systems, and training.

Talent Needs in Asia Countries (Vietnam)

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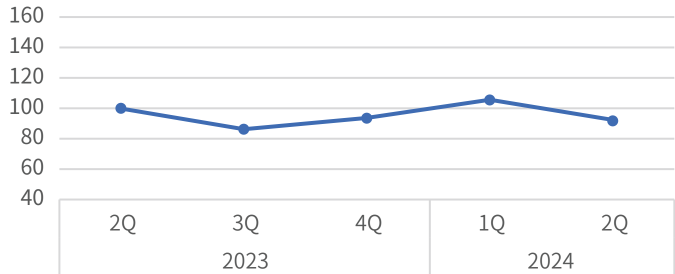
Compared with the same period in the last year Significantly Increasing · Gradually Increasing · Stable · Slightly Decreasing · Significantly Decreasing

Vietnam

Compared with the same quarter last year	Compared with the previous quarter
Stable	Slightly Decreasing



Written by:

Kento Ishikawa, PERSOL Vietnam

According to the General Statistics Office (GSO), Vietnam's GDP growth rate (estimate) in the first half of 2024 (Q1-Q2) was 6.42% year-on-year, a significant acceleration from 3.72% in the same period last year. Compared to the first half of 2020-2024, this year's GDP growth rate exceeded all other years except 2022.
The Vietnam National Administration of Tourism reported that in the first half of 2024, the number of domestic tourists reached 66.5 million, while foreign tourist arrivals reached 8.8 million, both showing increases compared to the same period last year.
The GDP growth rate in Q2 (April-June) was 6.93% year-on-year, accelerating from the same period last year. Compared to the past 10 years, this Q2 growth rate also exceeded all other years except 2022.
Additionally, the unemployment rate of the labor force in Q2 2024 increased by 0.05 percentage points from the previous quarter, but decreased by 0.01 percentage points year-on-year to 2.29%. The unemployment rate was 2.71% in urban areas and 2.01% in rural areas. The unemployment rate for those aged 15-24 rose by 0.02 percentage points from the previous quarter and 0.6 percentage points year-on-year to 8.01%, with 10.19% in urban areas and 6.86% in rural areas. The overall unemployment rate in the first half of 2024 remained unchanged from the same period last year at 2.27%.
The average monthly wage of wage workers increased by 7.4% year-on-year to VND 7.5 million (approximately JPY 47,000). The average monthly wage was VND 8.5 million (approximately JPY 53,500) for male workers and VND 6.4 million (approximately JPY 40,000) for female workers. The government has also recently issued a decree to increase the regional minimum wages for general workers, effective July 1, 2024, with a 6.0% increase in the hourly minimum wage rates.
In PERSOL Vietnam, while the overall job postings in Q2 2024 declined by 92% year-on-year, the GSO data showed that the number of newly established enterprises nationwide in the first half of 2024 increased by 6.1% year-on-year to 80,482. We have seen an increase in inquiries from companies considering new investments in Hanoi and Ho Chi Minh City, as well as more job postings for both Japanese and Vietnamese positions, and this trend is expected to continue.

Talent Needs in Asia Countries (Philippines)

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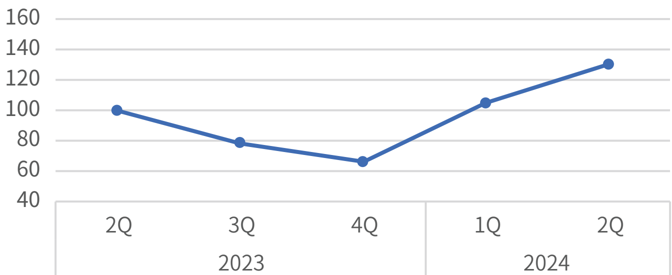
Philippines

Compared with the same quarter last year	Compared with the previous quarter
Significantly Increasing	Gradually Increasing



Written by:

Ayahito Takayama, PERSOL Philippines

According to the Philippine Statistics Authority (PSA), the results of the May 2024 Labor Force Survey indicate stability in the Philippine employment market, with an employment rate slightly increasing to 95.9% year-on-year. The unemployment rate decreased to 4.1%, with the number of employed individuals rising to 48.87 million. However, the labor force participation rate saw a slight decline to 64.8% compared to the previous year.
Of particular note is the service sector, which dominates employment with 57.2% of the total. While youth labor force participation and employment rates have decreased overall, youth employment rates have seen a slight increase. Regionally, employment rates in Metro Manila are lower at 92.4%, whereas the Muslim Mindanao Autonomous Region shows a higher rate at 98.1%.
Inflation in the Philippines decreased to 3.7% in June 2024 (from 3.9% in May 2024). Consequently, the national average inflation rate for the year thus far stands at 3.5%. While inflation in housing, water, electricity, and gas has been contained, food inflation remains high, particularly in rural areas where an upward trend is observed.
Against this backdrop, the government announced an increase in the minimum wage for Metro Manila effective July 17, 2024, to 645 pesos per day (approximately 1,770 yen), marking a 5.7% increase from the current rate. This adjustment is expected to benefit approximately 990,000 minimum wage workers and around 1.7 million regular employees directly and indirectly.
However, concerns have been raised, particularly among Japanese companies, regarding the abrupt wage hike and its impact on payroll costs. The Employers Confederation of the Philippines (ECOP) and the Confederation of Wearable Exporters of the Philippines (CONWEP) have expressed concerns about the method of calculating minimum wages and the timing of wage increases.
Thus, while the Philippine labor market remains stable, discussions on the implications of policy changes for businesses are crucial. Japanese companies, in particular, are urged to adapt swiftly to market fluctuations and efficiently secure suitable talent. Moreover, the increasing difficulty in recruitment and prolonged hiring processes matter should be considered carefully.
PERSOL Philippines remains committed to monitoring market trends and contributing to the expansion of Japanese businesses through comprehensive HR services, including staffing solutions, labor consulting, and HR system enhancements.

'Why Japanese Companies Have Lost Competitiveness in Human Resources'

Rising Wage Levels Across Asia

In Asian countries, living standards have been improving year after year, and the prices of goods have been rising, leading to an increase in labor costs as well. Recently, this trend has shifted from 'rising' to 'soaring'. "A pay raise driven by CPI is only being done by Japanese companies these days," "CPI-driven pay raises are already outdated" - these are words I have heard from executives of various companies during my consultation on salary systems in China and Southeast Asia. In reality in the market, it is only the lower-level employees in the organizational hierarchy who are receiving base pay increases in line with CPI increases. (Factory workers and site workers are often seeing their wages rise in line with the local minimum wage. This is a consequence of the skyrocketing wage levels in Asia.) For those who have reached a wage level that can comfortably cover their general living standards, CPI-based pay raises are no longer being implemented; increases are tied to performance evaluations only. In some cases, even middle management is seeing pay freezes for average performance ratings. Meanwhile, for the lower-level employees, CPI-driven pay raises are largely being maintained, but may be withheld for poor performers.

Are Japanese Companies Paying Low Wages?

In this context, a common refrain these days is that "Japanese companies pay low wages." This sentiment is widely heard across Asian countries, regardless of location. In the past, the general perception was that only managerial-level wage lagged the market. However, the reality now is that lower-level positions in some job functions are also falling behind. For example, in the case of development engineers. In situations where there is a drive in that region to develop original products, or a nationwide push for domestic development, a fierce battle for development engineers has emerged. In these cases, where Japanese companies are applying the same wage table across all job functions, they are finding that they are unable to win the competition for talent. We are seeing more instances of this, where Japanese companies' one-size-fits-all approach to compensation is making it difficult for them to acquire these coveted development engineer skills. A similar trend is emerging even in hiring outstanding fresh graduates.

Why have the wages of Japanese companies become lower?

To put it bluntly, it may be because of Japanese

corporations that have been improving productivity by containing costs, including labor cost, after the bursting of the economic bubble. Here, productivity is defined as the outcome (often financial results) divided by the invested capital (resources, but recognized as costs). It seems that Japanese corporations have, to some extent, contained the cost (denominator) to improve productivity. Especially when it comes to human resources, the reality is that they have been considered as "costs" rather than "invested capital." As a result, the perspective of what human capital is needed and how much investment should be made to increase the outcome (numerator) has been lacking. Consequently, the focus has been on how to control the growth of labor cost, and Japan's average wage level has gradually lost international competitiveness. On the other hand, overseas, especially in Asia, wages have been raised by somehow increasing the CPI or referring to the prevailing market level from time to time. As a result, wage levels in Asian countries have become comparable to the wage levels of Japanese headquarters, leading to a state of confusion.

Labor as an investment = Selective investment

In Japan, there is a growing trend to shift the mindset from "labor costs = cost" to "labor costs = investment." In 2023 the government in Japan started to request the companies to disclose the human capital information to their shareholders. And it can be called the first year of human capital. The result can be seen in the wage increase rates of around 3.5% and 5.0% after the spring labor negotiations in 2023 and 2024 in Japan. Then, when it comes to the Japanese companies in Aisa how should we review the wage levels of employees which are losing market competitiveness? In short, it comes down to selectively raising the wages of important talent. If we consider human resources as capital, it is natural to find the answer in investing in critical talent. On the other hand, it is necessary to check whether they are simply resorting to wage increases, or whether there are cases where they are raising wages without a clear understanding of the definition of outstanding talent as human capital. If they simply increase wage without careful consideration, the investment they have made could be wasted. Even if they revise the wage level, the company may not be able to obtain a sufficient return on their investment, and they may not be able to bring the necessary changes for the company. This could lead to a disappointing result.

Will employees understand selective investment in talent?

When raising wages selectively, a different perspective emerges from the employee's point of view. Especially for companies that have been providing pay increases based on the CPI, the impact of this change on employees can be significant. If there was an implicit contract between the company and employees that wages would steadily increase, then the management team must clearly communicate why the wage distribution policy is being changed. This requires revising the remuneration system and reforming the evaluation and promotion mechanisms that determine remuneration. Clearly setting expectations for each person's roles and career paths is also essential. With strong messages from the top management, the company should get along step by step embedding the new system into their organization positively.

Furthermore, patience is required to wait for a shift in employee mindsets. Human capital is the most important yet most rigid resource for a company. However, the company cannot afford to stumble during this transition period, so a clear timeline should be established upfront. Measuring and visualizing the change in employee’s mindset through engagement surveys is also important.

The key is not just changing remuneration structures, but rather for management to continuously communicate, share the current business situation, and execute a planned process to align the company's growth with employees' growth.

Hiroaki Ide

Director of Organizational Development, PERSOLKELLY Consulting

With over 10 years of consulting experience in human resource management across Japan, Greater China, and Southeast Asia, he has been involved in designing HR systems for various industries and has prior experience as an in-house HR professional at a listed company, handling strategic HR initiatives such as HR system development and talent selection. He has also published multiple HR-related columns in finance industry publications.

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