

# Japan: Immigration, a Remedy for the Aging Population?

By Valerie Moschetti



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There are 126 million inhabitants of Japan. Life expectancy is among the highest in the world: 87 years for women and 81 years for men. By 2040, more than 35% of Japanese people will be 65 and over (28% today). Meanwhile, the fertility rate continues to drop to currently 1.4 children per woman (with a population replacement rate at 2.1). Thus, in 2018, Japan experienced its strongest natural decline since the end of World War II, with about 400,000 fewer Japanese individuals. If this trend continues, the country will have no more than 88 million inhabitants in 2065.

In this context of a declining and aging population, the current unemployment rate is 2.4% and, according to statistics from the Japanese Ministry of Health, Labour and Welfare, the unemployment/job-seeker ratio was 1.63 in January 2019: for every 100 job seekers, 163 jobs remained unfilled, particularly in the fields of construction, catering, hospitality, retail sales and personal care services. Japan, however, remains relatively closed and it is difficult for foreigners to find their place.

## Possible Solutions Foreseen by the Government

In 2015, Prime Minister Shinzo Abe announced measures to stabilize the population at 100 million by 2065, including creation of more daycare centers for children and paternity leave to encourage women to have more children while working, yet the fertility rate hasn't increased.

Adding more women to the workforce is another solution. In 2014, "Womenomics" was aiming at "building a society where women shine", but positive results are still pending. While the female labor force participation rate rose to 51% in 2018, women are still too often offered non-regular contracts with low salaries (according to an OECD study in 2017, women in Japan are paid 24.5% less than men) and are still underrepresented in managerial positions (only 4% are women). Therefore, many more incentives, such as legally binding quotas, have to be implemented to accelerate women's employment.

The Japanese government is also considering raising the retirement age from 65 now to 70 or even 75 as a solution to the labor crunch. As underlined by a recent OECD study, it is also necessary to "gradually increase the mandatory retirement age as this will reduce the risk that older workers are re-hired as non-regular workers" with a lower salary, as is the case today.

Another possibility is to increase labor productivity. In 2017, Japan

ranked 20th among OECD members for labor productivity, mainly due to the non-manufacturing sector. It appears that Japanese service-sector companies have not invested enough in productive capital and technology during the past 20 years. They employed too many people and ignored innovative technologies unlike the manufacturing sector, confronted by international competitors. Today, the labor shortage has pressed service-sector companies to experience mergers and acquisitions and to invest in more advanced technology. Artificial intelligence (AI) is also part of the solution and the government, together with the private sector, is heavily investing in research programs.

However, even if all these solutions are implemented, they will not completely solve the labor shortage. That said, with a smaller population in the coming years, Japan may not need as many workers as today. And although perfect service is an important part of Japan's landscape, the country could survive with fewer employees in restaurants, shops or offices.

However, on the public accounts' side, Japan faces a hard challenge as fewer workers will have to pay higher taxes to support a growing aging population in need of pensions and healthcare services. Hospitals, nursing homes and construction sites already lack employees and opening doors to more foreign workers can be part of the solution.

## Toward an Understated Immigration Policy

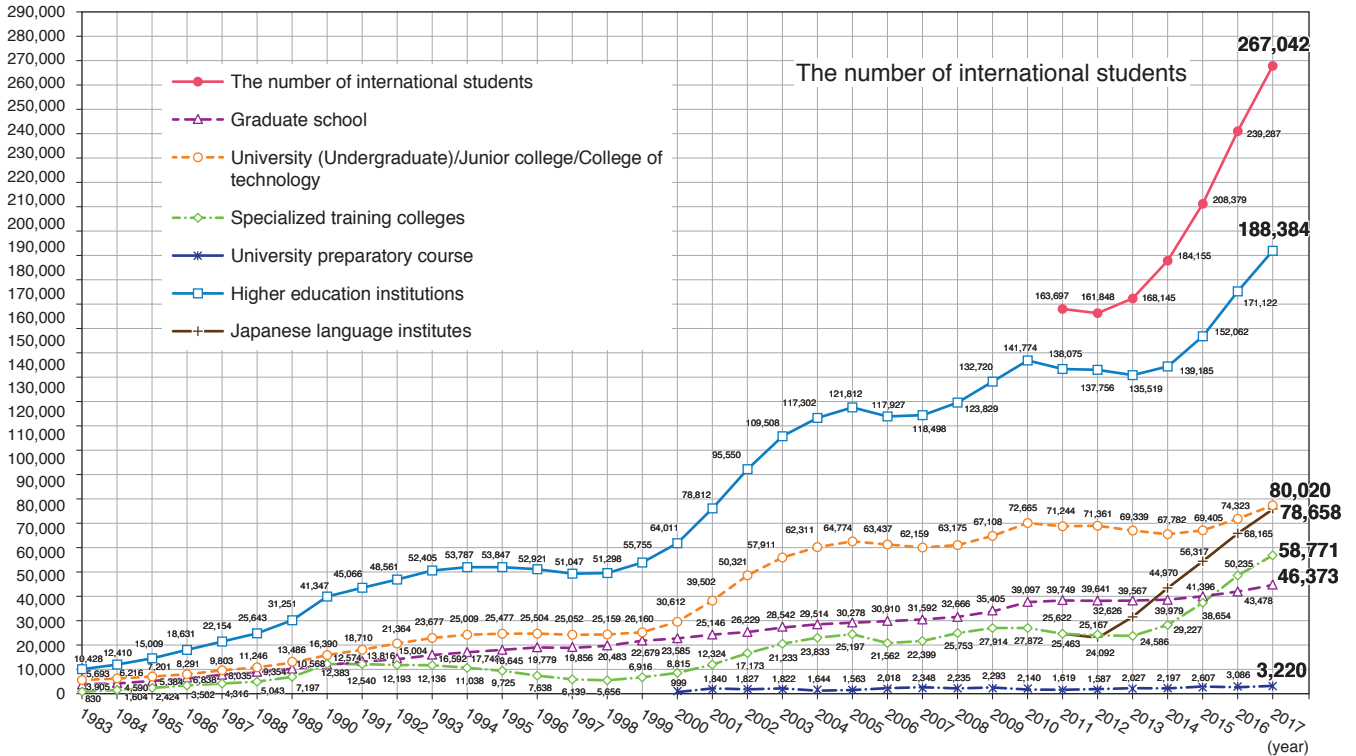
For more than 200 years (1633-1853), in order to eliminate any risk of foreign or religious influences perceived as threats to the ruling class, Japan implemented its "Sakoku" seclusion policy, closing itself off from the world, and thus developed a strong internal homogeneity. The few foreigners who traded with the country were allowed to do so only in specific areas, while Japanese citizens could not leave their country without special permission. This distancing of "the other", which has long made it possible to limit the permeability of foreign cultures, still exists in this island country. All governments have always been reluctant to practice a clear immigration policy and it is a struggle to change this situation dramatically.

This is what was attempted, however timidly, in the 1980s when the authorities, in need of plant workers, sought to attract the descendants of Japanese citizens who had emigrated to South America in the early 20th century. In the midst of an economic crisis at home, Brazilians and Peruvians came to work in Japan's factories.

CHART 1

**Trends in number of international students by institutional type (as of each May 1)**

(Unit: person)



Source: [https://www.jasso.go.jp/en/about/statistics/intl\\_student\\_e/2017/\\_icsFiles/afieldfile/2017/11/25/data17\\_02\\_e.pdf](https://www.jasso.go.jp/en/about/statistics/intl_student_e/2017/_icsFiles/afieldfile/2017/11/25/data17_02_e.pdf)

They received a special visa for “descendants of Japanese citizens”. Their integration, however, did not always go well, and many of them eventually decided to leave Japan, in particular after the 2007 financial crisis.

In the 1990s, workers from developing Asian countries arrived in Japan for three-year “technical interns” under the “Technical Intern Training Program” (TITP) with the goal of learning about the technology and practices of Japanese companies. These internships are actually real jobs. The duration of their stay was later increased to five years and 230,000 “trainees” were working in Japan in 2016.

For highly-skilled foreigners, a specific point system visa was introduced in 2012 to attract scientists, researchers, engineers and businessmen. The new “Immigration Control and Refugee Recognition Act”, revised last December, now allows them to stay in Japan for an indefinite period with their families. It establishes another category of visa that will accommodate, for five years and with the possibility of a five-year extension, up to 345,000 foreign “blue collar” workers. A large part of this quota will come from the “technical interns” already present in the country. The problem is that they will not be able to bring their families.

Another population “reservoir” likely to bring “young blood” to

Japan is foreign students. They represent a significant potential and can be easily integrated in the Japanese private sector. In 10 years, the share of students in the entire foreign population increased from 6.3% (131,789 student visas) in 2006 to 11% (257,739 student visas) in 2016. There were 267,000 students in 2017.

Their number will continue to grow as many universities are striving to attract students, mainly from Asia, in order to survive, due to the negative demographic trend in Japan (Chart 1). These students have been allowed to work part-time during the school year and more recently full-time during the holidays. Universities are offering lectures on Japanese history and culture as well as courses on Japanese-style job-hunting rules. According to a survey made by the Japan Student Services Organization, it appears that 14,493 students (31%) out of 46,559 foreign students who graduated from or finished programs at universities, graduate schools or other schools in 2016 found a position in Japan.

**Correcting or Anticipating Problems**

However, is Japan ready to welcome many more foreigners? The Migrant Integration Policy Index (MIPEX) “evaluates and compares

TABLE  
**MIPEX 2015 ranking**

Ranking 2014		Score	Change Since 2010*	Ranking 2014		Score	Change Since 2010*	Ranking 2014		Score	Change Since 2010*
1	Sweden	78	— 0	13	Denmark	59	↑ 10	27	Slovenia	44	— 0
2	Portugal	75	↑ 1	15	Luxembourg	57	↑ 2	27	Greece	44	↓ 2
3	New Zealand	70	— 0	15	United Kingdom	57	↓ 6	27	Japan	44	↑ 1
4	Finland	69	↑ 2	17	France	54	↑ 1	30	Croatia	43	
4	Norway	69	↓ 1	18	South Korea	53	↓ 1	31	Bulgaria	42	↑ 3
6	Canada	68	↓ 1	19	Ireland	52	↑ 1	32	Poland	41	↑ 5
7	Belgium	67	↑ 2	20	Austria	50	↑ 3	33	Malta	40	↑ 2
8	Australia	66	— 0	21	Switzerland	49	↑ 1	34	Slovakia	37	— 0
9	USA	63	↑ 1	22	Estonia	46	↑ 1	34	Lithuania	37	↑ 1
10	Germany	61	↑ 3	23	Hungary	45	↑ 1	36	Cyprus	35	— 0
11	Netherlands	60	↓ 8	23	Iceland	45		37	Latvia	31	↑ 2
11	Spain	60	— 0	23	Czech Republic	45	↑ 3	38	Turkey	25	↑ 1
13	Italy	59	↑ 1	23	Romania	45	↑ 1				

Source: <http://www.mipex.eu/key-findings>

what governments are doing to promote the integration of migrants”. In 2015, Japan poorly ranked 27th out of 38 countries as its “integration policies remain under-developed, mostly local and limited to the employment and education of immigrants with Japanese ancestry living in immigrant-dense neighborhoods (...) Japan’s approach is (...) far behind other highly-developed countries” (Table). In recent years, Japanese media have reported abuses by local employers, mainly small to medium-sized businesses, asking trainees to work long hours below the minimum wage and under inadequate safety standards. In 2017, a Ministry of Health, Labour and Welfare investigation showed that rules were not respected at more than 4,000 locations, which resulted in the deaths of 174 people between 2010 and 2017. As the first to be concerned, the private sector must therefore ensure equal work and equal wages based on skills between foreigners and Japanese citizens. However, according to the MIPEX, Japan lacks a dedicated anti-discrimination law or independent equality body. For victims of nationality, racial or religious discrimination, it is still very difficult to turn to justice.

Sweden, first in the MIPEX ranking for its integration policies, provides a good case study on this precise point. In 2009, the Anti-Discrimination Act replaced seven laws and an Equality Ombudsman was created to replace four equality bodies. The new system makes it easier for victims of discriminations to ask for justice.

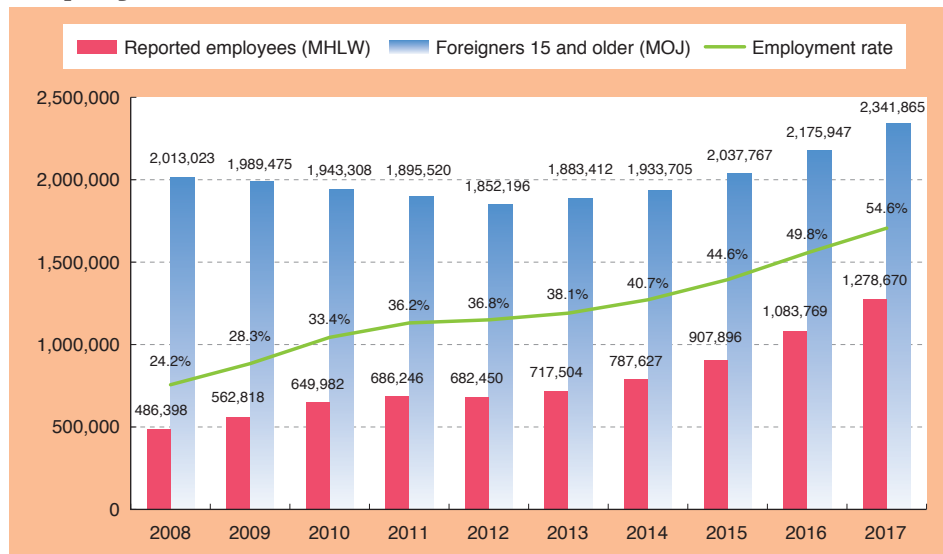
Learning the language is an essential element to living or working in a Japanese environment and passing certifications required to

work in certain activity sectors (nursing, in particular). Regarding children, the Japanese school system has seen a 50% increase in foreign nationals in a 10-year period. In 2016, 34,335 children lacked Japanese language skills and some of them had problems respecting the school rules. Cities like Yokohama or Hamamatsu (where many foreign workers live) have already reacted and implemented language learning programs or dedicated teachers to explain the specific rules followed by Japanese schools. The Education Ministry has recently decided to provide financial support to local governments, which are first in line to face these problems. As these cases will increase in the coming years, Japan could draw on the experience of France, which created in the 1970s, when the country welcomed a high number of immigrants, several “Centers for the Schooling of Newly Arrived Non-French Speaking Children”. They first conduct an evaluation of their oral and written abilities as well as various school subjects. Those who cannot join a normal class are orientated to special classes. The objective is to quickly integrate the children into regular classes. During the first year, they mainly learn the French language in small groups (maximum 15 pupils) for 9 to 15 hours per week. However, they are asked to follow, together with French children, sports, music or arts classes that don’t require a perfect fluency in French. This is a way to socialize with other children and facilitates their integration into French society.

The success of educating adult newcomers is crucial to the success of their integration in Japan. Learning the Japanese

CHART 2

## Foreigners in Japan (15 & older) & reported foreign employees



Comparison of Ministry of Health, Labour and Welfare totals with working-age foreign population and hypothetical employment rate

Note: The employment rate was calculated using the figures in the chart.

Source: Ministry of Justice 2009–2018; Ministry of Health, Labour and Welfare 2009–2018

language and customs makes it easier to understand the society, to be accepted by the local population and to find a place in this country through work and social interactions. If their company doesn't provide Japanese language lessons, foreigners rely on municipalities or NPOs where volunteers teach for free or for a very low fee. Japan can learn from Canada regarding well-organized and federal, provincial and territorial government-funded language programs offered to immigrants.

The Japanese education minister is starting to take action in this area and recently announced the creation in 2020 of a nationally recognized accreditation program for Japanese language teachers, with a 2020 Japanese language programs budget three times higher (1.4 billion yen) than the 2019 one.

When arriving in Japan, a foreigner alone will encounter problems renting accommodation or opening a bank account. Farmers or manufacturing companies often provide cheap housing for their workers, but it is almost impossible for a foreigner to rent a room by himself. Luckily, an activity that was previously reserved for richer expats is now expanding to other categories of foreigners: companies like JTB Corp. are providing services to help newcomers find a place to live, register at the town hall or understand where shops and medical services are located in their area. This kind of support, if not too expensive, is very important for newly arrived foreigners.

Japan should quickly tackle these obstacles to become an attractive destination. Otherwise neighboring countries like China, Taiwan and South Korea, which are also facing an increase in their

aging populations, will soon compete to attract more skilled and unskilled foreign workers. As a matter of fact, the minimum wage differential between Japan and other Asian countries is gradually decreasing: it was 14 times higher than China in 2005, but only 3.9 times higher in 2016, according to the Daiichi Health Research Institute. Another study, conducted by the Institute for Management Development, a top-ranked business school in Switzerland, "assesses how 63 economies (...) develop, attract and retain highly-skilled professionals". The result is alarming: Japan ranks 29th among 63 countries, showing less appeal for high-level foreign workers than Switzerland (1st) and Denmark (2nd), or than Singapore (13th), Hong Kong (18th) and Taiwan (27th) in Asia.

### Challenge for a Country With a Homogeneous Population & Culture

As of Jan. 1, 2018, 2.5 million foreigners were living in Japan and 1.28 million (of whom 30% are Chinese nationals) worked there. This represents only 2% of the population, an extremely small proportion compared to 39% in Singapore, 16% in France, and even 4% in South Korea. It will be difficult not to change government policies in the short or medium term, especially since local governments seem determined to move forward (Chart 2). A survey in the Yomiuri newspaper conducted in January 2019 confirms that the aforementioned local governments are mostly (79%) in favor of the arrival of foreign workers because of the shortage of manpower

in their industries. For 70% of them, however, the reception of these foreign workers is a concern because it requires the establishment of basic infrastructure that has not existed to date. They also expect help from the central government, in particular “funding to work on measures for accepting foreign residents” (69%).

The opening of borders has likewise been most welcome by the industrial world, which sees it as a quick solution to running its factories and construction sites. However, it is still difficult to have the whole country admit that the arrival of foreign workers will benefit Japan. The consensus is still far from unanimous: a poll conducted by the Yomiuri newspaper in April 2019 underlined that still 40% of respondents were opposed to accepting more foreign workers: “59% said they were reluctant to receive nursing care from foreigners and 53% expressed a reluctance to live near foreigners.” Therefore one of the future challenges will be to find strategies to build bridges between the Japanese and the different groups of foreigners living and working in the country if Japan wishes to avoid the “ghettoisation of society”.

Politically there is no shortage of critics. Japan First, a small, right-wing party, advocates for “national interests first” while many supporters of Abe want to limit immigration so as not to threaten the “current ethnic homogeneity” and “not to risk increasing crime rates”. The media also bear a responsibility for the negative perception of immigration. They often cover problems related to the influx of migrants in other parts of the world and tend to convey the idea that the country is safe because Japan is currently out of this trend. There are too few programs showing the positive sides of immigration in those countries.

However, Japanese society is changing and is slowly opening up. Marriages between foreigners and Japanese nationals account for about 6% of all marriages. About one in every 50 babies born in Japan is bicultural. Today’s bicultural youth is more visible and even making headlines, like tennis player Naomi Osaka (Japanese-American Haitian), who won the US and Australian Opens; sprinter Asuka Cambridge (Japanese-Jamaican); baseball player Yu Darvish (Japanese-Iranian); and judo star Mashu Baker (Japanese-American). As world champions, they show the changing face of Japan, as did former Miss Japan Ariana Miyamoto (Japanese-American) in 2015 and Miss World Japan Priyanka Yoshikawa (Japanese-Indian) in 2016, although both have been criticized for “not being Japanese enough”.

In the Japanese business world, there are fewer foreign executives than in other OECD countries. The reason may be that they are facing a huge challenge in terms of communication (both linguistic and cultural) and understanding of the Japanese-style management processes. However, in a market that has been stagnant for many years and is shrinking due to demographics, Japanese corporations have been opening their doors to foreigners since the beginning of the 21st century. They expect them to bring changes and to help

expand overseas markets, integrate new foreign acquisitions and increase profitability. A few years ago, Howard Stringer (Sony Corp.), Stuart Chambers and Craig Naylor (both Nippon Sheet Glass), Carlos Ghosn (Renault-Nissan) and Michael Woodford (Olympus) – even though their experiences ended badly – and today Christophe Weber (Takeda Pharmaceutical) are proving that it is possible to manage a Japanese corporation, although it remains challenging.

Moreover, companies like Rakuten and First Retailing have adopted English as their official corporate language for internal communications, while Honda Motor and Bridgestone are planning soon to do so. This measure is helping with overseas expansion and their businesses can more easily hire and retain foreign workers in Japan.

## Conclusion

Will Japan be able to unite history and nationalism for much longer? Probably not. The country is in a phase of doubt and slow change. At the end of the 19th century, Japan opened and adapted to the outside world by learning new techniques and new ways of thinking from Europe and the United States, integrating and blending them into its traditions to become a major global industrial power. Cultures are in permanent evolution: Japanese society dramatically changed between 1868 and the end of the 20th century. In the 21st century, more foreigners settling in Japan will certainly have an impact on society. If conditions are met with real financial investment from the government for better inclusion of foreigners into Japanese society (mainly Japanese language and customs education for foreigners, better foreign language education in Japanese schools, equal pay for equal work and anti-discrimination regulations), Japan can meet this new challenge positively.

The sharp increase in inbound tourism in a few years’ time (10 million in 2013, 31 million in 2018, 40 million targeted in 2020) is helping Japanese people to become more familiar with foreigners. The Tokyo 2020 Olympic Games, as well as the Osaka World Expo 2025 on the horizon, are factors accelerating change. They can be considered a first test, of limited duration of course, but to be monitored closely because they will allow for a “real-life experiment” to test the interactions between Japanese and foreigners.

In this context, there is no doubt that people with skills in foreign languages and intercultural relations will be solicited, both in the business world and in society in general, to take part in this important evolution for a sustainable future in Japan. **JS**

Valerie Moschetti, an expert in business development and public affairs, worked for 10 years in Africa to implement industrial and financial projects. In Japan since 2007, she specialized in international partnerships at the EU-Japan Centre for Industrial Cooperation. She now advises the private sector on entering and expanding in the Japanese, European and African markets through a governmental affairs strategy and business partnerships.