

THE STANCE OF COMPANIES ACCEPTING FOREIGN WORKERS UNDER THE REVISED IMMIGRATION ACT – EFFORTS TO INTEGRATE MIGRANTS ARE THE KEY TO SUSTAINABILITY

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SUMMARY

- Measures to mitigate the impact of immigration on the labor market and alleviate temporary economic tension, in other words, a migrant integration policy¹, are the key to determining whether Japan's international competitiveness in terms of acquiring foreign talent is sustainable.
- The Japanese government has established Comprehensive Measures for the Acceptance and Coexistence of Foreign Workers. On an international basis, the UN has adopted the Global Compact for Safe, Orderly, and Regular Migration². These initiatives are supporting the efforts of municipal governments, companies, and other entities to promote the integration of migrants.
- The situation surrounding migrants is not clear cut. However, if Japanese companies that accept foreign human resources under the Revised Immigration Act respect international frameworks as well as domestic regulations, and respond appropriately, they are likely to be widely acclaimed.

INTRODUCTION

The revised Immigration Control and Refugee Recognition Act (hereinafter referred to as the “revised Immigration Act”) came into force on April 1, 2019. The revised act, which significantly expands the acceptance of foreign workers into Japan, comes about 30 years after the “long-term resident” status for persons of Japanese ancestry and the “spouse or child of Japanese National” status were established in 1990. In principle, foreigners wishing to acquire a residency status that allows them to work were required to have an educational background of university graduate level or higher, or to have at least ten years' practical experience³. This report presents an overview of the revised act that has relaxed the requirements for immigration to the possession of necessary skills and Japanese language proficiency. Then, to address the questions as to whether the

¹ According to the International Organization for Migration (IOM), the term “integration” can generally be defined as the process of mutual adaptation between the host society and the migrants themselves, both as individuals and as groups. Migrant integration policy frameworks should take into consideration the rights and obligations of migrants and host societies, including access to the labour market, health and social services, and education for children and adults.

<https://www.iom.int/files/live/sites/iom/files/What-We-Do/docs/IOM-DMM-Factsheet-LHD-Migrant-Integration.pdf>

² The United Nations Global Compact (UNGC) is a voluntary initiative under which companies and organizations act as good corporate citizens to participate in building a global framework for realizing sustainable growth by exhibiting responsible, creative leadership. The Global Compact Network Japan (GCNJ) was launched in Japan in December 2003. In April 2008, the organizational structure was strengthened by bringing it under the leadership of the top management of the participating companies and organizations. In October 2011, it was incorporated to ensure transparency and fairness.

³ One exception is for workers who have passed an IT test in one of 11 Asian countries and 1 region (India, Singapore, South Korea, China, Philippines, Thailand, Vietnam, Myanmar, Malaysia, Taiwan, Mongolia, and Bangladesh), who were able to acquire the “Engineer” residence status through mutual recognition with Japanese Information Technology Engineer qualifications.

acceptance of foreign workers is progressing as estimated and whether Japan's international competitiveness in terms of acquiring foreign talent is sustainable, this report considers the 30 years' of proven experience gained by domestic policy makers as well as the support from international frameworks.

OVERVIEW OF THE REVISED IMMIGRATION ACT AND IMPACT OF THE INTERNATIONAL COMPETITION FOR TALENT

Up to 340,000 foreign workers to be admitted to help meet a human resources shortfall of 1.45 million

Under the revised Immigration Act, a “Specified Skilled Worker (i)” residency status has been established for the 14 sectors shown in Fig. 1, where the acceptance of foreign workers is recognized as being genuinely necessary amid concerns that a serious shortage of labor may hinder the sustainability of the Japanese economy and society. Immediately after the review of the act commenced in June 2018, the five target sectors were considered to be nursing, construction, agriculture, lodging, and shipbuilding. However, it seems that the final list took into consideration requests from Aichi Prefecture and other local government bodies to accept workers in other occupations such as machine assembly and metalworking, as well as the wishes of related industries. The period of stay is limited to five years⁴, and it is estimated that in the first five-year period starting from April 2019, up to 340,000 foreign workers will be admitted against a human resources shortfall of 1.45 million (Fig. 1 f. and d.). As a means of increasing the effectiveness of the revised act, the Japanese government has signed international agreements with certain countries⁵.

Fig. 1 Estimated number of foreign workers to be accepted

Sector	Presiding ministry	A. Estimated number accepted				B. Estimated HR shortfall		C. Percentage of vacancies filled	
		FY2019		Initial 5-year period		e. Current	f. After 5 years	g. Current = b / e	h. After 5 yrs = d / f
		a. Min.	b. Max.	c. Min.	d. Max.				
1. Care Worker	MHLW	5,000	5,000	50,000	60,000	60,000	300,000	8.3%	20.0%
2. Food service industry	MAFF	4,000	5,000	41,000	53,000	250,000	290,000	1.6%	18.3%
3. Construction Industry	MLIT	5,000	6,000	30,000	40,000	20,000	210,000	25.0%	19.0%
4. Agriculture	MAFF	3,600	7,300	18,000	36,500	70,000	130,000	5.1%	28.1%
5. Accommodation Industry	MLIT	950	1,050	20,000	22,000	30,000	100,000	3.2%	22.0%
6. Building cleaning Management	MHLW	2,000	7,000	28,000	37,000	50,000	90,000	4.0%	41.1%
7. Industrial machinery industry	METI	850	1,050	4,250	5,250	12,000	75,000	7.1%	7.0%
8. Manufacture of food and beverages	MAFF	5,200	6,800	26,000	34,000	43,000	73,000	12.1%	46.6%
9. Machine Parts & Tooling Industries	METI	3,400	4,300	17,000	21,500	30,000	62,000	11.3%	34.7%
10. Electric, Electronics and Information Industries	METI	500	650	3,750	4,700	7,000	62,000	7.1%	7.6%
11. Shipbuilding and Ship Machinery Industry	MLIT	1,300	1,700	10,000	13,000	6,400	22,000	20.3%	59.1%
12. Fishery & Aquaculture	MAFF	600	800	7,000	9,000	5,000	20,000	12.0%	45.0%
13. Automobile repair and maintenance	MLIT	300	800	6,000	7,000	1,600	13,000	18.8%	53.8%
14. Aviation Industry	MLIT	100	100	1,700	2,200	1,400	8,000	7.1%	27.5%
Total		32,800	47,550	262,700	345,150	586,400	1,455,000	5.6%	23.7%

Note: The estimated HR shortfall after 5 years (column f in the table) is listed in descending order of the expected shortfall

Source: Prepared by MGSSI based on data from the Ministry of Justice and other sources

⁴ Foreigners engaged in work requiring advanced skills in the construction, shipbuilding, and marine equipment sectors may acquire “Specified Skills 2” residency status, which has no upper limit on the duration of stay and allows them to bring family members with them.

⁵ As of April 17, 2019, agreements have been exchanged with the Philippines, Cambodia, Nepal, Myanmar, and Mongolia. For example, a “Memorandum of Cooperation between Japan and the Philippines on the Basic Partnership Framework for the Proper Operation of the System pertaining to Foreign Human Resources with the Status of Residence of ‘Specified Skilled Worker’” exchanged with the Philippines on March 19, 2019 stipulates matters such as mutual commitments and information sharing. According to media reports, similar arrangements are also in prospect for Vietnam, China, Indonesia, and Thailand.

Will Japan succeed in the international competition for talent?

In addition to the so-called highly skilled migrants, Japan will face international competition in securing human resources in the 14 sectors targeted for expansion of foreign workers. In June 2018, when the World Bank published a report entitled *Moving for Prosperity: Global Migration and Labor Markets*, it pointed out that if countries that accept migrants do not introduce policies to mitigate the impact on the labor market and temporary economic tension, there is a danger that they could fall behind in the global competition to secure talented human resources and invite a major labor shortage.

According to a report published by the US-based Gallup Inc. in December 2018, out of the estimated 750 million potential migrants worldwide, 17 million would like to move to Japan, which was seen as the ninth most popular destination worldwide⁶ and the most popular destination in Asia, ahead of Singapore (13th), China (15th) and South Korea (21st). Considering that in 2018, the number of foreign workers (1.46 million), foreign residents (2.73 million), and foreign visitors (31.19 million) in Japan were all at a record high, and that this upward trend is continuing, the admission of foreign human resources is likely to progress in line with current expectations. However, it is also important, both for the government and for companies, to make efforts to respond to the point made by the World Bank in relation to whether international competitiveness in acquiring foreign talent is sustainable.

DOMESTIC MIGRANT INTEGRATION POLICY AND THE PRINCIPAL ACTORS

“Comprehensive Measures” as migrant integration policy

As for the need for policies to mitigate the impact on labor markets and temporary economic tensions as pointed out by the World Bank, Japan also has what it calls an inclusion policy consisting of a migrant integration policy that is considered to be a mainstay of the system for the acceptance of foreigners, along with immigration control policy. In December 2018, the government announced “Comprehensive Measures for Acceptance and Coexistence of Foreign Nationals,” saying that it will do its utmost to create an environment in which foreigners can enjoy public services and live their lives in peace in the same way as Japanese. A total of 126 measures with a combined budget of JPY22.4 billion are being implemented in areas including medical treatment, health, welfare, housing, finance, communication services, education, and labor (a supplementary budget of JPY6.1 billion in FY2018 and a budget of JPY16.3 billion in FY2019).

Central role borne by municipal governments, companies and organizations employing foreigners

The responsibility for promoting migrant integration will lie with municipal governments that routinely interact with foreigners as residents. Efforts in this respect are already seen in local areas in advance of the national policy. For example, in the area of Japanese language education, Higashikawa Town in Hokkaido has converted a closed municipal elementary school into the town’s first public Japanese language school and established a scholarship system for foreigners. Mimasaka City in Okayama Prefecture has signed an agreement with the University of Da Nang in Vietnam to dispatch a Japanese language teacher to instruct students prior to their entry into Japan. Both towns have thus chosen to proceed independently with their own policies to accept foreigners.

Companies and organizations that employ foreigners also play a major role in migrant integration. Under the revised Immigration Act they are required to prepare and implement a support plan for foreigners who have acquired the “Specified Skilled Worker (i)” residency status (Fig. 2). It is also assumed that some companies and organizations will be unable to make their own preparations, in which case they are permitted to ask organizations registered with the Ministry of Justice to prepare and implement their support plans. Staffing agencies and other businesses appear to find acting as support organizations as new business opportunities.

⁶ 1 USA, 2 Canada, 3 Germany, 4 France, 5 Australia, 6 UK, 7 Saudi Arabia, 8 Spain, 9 Japan, 10 Italy (source: Gallup World Poll, 2015-2017)

Fig. 2 Outline of the "Ministerial ordinance to determine the standards, etc. for specified skills employment contracts and support plans for 'Specified Skilled Worker (i)' foreigners"

Major areas of support to be provided by companies accepting foreigners who have acquired "Specified Skills 1" residency status	
1	Provision of guidance on living in Japan before entering the country
2	Orientation on living in Japan during the period of residence
3	Provision of information on various administrative procedures
4	Support for opening bank accounts, using mobile phones, securing housing, etc.
5	Provision of opportunities for studying Japanese for everyday living
6	Consultation, complaint handling, advice, guidance, etc.
7	Support for changing jobs in the event of involuntary redundancy

Source: Prepared by MGSSI based on data from the Ministry of Justice

In addition, companies and other organizations employing foreigners are required to pay them at least the same wages as they would pay Japanese workers. Although there has been shown to be a wage gap of 20 to 30 percent between migrants and natives of the host country with equivalent skills (Fig. 3), the Japanese government has introduced this requirement as a preventive measure to mitigate against the occurrence of temporary economic tension.

Fig. 3 Economic impact of migrants

Item	Content
Labor force	40–80% of labor force growth in top destinations between 2000 and 2014 was contributed by migrants
GDP	Migrants contributed 9.4% of global GDP, or \$6.7 trillion—some \$3.0 trillion more than they would have produced in their origin countries
Productivity	Migrants of all skill levels contribute to the productivity effect in top destinations
Employment	Migrants do not harm the long-run employment or wages of native workers
Wages	The average wage gap between native and migrant workers with similar skills is 20–30%

Source: McKinsey Global Institute (2016)

PROVEN DOMESTIC EXPERIENCE AND SUPPORT FROM INTERNATIONAL FRAMEWORKS

Proven experience gained in accepting migrants of Japanese descent and reacting Economic Partnership Agreements

The revised immigration act of 1990 allowed 2nd and 3rd generation descendants of Japanese sent to Brazil and other countries by the government from the Meiji period onwards to immigrate to Japan with no restriction on the number of immigrants or their activities. Since then, municipal governments in areas where industries such as transportation equipment and electrical and electronic equipment are concentrated have been obliged to provide government services to the immigrants of Japanese descent who have congregated there in search of employment. Cities such as Toyota in Aichi Prefecture and Hamamatsu in Shizuoka Prefecture, which are home to many leading Japanese companies and are relatively financially sound, have played a leading role in this process, overcoming the difficulties of the 2000s when there were over 300,000 foreign residents of Japanese descent nationwide. They have accumulated a wealth of experience in migrant integration up to the

present day where 4th generation foreigners of Japanese descent are also permitted entry to Japan⁷.

Moreover, the Japanese government has concluded a number of Economic Partnership Agreements (EPAs)⁸ in the past, which are examples of the written international agreements that are one of the methods for accepting foreign human resources under the revised Immigration Act. These agreements also stipulate matters relating to migrant integration, including implementation of vocational training and Japanese language training projects for nurses and care workers, based on the situation in the country concerned, to liberalize trade in these services in accordance with reciprocal requests from Indonesia, the Philippines, and Vietnam. While the number of nurses and care workers accepted is by no means high as there is an upper limit, it is steadily increasing (Fig. 4). The Association for Overseas Technical Cooperation and Sustainable Partnerships, the Japan Foundation and other administrative institutions, as well as medical and social welfare corporations have track records in implementing these projects.

Fig. 4 The number of foreigners accepted in Japan in the areas of nursing and nursing care under EPAs

Sector	Country	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
Nursing	Indonesia	104	173	39	47	29	48	41	66	46	29	31	653
	Philippines	-	93	46	70	28	64	36	75	60	34	40	546
	Vietnam	-	-	-	-	-	-	21	14	18	22	26	101
	Total	104	266	85	117	57	112	98	155	124	85	97	1,300
Nursing care	Indonesia	104	189	77	58	72	108	146	212	233	295	298	1,792
	Philippines	-	217	82	61	73	87	147	218	276	276	282	1,719
	Vietnam	-	-	-	-	-	-	117	138	162	181	193	791
	Total	104	406	159	119	145	195	410	568	671	752	773	4,302
Nursing & nursing care total		208	672	244	236	202	307	508	723	795	837	870	5,602

Note 1: Indonesia (effective FY2008), Philippines (effective FY2009), Vietnam (effective FY2014)

Note 2: In consideration of the impact on the domestic labor market and other factors, the number of applicants is limited to 200 nurses/year from each country (400 applicants in the initial two-year period in the case of Indonesia and the Philippines) and 300 care worker applicants/year from each country (600 applicants in the initial two-year period in the case of Indonesia and the Philippines).

Source: Prepared by MGSSI based on data from the Ministry of Health, Labour and Welfare

In developing concrete measures for migrant integration in response to the revised Immigration Act, local government bodies, companies, and other entities have 30 years of such experience and achievements. The number of organizations that dealt with foreigners of Japanese descent and accepted them under EPAs is limited. While the challenge of expanding such pioneering efforts on a nationwide scale remains, a certain positive effect can be expected.

UN global compact provides added impetus

In terms of the situation overseas, the UN adopted the *Global Compact for Safe, Orderly, and Regular Migration* in December 2018. This document contains 23 objectives in accordance with the New York Declaration that emerged from the UN Summit on Refugees and Migrants held in September 2016 in response to the unprecedented scale of the movement of people across national borders as a consequence of the civil war in Syria and other events. Some of those objectives relate to migrant integration, including “6. Facilitate fair and ethical recruitment and safeguard conditions that ensure decent work,” and “16. Empower migrants and

⁷ The Committee for Localities with a Concentrated Foreign Population was established in 2001 for the purpose of exchanging information on the status of policies and activities pertaining to foreign residents and actively working to resolve various issues arising in local communities, and requests the government to make regulatory reforms. As of April 2018, the following 15 municipal governments had participated with the aim of securing the coexistence of foreign residents and local communities that is essential for the internationalization of Japan's towns and cities: (Gunma Prefecture) Ota, Oizumi, (Nagano Prefecture) Ueda, Iida, (Gifu Prefecture) Minokamo, (Shizuoka Prefecture) Hamamatsu, (Aichi Prefecture) Toyohashi, Toyota, Komaki, (Mie Prefecture) Tsu, Yokkaichi, Suzuka, Kameyama, Iga, (Okayama Prefecture) Soja.

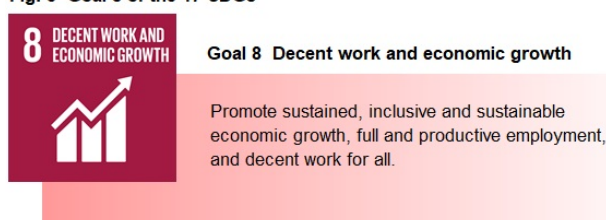
⁸ For example, Chapter 7 “Movement of Natural Persons” of the “Agreement between Japan and the Republic of Indonesia for an Economic Partnership” specifies the eligibility, requirements, and procedures for acceptance.

societies to realize full inclusion and social cohesion.” Prior to this, with the exception of the so-called Refugee Convention⁹, there had been no international framework concerning the movement of people across national borders. The adoption of this global compact should be regarded as a breakthrough, and it will add impetus to the efforts of governments and companies to promote the integration of foreigners. In addition to the proven experience of the entities that have been involved in Japan, it is also likely to improve the sustainability of Japan’s international competitiveness in relation to securing foreign human resources.

CONCLUSION

The two UN Global Compact objectives mentioned above, with regard to migration, share a common element with the eighth of the 17 United Nations Sustainable Development Goals (SDGs) “Decent work and economic growth” (Fig. 5), which can be undertaken concurrently by companies. On the other hand, from the perspective of investors, the consideration given by companies to the working environment of minorities, including foreigners, is one of the factors to be taken into account in relation to the S (Social) element of the ESG (Environmental, Social and Governance) factors on which much emphasis has been placed in recent years. The Government Pension Investment Fund (GPIF) of Japan, which is said to be the world’s largest institutional investor with assets under management of over JPY150 trillion, has stated that GPIF’s ESG investment and the approach of its investee companies to SDGs are “two sides of the same coin.” Although the SDGs have been adopted by all 193 members of the United Nations, only 152 countries, including Japan, have adopted the global compact on migrants¹⁰, and for this and other reasons, the situation in relation to migrants is not straightforward. Nevertheless, in today’s interconnected world, it is difficult to avoid the movement of people across national borders. In Japan, where the overall population is decreasing, the percentage of foreigners in the population is increasing¹¹. If Japanese companies that accept foreign human resources under the Revised Immigration Act respect international frameworks as well as domestic regulations and respond appropriately while cooperating with various sectors of society, they are likely to earn a reputation from not only the labor market but also from the capital market.

Fig. 5 Goal 8 of the 17 SDGs



Source: Ministry of Foreign Affairs of Japan

⁹ The Convention Relating to the Status of Refugees. This convention was adopted by the UN on July 28, 1951 and came into force on April 22, 1954 with the aim of effectively advancing international cooperation on securing the human rights of refugees and resolving issues relating to refugees. Japan acceded to the convention on January 1, 1982 following approval by the Diet on June 5, 1981 at a time when Japan accepted refugees from Indochina.

¹⁰ At the UN General Assembly held on December 19, 2018, 152 of the countries in attendance voted in favor of the compact, 5 countries, the Czech Republic, Hungary, Israel, Poland, and the US, voted against, and 12 countries abstained.

¹¹ 1.51% in 2016, 1.62% in 2017, 1.76% in 2018, as calculated from the “Population Estimates” produced by the Ministry of Internal Affairs and Communications.