

Japan's Immigration Policy (Global Trends in International Migration and Japan)

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Executive Summary

1. Japan is the largest destination country in the international labor market in Asia, and this trend is likely to continue in the future.
2. The new system "Skill Development and Working Program (SDWP)" is directly in accordance with the international trend in terms of both skill formation and human resource recruitment, and it will boost the intake of foreign workers to Japan.
3. Inclusion of foreign workers in Japanese-style employment is mainly done through the internal labor market, in which case the wage gap is minimized.
4. International (labor) migration from Asia will have a great impact on the demographics and the labor market of Japan.

A Population Projection and International Migration of Japan

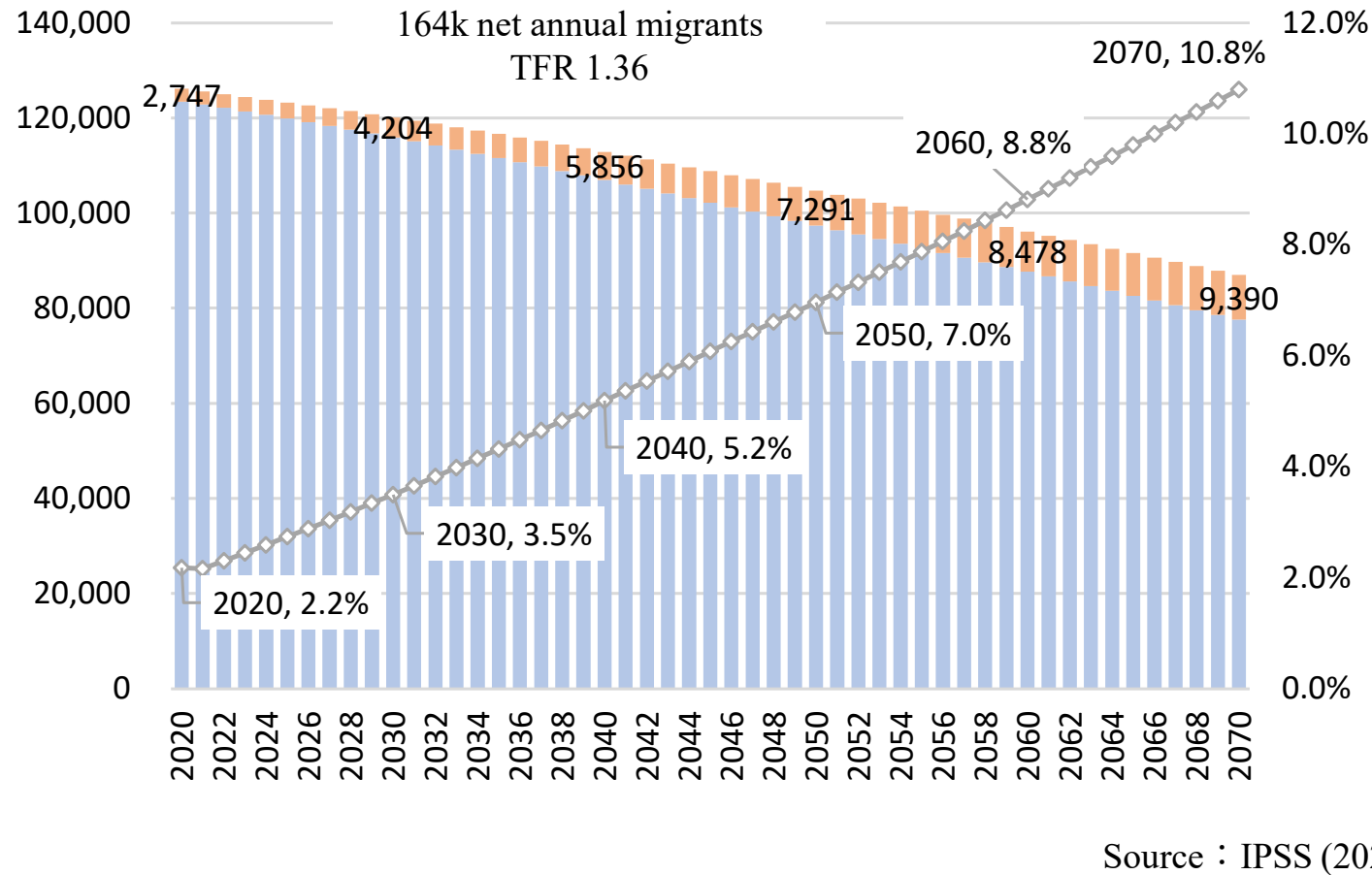


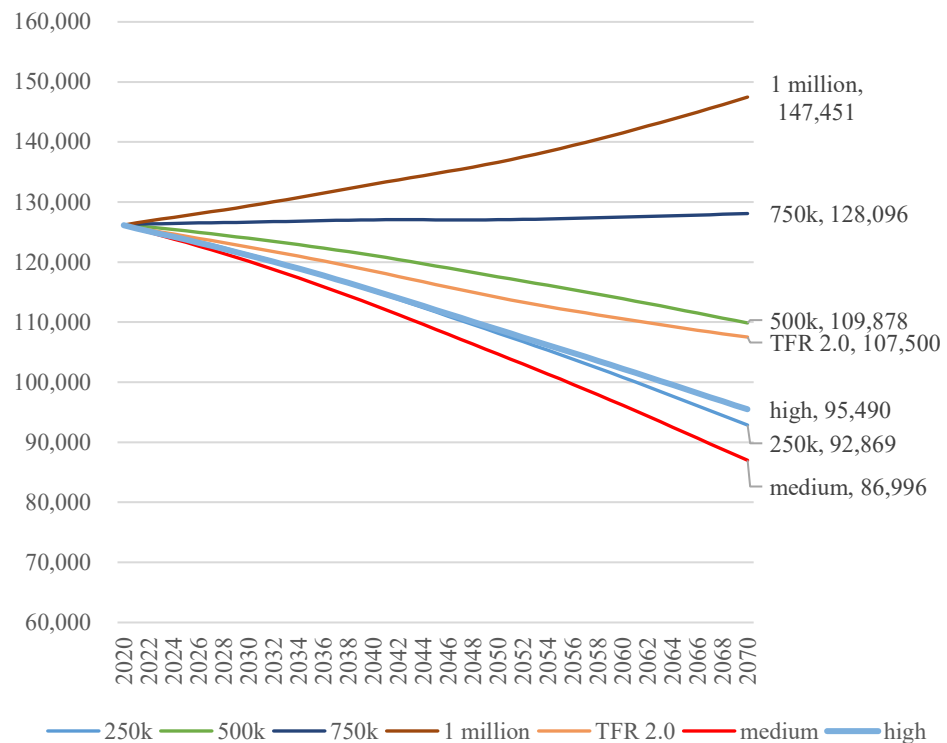
Fig. 1: Trends of Japanese and Foreign Population (Projected Future Population of Japan (2023 projections))

Population Projections for Japan: 2021 to 2070 (released on April 2023)

1. Projected Japan's future population (total population) until 2070, using the 2020 census as the base population.
2. Assumed low, medium, and high birth and death rates (9 scenarios in total).
3. The number of foreign immigrants is assumed to be 163,791 (annual/net) until 2040.
4. In 2070, the total population will be 86,996,000, of which the foreign population will be 9,390,000 (10.8% of the total population).
5. Compared to the previous projection, the total population in 2065 will be 91.59 million, compared to 88.08 million in the previous projection.
6. The total population will fall below 100 million from 2053 to 2056, and the rate of population decline will slow slightly. This is largely due to the international population.

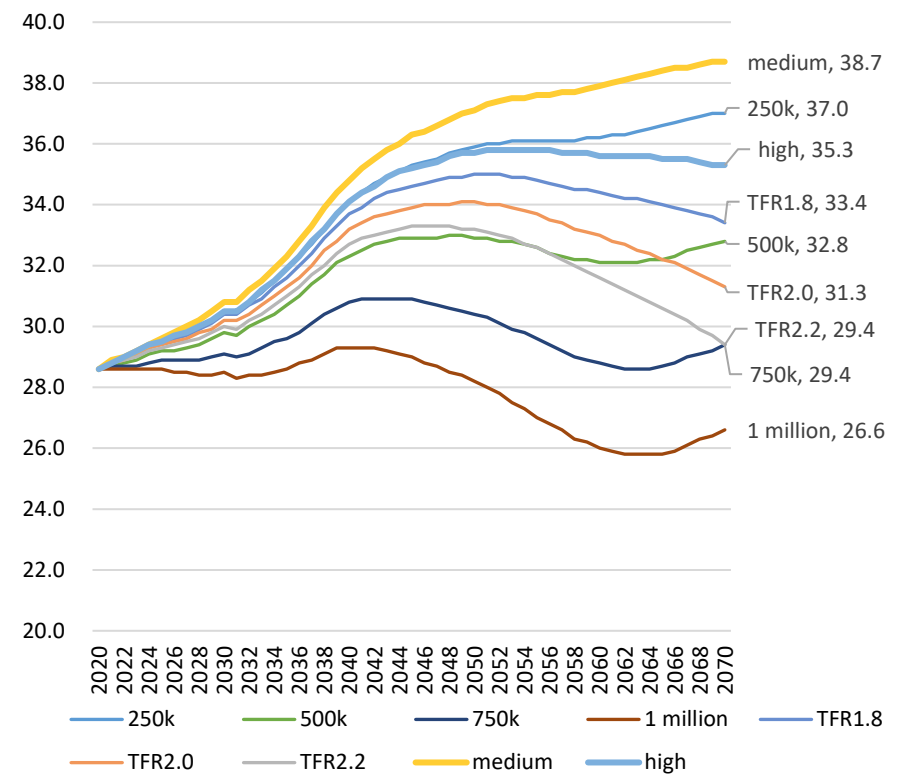
A Population Projection and International Migration of Japan (2)

The impact of international migration is significant, with 250,000 net migrants almost equivalent to the high birth rate (1.64). (Actual in 2022: an increase of 314,578 persons). 500,000 annually is almost equivalent to the population replacement level. (*The income substitution rate for public pensions will only slightly decrease from 58.9% (61.9% in 2019) when accepting 260,000-290,000 foreign workers per year (including accompanying family members: approximately 400,000). (Ishii et al. (2023))



Source : IPSS (2023)

Fig. 2: Total population with varying international migration and fertility rates

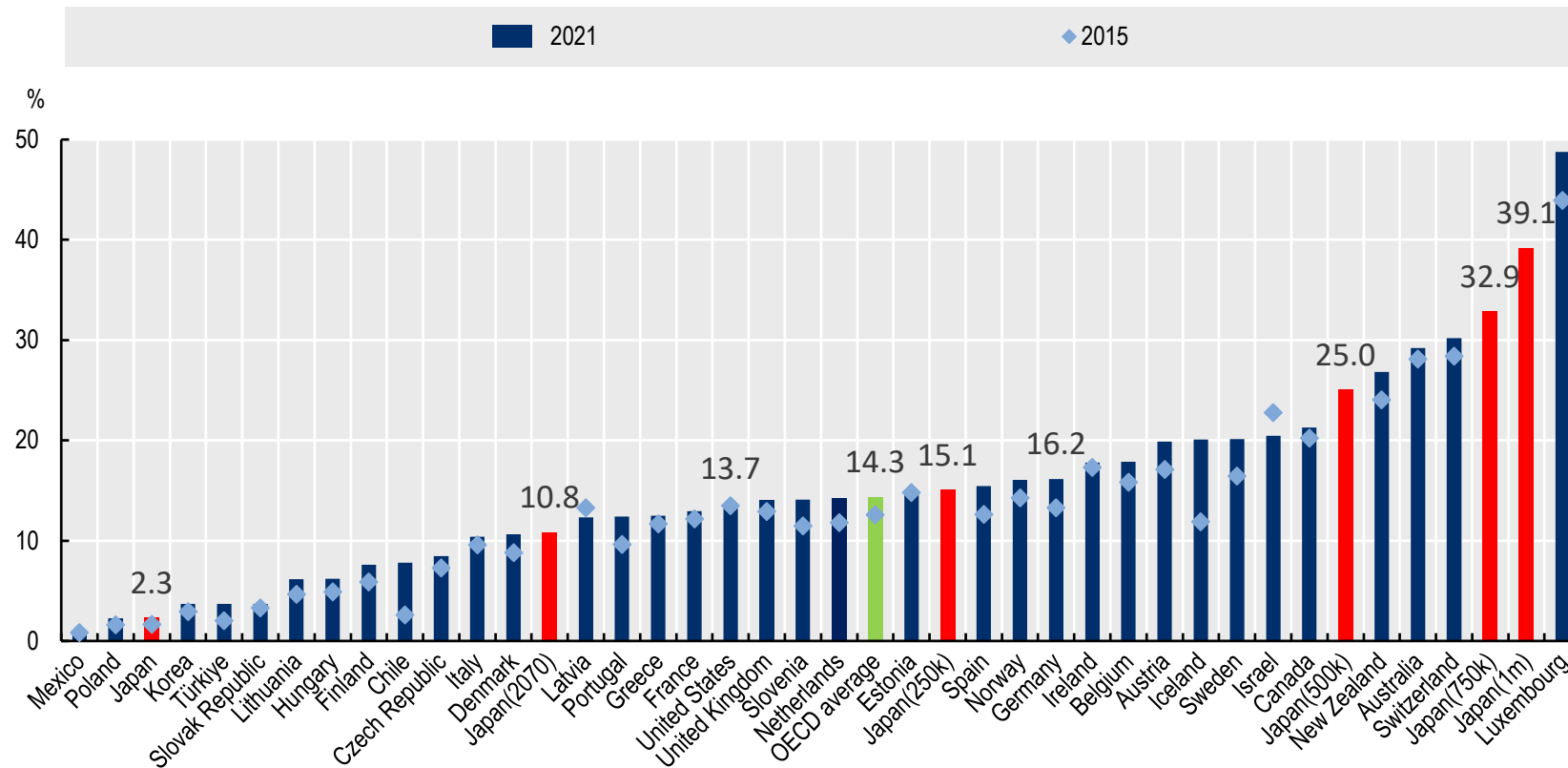


Source : IPSS (2023)

Fig. 3: Percentage of elderly with varying international migration and fertility rates

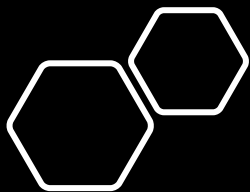
A Population Projection and International Migration of Japan (3)

In the case of Japan, even if Japan accepts a large number of foreigners in the future, their share of the total population will remain relatively low.



source: OECD (2022)

Fig. 4: Comparison of the percentage of foreign-born population



1. The Global Trend

1. The Global Trend

Phase 1 (1945-73)

From the end of World War II to the first Oil Crisis

Phase 2 (1973-89)

From the Oil Crisis to the end of the Cold War

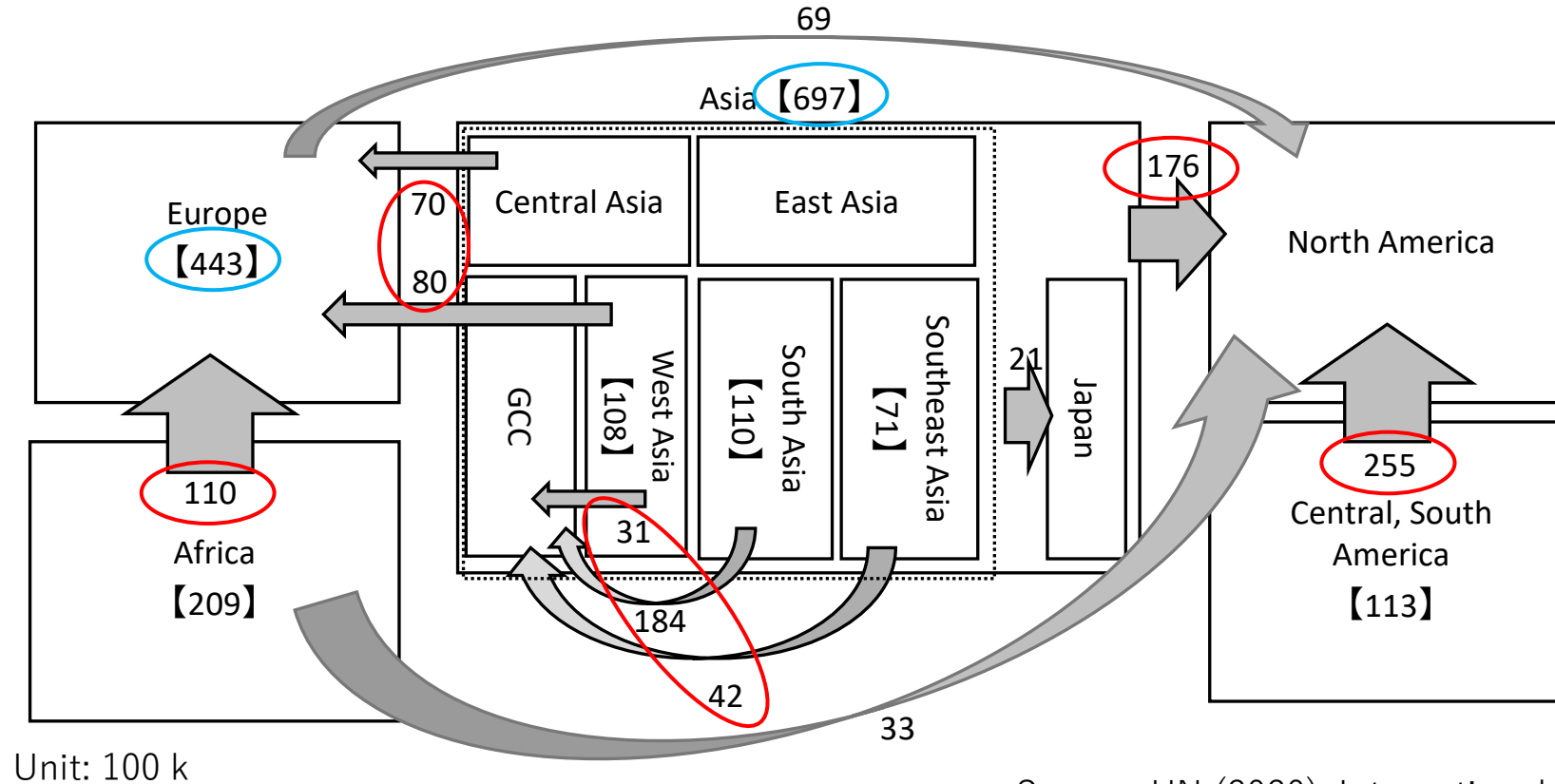
Phase 3 (1989-2008) From the end of the Cold War to the global financial crisis (2008)

Phase 4 (2008-2019) Expansion and deepening of international human mobility and its repercussions

Source: Prepared by the author based on de Haas et al.2020

Fig. 5: Phases of Global International Migration

1. The Global Trend (2)



Source: UN (2020). International Migrant Stock 2020.

Fig.6: Global Flow of International Migration

Asia is the most prominent hot spot of international migration.

- GCC countries are attracting more migrants than those to the U.S. from Asia (17,600k).
- Asia is the most prominent in intra-regional migrants, 69,700k, larger than 44,300k in Europe.

1. The Global Trend (3)

Japan is the largest recipient of international migration from Asia to developed countries.

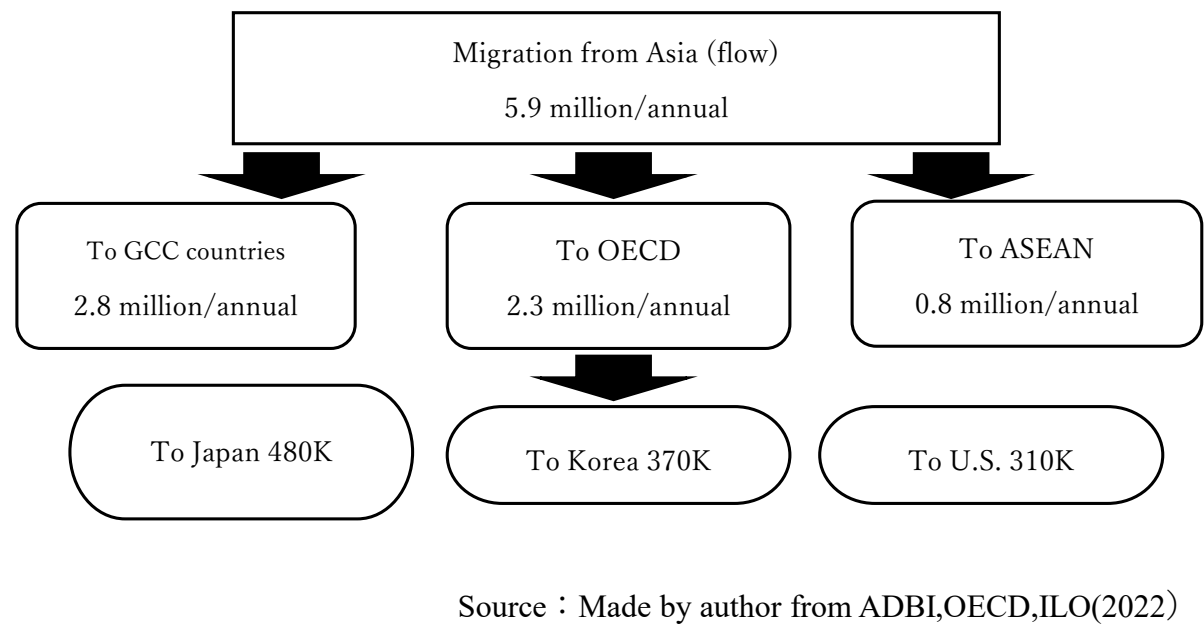


Fig. 7: International Labor Migration in Asia (Flow, 2019)

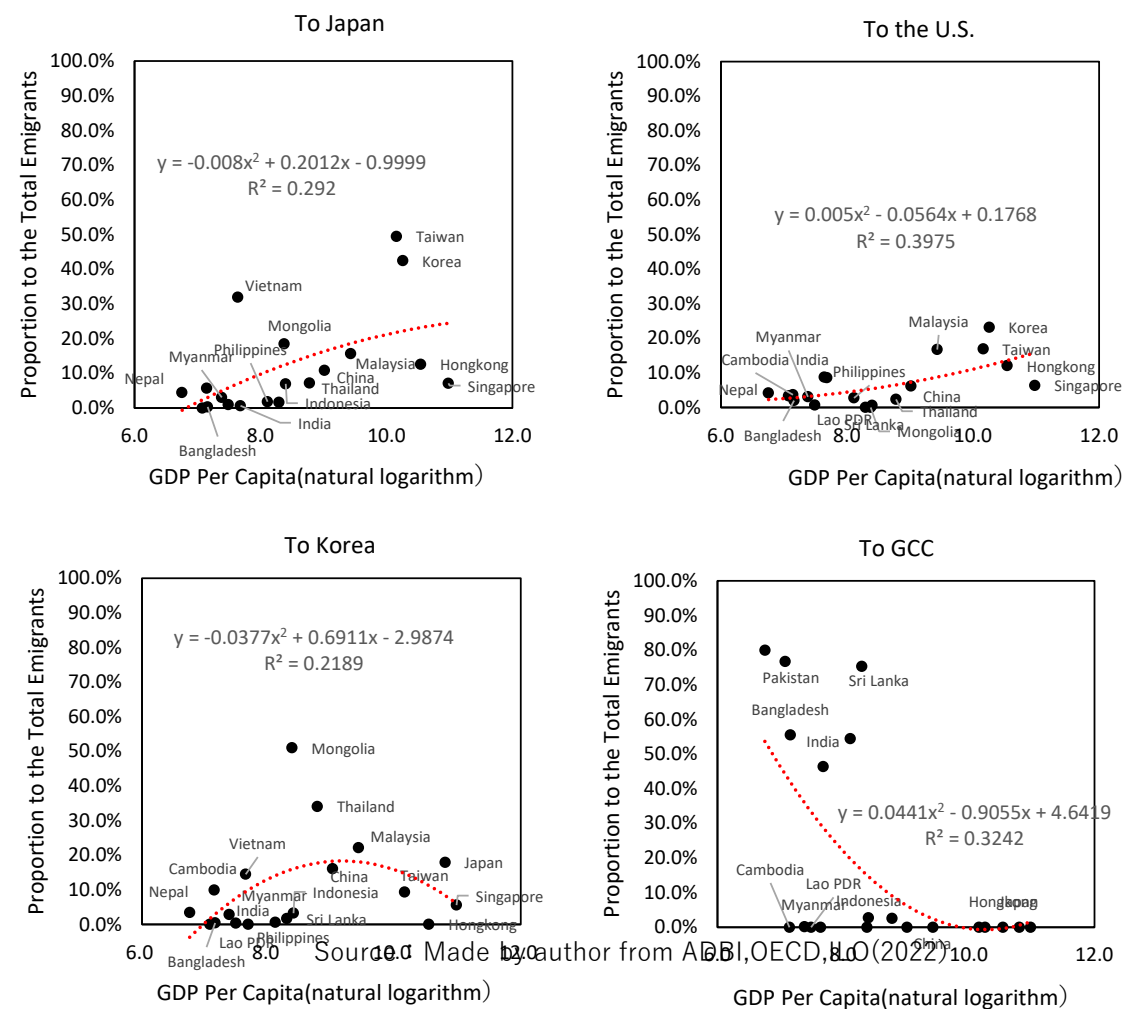
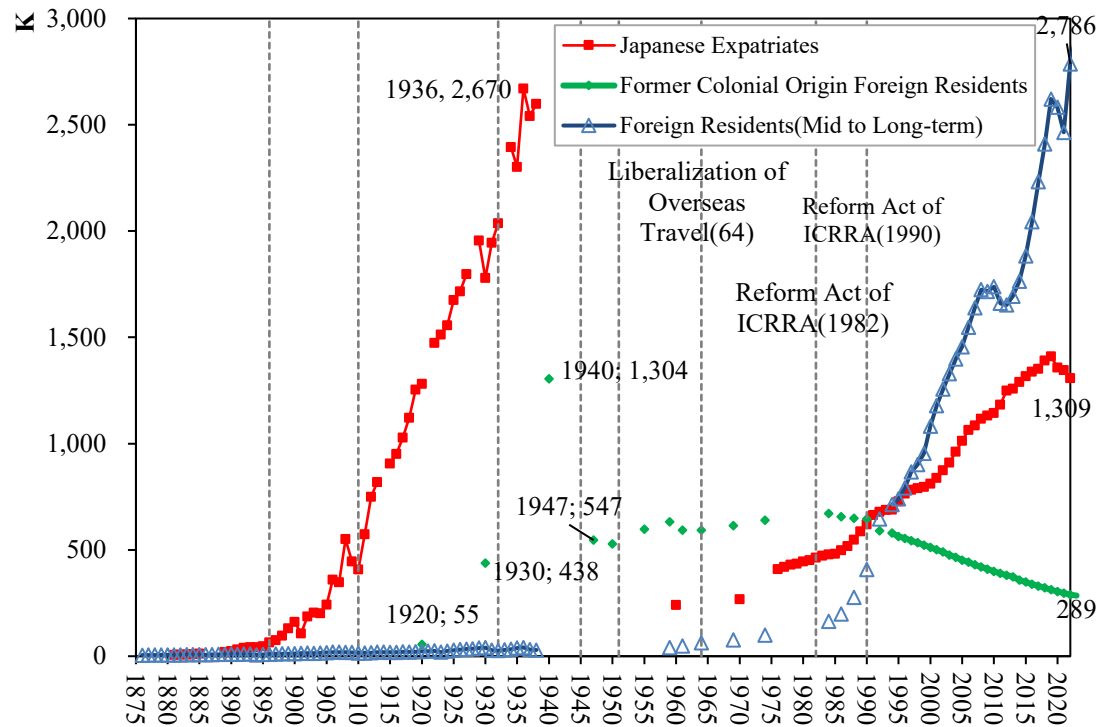


Fig.8: A Relationship between Economic Development in C/O and the Destination Country

1. The Global Trend (4)

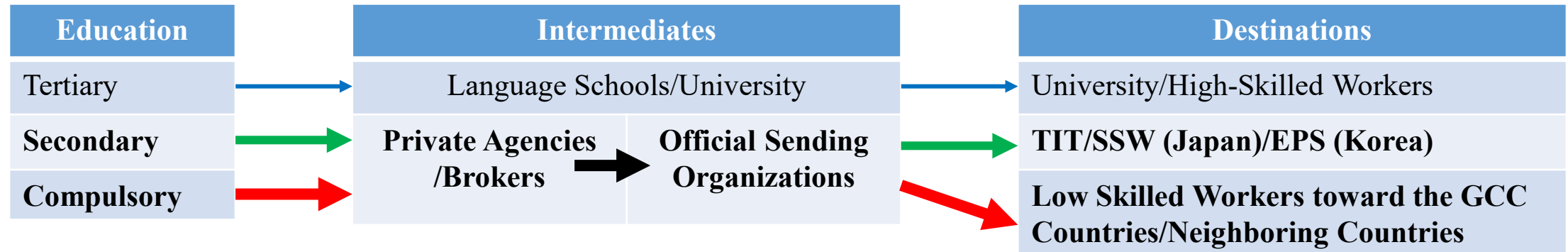


Source: various materials

Fig.9: The History of International Migration of Japan since 1875

1. Until 1945, Japan was a country of emigration due to its high population pressure.
 - About 2.6 million Japanese expatriates lived mainly in China, the Korean peninsula, and Taiwan.
 - About 1.3 million colonial-origin migrants lived in the Japanese islands.
2. After 1945, Japan lost overseas colonies, Japanese expatriates returned to the Japanese islands, and colonial-origin migrants returned to their countries.
3. International migration was kept constantly low until the 1980s.
4. Due to the globalization of the economy, many Japanese people went abroad as international students and intra-company transferees of Japanese companies.
5. The number of newcomer migrants is growing rapidly, and Japan experienced the migration transition in the 1990s.

1. The Global Trend (5)

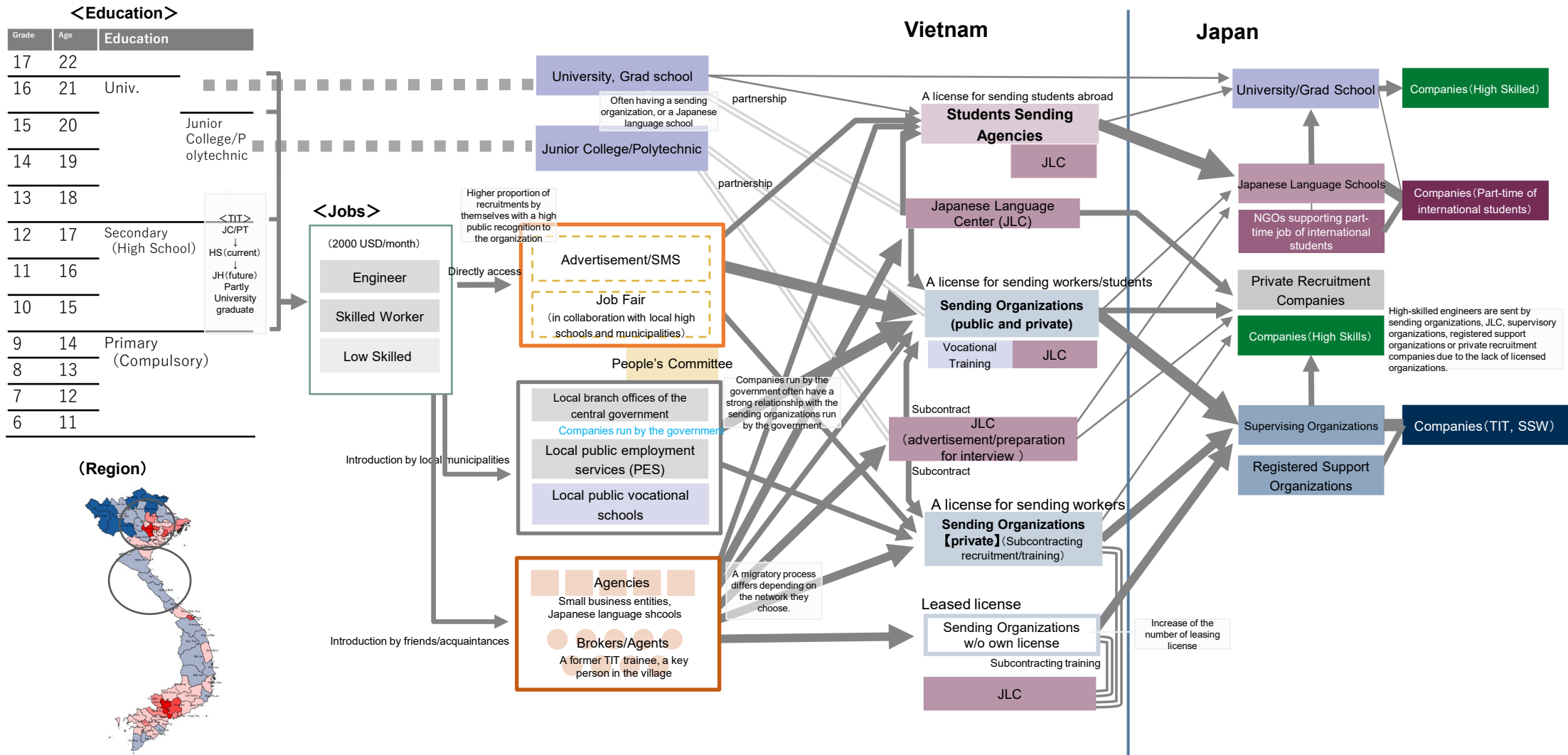


Source: Made by author

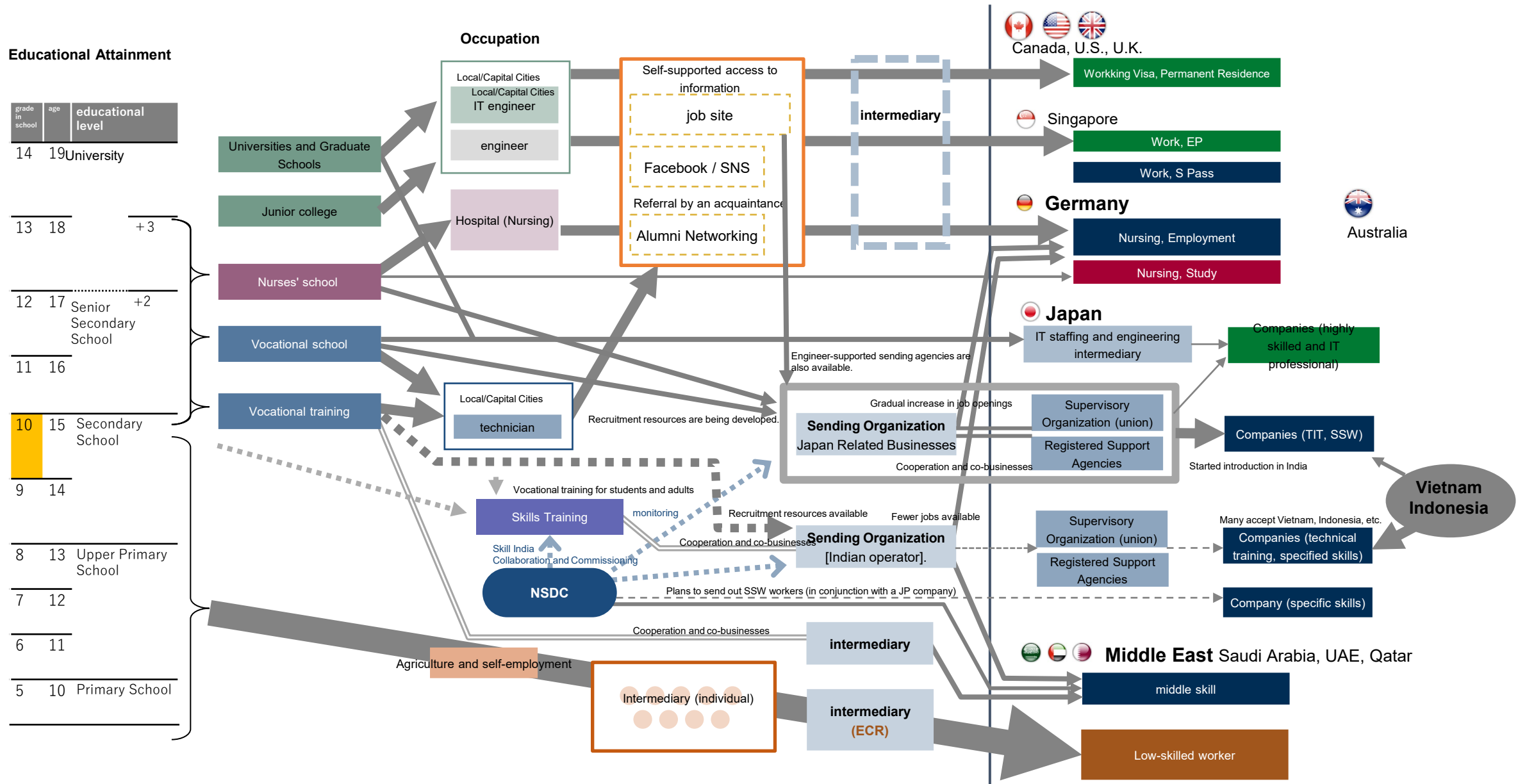
Fig. 10: Actors and Mechanisms of International Migration in Asia

1. Asian people usually choose to migrate for work in their life, where their migratory process depends on their Socio-economic status (SES).
2. Most migration is **contract-based and temporary**.
3. Various intermediates play an essential role in forming the migratory process.
4. Governments usually have **sections specialized in sending their nationals abroad**, and **the official sending organizations** deal with the sending services.
5. Migrants and their governments place more weight on economic benefits than human rights.

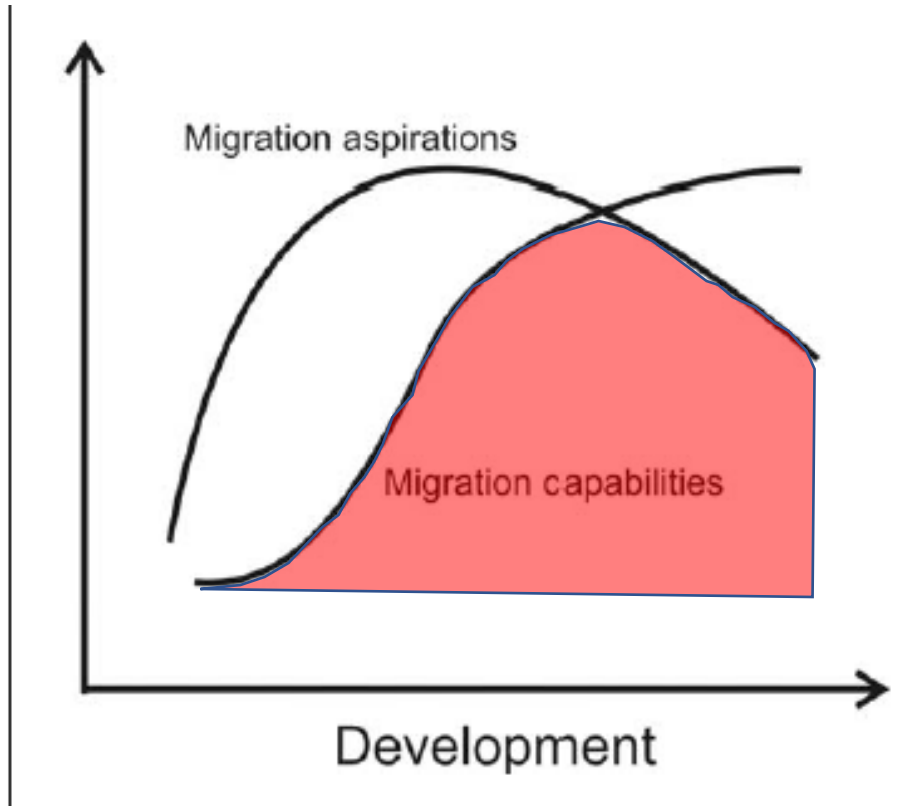
The case of Vietnam-Japan International Corridor for Labors



The case of India-Japan International Corridor for Labors



1. The Global Trend (7)

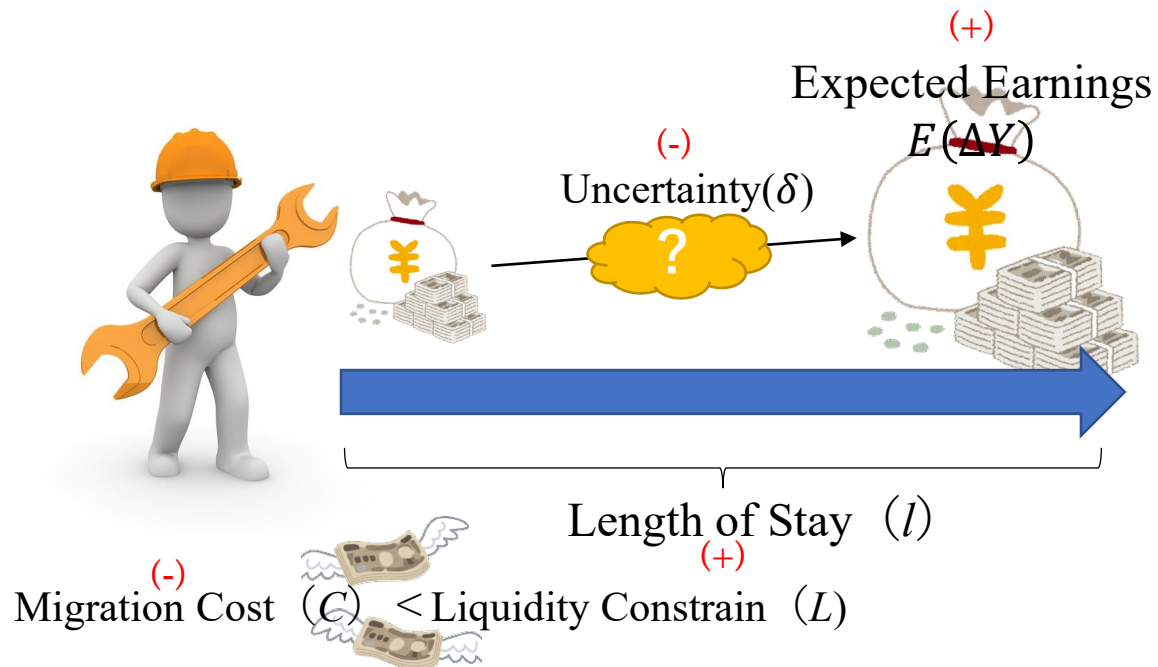


Source: Hein de Haas et al. (2020)

Fig. 11: Hypothesized Effect of Human Development on Migration Capabilities and Aspirations

1. Hein de Haas et al. (2020) argued that economic growth would accelerate emigration from a country along with the rise of migration aspirations and capabilities.
 2. According to the latest IMF study, the pressure to send migrants decreases when GDP per capita reaches 2,000 USD, but migration to high-income countries increases up to 7,000 USD.
 3. Migration from Asia is more susceptible to economic growth.
- **⇒ Economic growth in Asia will increase migration abroad.**

1. The Global Trend (8)



The probability that an individual will migrate internationally increases with the amount of expected earnings ($E(\Delta Y)$), but expected earnings are not only determined by the income gap between the two countries but also by the length of stay (l), uncertainty (δ), and migration costs (C) and budget (L).

The probability P_i that individual i chooses international migration is expressed by the following equation (where w_i^r is related to willingness to migrate and L_i to ability to migrate) (modified from Borjas 1987)

$$P_i = \Pr[\varepsilon > -(E(\Delta Y) - (C + w_i^r))/\sigma_\varepsilon] = 1 - \Phi(z)$$

Where

$$E(\Delta Y) = \sum_{n=0}^l \frac{\Delta Y_n}{(1 + \delta)^n} + \varepsilon > C + w_i^r$$

$$\Delta Y_n = Y_{d \cdot n} - Y_{o \cdot n}$$

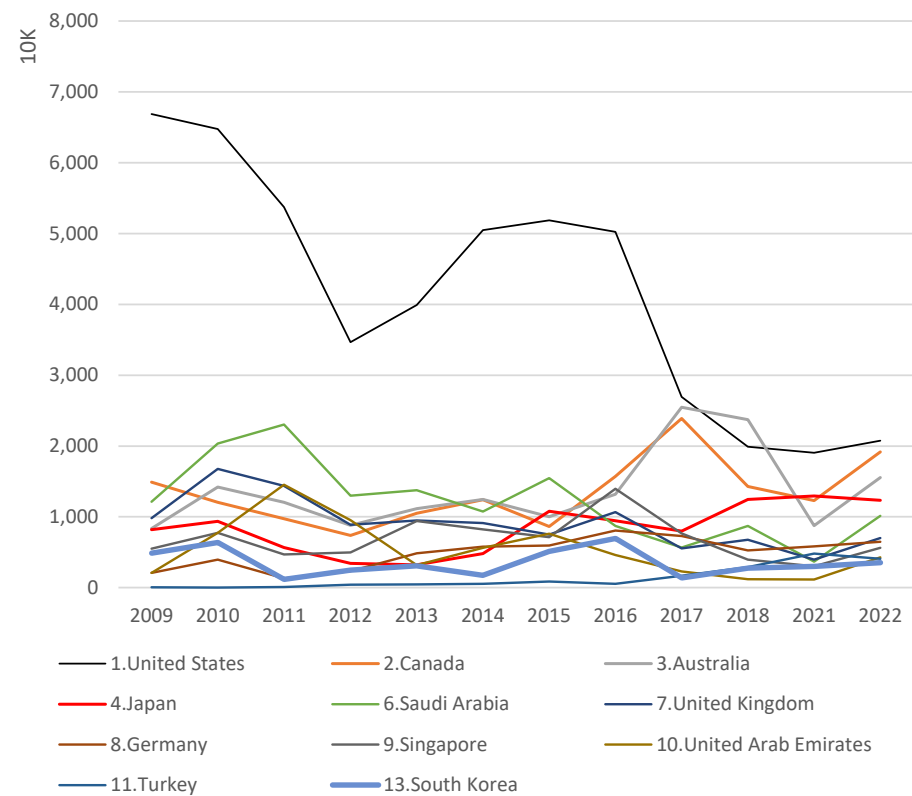
$$s. t. \quad C < L_i$$

$Y_{d \cdot n}$: Income in year n in the destination country, $Y_{o \cdot n}$: Income in year n in country of origin, l : length of stay, δ : discount factor, C : migration cost, w_i^r : reserved wage for individual i , L_i : liquidity constrain for individual i , $\Phi(z)$: standard normal distribution function, ε : error term, σ_ε : standard deviation of the error

e.x. In the case of the current rapid depreciation of the yen: although the expected return ($E(\Delta Y)$) is reduced by the depreciation, however, in a phase where the high cost of migration is the biggest constraint for coming to Japan, the reduction in migration cost (C) will rather increase the number of migrants.

1. The Global Trend (10)

Japan is a popular destination for highly educated people who wish to emigrate.



Source : Made from Gallup (2023)

Fig.12: A Trend of Popular Destinations for Asians (top 10)

Table. 1: Ideal Destinations for Asians (2018-22, 18-49 years old)

	SE Asia	Prop.		South Asia	Prop.		E Asia	Prop.
1	United States	20.4%	1	Arab Country	10.2%	1	Australia	13.4%
2	Japan	15.3%	2	Australia	8.3%	2	United States	12.0%
3	Canada	7.6%	3	Canada	8.1%	3	Canada	9.0%
4	South Korea	5.4%	4	Saudi Arabia	6.8%	4	Japan	6.1%
5	Australia	5.2%	5	United States	6.1%	5	Switzerland	4.3%
6	Singapore	3.9%	6	United Kingdom	3.6%	6	Germany	3.4%
7	U.K.	2.8%	7	Turkey	3.5%	7	Denmark	2.4%
8	Germany	2.2%	8	Germany	3.4%	8	United Kingdom	2.4%
9	New Zealand	2.1%	9	Japan	3.3%	9	Norway	2.3%
10	Switzerland	2.0%	10	U.A.E.	1.8%	10	Sweden	2.1%

	Primary	Prop.		Secondary	Prop.		Tertiary	Prop.
1	Saudi Arabia	9.1%	1	United States	10.6%	1	United States	14.8%
2	Arab Country	8.2%	2	Australia	9.7%	2	Australia	11.8%
3	United States	7.9%	3	Canada	8.8%	3	Canada	11.3%
4	Canada	5.2%	4	Japan	8.4%	4	Japan	6.3%
5	Japan	4.6%	5	Arab Country	6.1%	5	Switzerland	3.7%
6	Australia	4.5%	6	U.K.	4.3%	6	Germany	3.1%
7	Turkey	4.2%	7	Germany	2.8%	7	U.K.	2.6%
8	Germany	3.6%	8	Singapore	2.6%	8	Arab Country	2.4%
9	U.A.E.	2.3%	9	South Korea	2.2%	9	Norway	2.2%
10	Iran	2.1%	10	Saudi Arabia	1.8%	10	Sweden	1.9%

Source : Made from Gallup (2023)

1. The Global Trend (11)



Source: ISA Monthly Immigration Statistics

Fig. 13: New Foreign Arrivals (Monthly)

Recent Net Growths of Foreign Residents in Japan

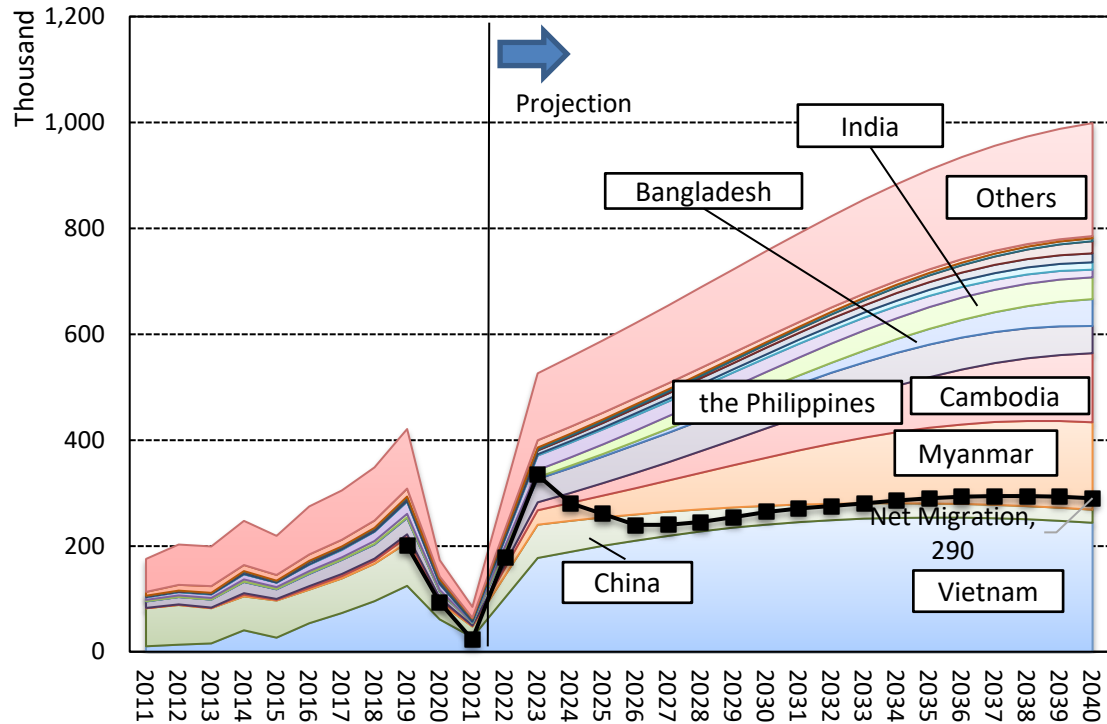
2019 (recent peak)
+210,959 persons

2022
+322,014 persons

The first half of 2023
+152,818 persons
⇒ as a result, 2,939,051 persons

⇒Despite the sharp depreciation of the yen, the pace of foreign arrivals after 2022 will remain at a record high.

1. The Global Trend (12)



Source: JICA (2022)

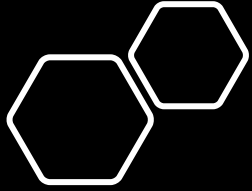
Fig. 14: Projection of International Labor Migration toward Japan

IMF (2020) projected migration pressure until 2050 and found that migrants in AEs will keep growing despite economic convergence between AEs and EMDEs.

As for the Japanese case:

1. JICA projected an outlook of labor migration toward Japan until 2040 under the conditions of further economic development and demographic transition in Asia.
2. Migration flow (gross) will be tripled, although the income level of Asian sending countries will also be tripled.
3. 3,500 USD is the threshold for the emigration rate in Asian countries, and 7,000 USD is the threshold for Japan.
4. China (8,242→24,182 \$*) will be taken over by Vietnam (2,082→5,728), Myanmar (1,653→5,584) and the Philippines (3,340→8,500).

* GDP per capita (real in 2020 prices) in 2019 and 2040.



2. Japan, as an Emerging Destination

Major Policy Developments

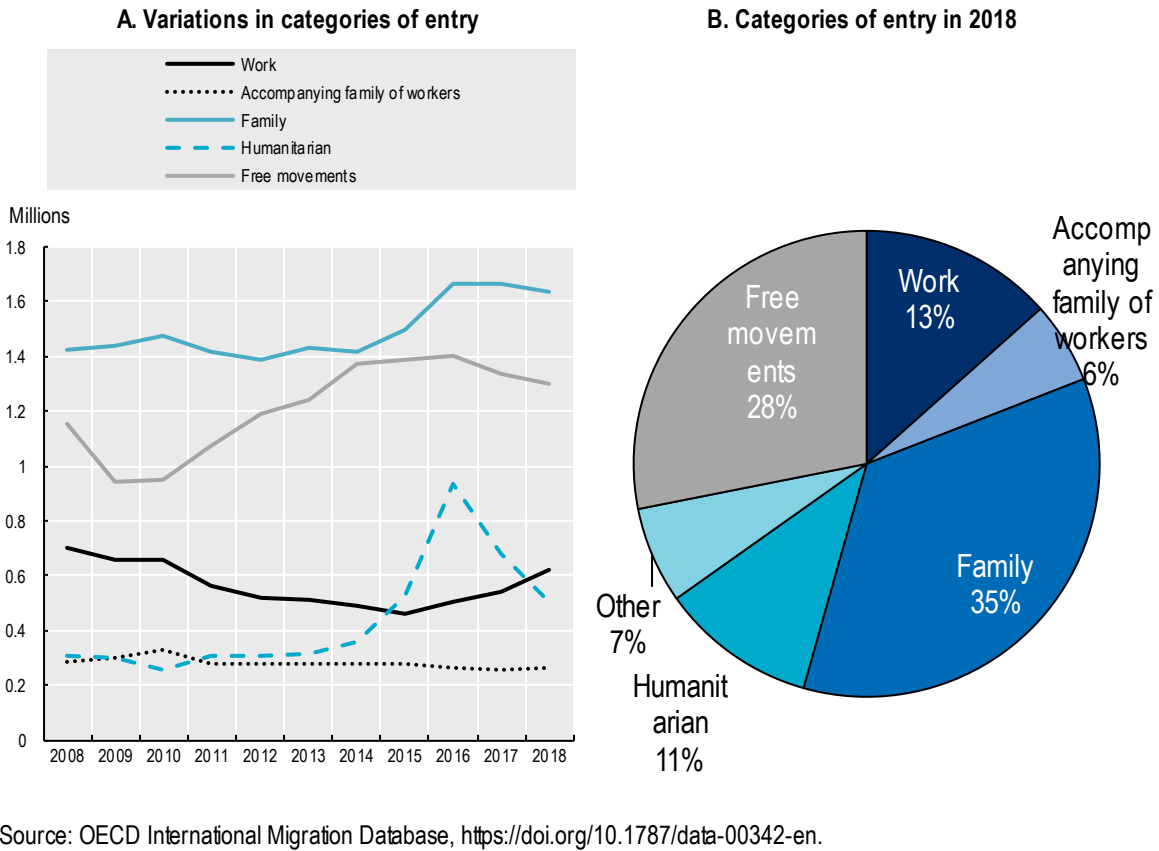
- 1952 The enforcement of the Immigration Control Ordinance
- 1982 The 1st reform of the Immigration Control and Refugee Recognition Act (ICRRA)
The creation of a visa category for industrial trainee
- 1989 The 2nd reform of ICRRA (enforced in 1990)
 - new creations of working VISAs, a new pathway to permanent VISA
 - the beginning of the Post-1990 immigrant era
- 1993 The establishment of Technical Intern Training Program (TITP)
- 2012 The enforcement of the Point-based System for Highly Skilled Foreign Professionals
- 2016 The 3rd reform of ICRRA (the creation of a new visa category for care workers)
- 2017 Start of program for foreign domestic workers in Tokyo, Hyogo, Osaka, Kanagawa prefectures
Shortening the residence criterion for Permanent Visa from 5 to 1 year
- 2019 April. Specified Skilled Worker System was launched.
- 2024 February Cabinet Decision on “Skill Development and Working Program (SDWP)”

2. Japan, as an Emerging Destination (1)

Table 2 : Number of permanent immigrants accepted per year (2019)

Rank	Country name	Number of people (thousands)
1	America	1 031.0
2	Germany	612.1
3	Spain	408.5
4	The United Kingdom	345.7
5	Canada	340.5
6	France	292.3
7	Italy	205.3
8	Australia	193.0
9	The Netherlands	152.6
10	Japan	132.1

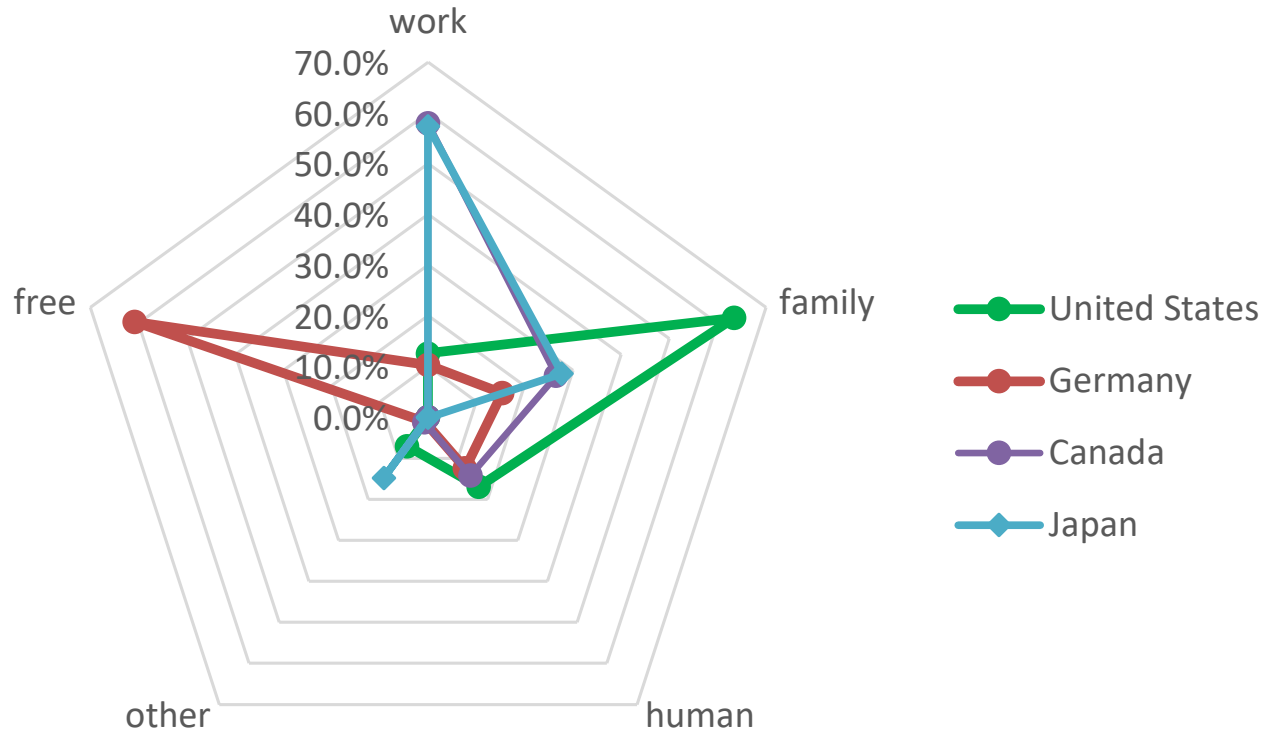
Source: OECD (2020)



Source: OECD (2020)

Fig.15: Breakdown of permanent immigrants and their trends (2008-2018)

2. Japan, as an Emerging Destination (2)



Note: Values on each axis indicate the share of each type of immigrant in the total number of permanent residents (annual flow).

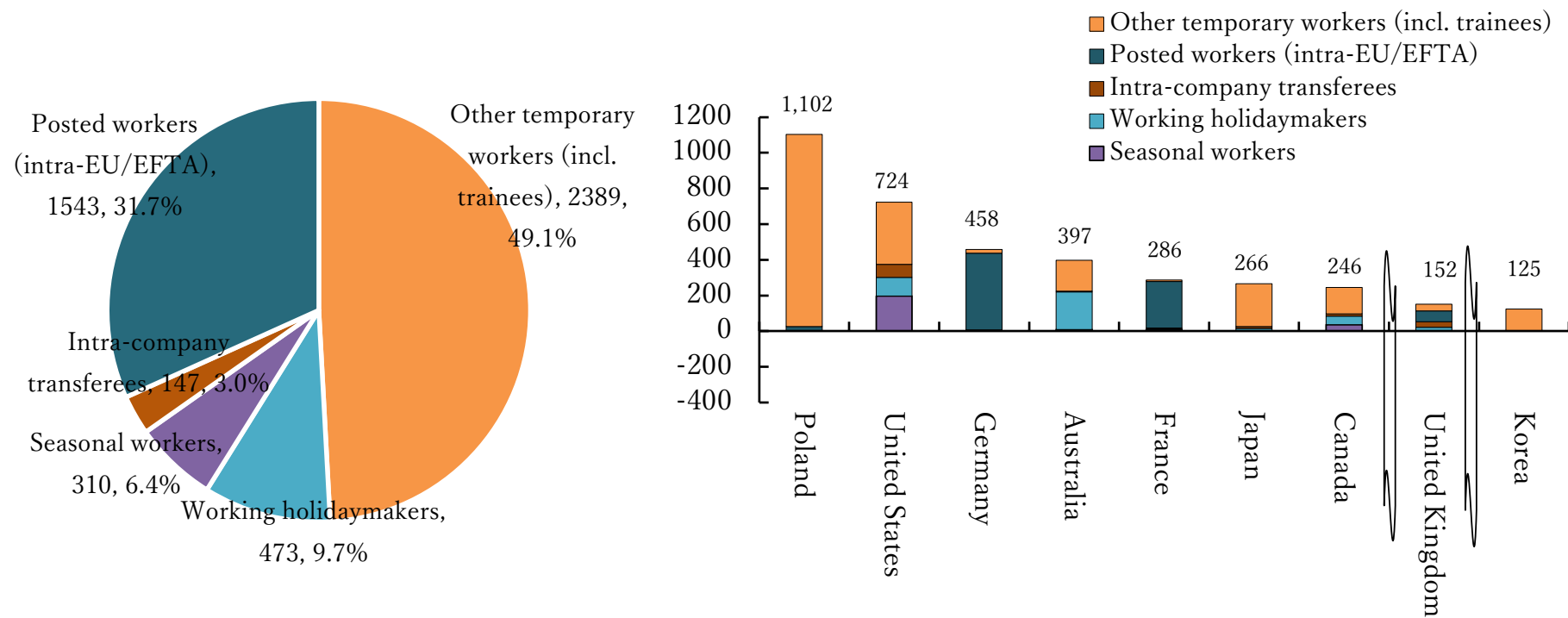
Source: OECD (2020)

Fig.16: Patterns of Receipt of Immigrants in the Breakdown of Permanent Immigrants

1. The United States is dominated by family immigrants.
2. Japan, along with Canada, is significantly weighted toward labor immigration.
3. Canada is considerably weighted toward humanitarian and labor immigration.
4. Germany is substantially weighted toward free movement within the Schengen Area.
5. → Japan is positioned as a migration state with a policy of accepting mainly labor migrants.

2. Japan, as an Emerging Destination (3)

Temporary immigration policies have been rapidly expanding in recent years as a route for receiving labor migrants.



Source: OECD (2020)

Fig.17: Temporary labor migrants and their breakdown in OECD countries (2018)

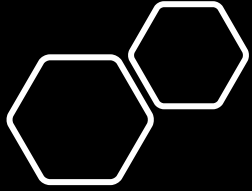
2. Japan, as an Emerging Destination (4)

Table 3: Annual number of labor migrants received (2018)

Rank	Destination	Permanent(a)	Temporary(b)	(c=b/d)	Total(d)
1	U.S.	65.3 K (3)	723.9(1)	(91.7%)	789.2
2	Germany	64.9(4)	458.3(2)	(87.6)	523.2
3	Australia	52.2(5)	396.7(3)	(88.4)	448.9
4	Canada	95.9(1)	245.7(5)	(71.9)	341.6
5	<u>Japan</u>	<u>66.0(2)</u>	<u>265.5(4)</u>	<u>(80.1)</u>	<u>331.5</u>
6	France	40.3(6)	285.9	(87.6)	326.2
7	Switzerland	2.1	188.6	(98.9)	190.7
8	U.K.	36.3	151.8	80.7	188.1
9	Belgium	5	157.8	96.9	162.8
10	Netherland	21	130.0	86.1	151.0

Note: Unit: thousands. Figures in parentheses to the right are rankings within each category.

Source: OECD (2020)



3. Labor Market Integration of Migrants in Japan

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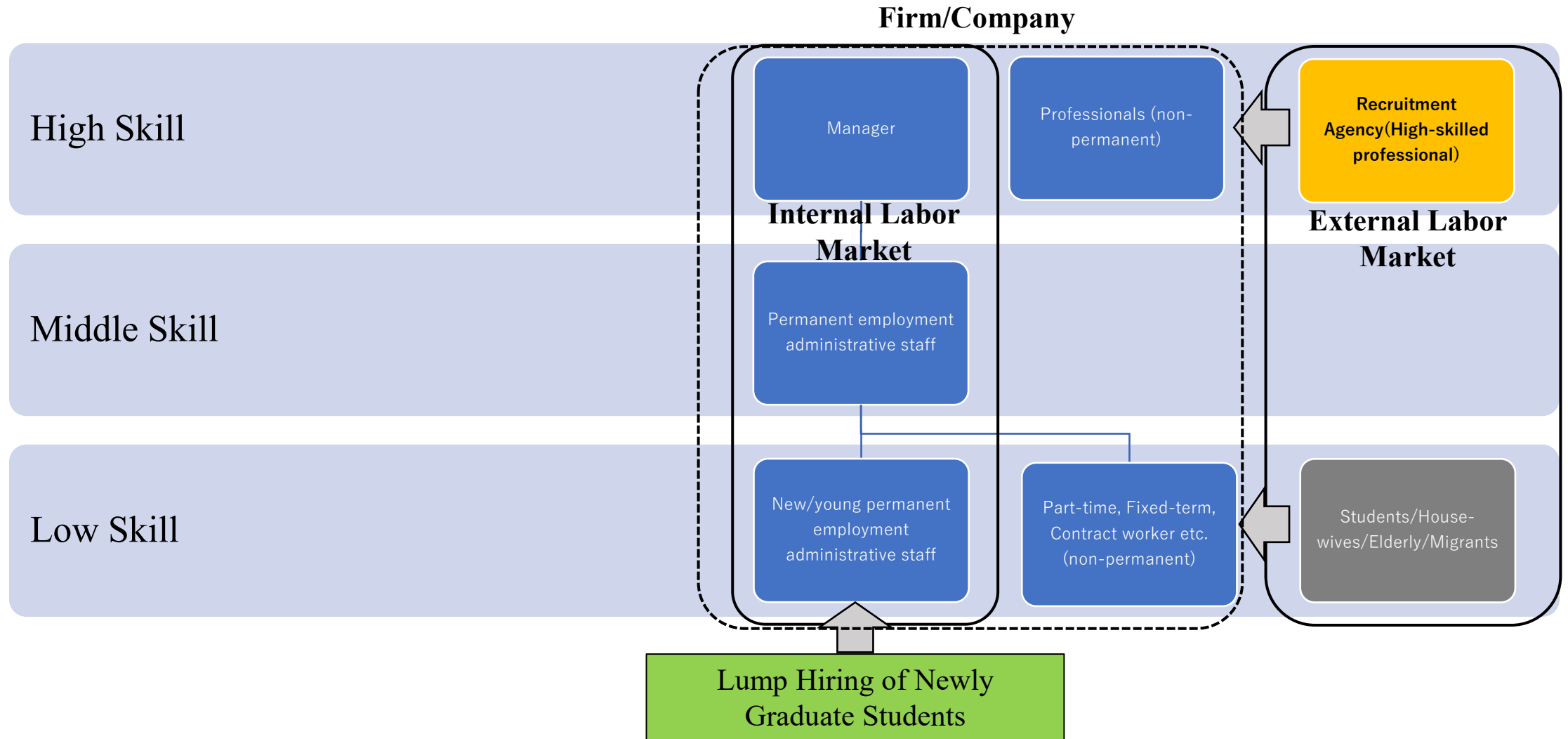
The Japanese employment system (the JES) has these characteristics.

1. Seniority-based promotion
2. Long-term (lifetime-long) employment
3. Unclear job description
4. Lump recruitment from schools

Example: A person is supposed to be employed just after his/her graduation from an undergrad course, work for the same company and be promoted to managers or a higher position until their retirement age (65 years old).

=> The JES doesn't fit job-hoppers, women, and migrants due to its underdevelopment of skill evaluation.

3. Labor Market Integration of Migrants in Japan (2)



Source: made by author

Fig.18: Structure of the Japanese Employment System

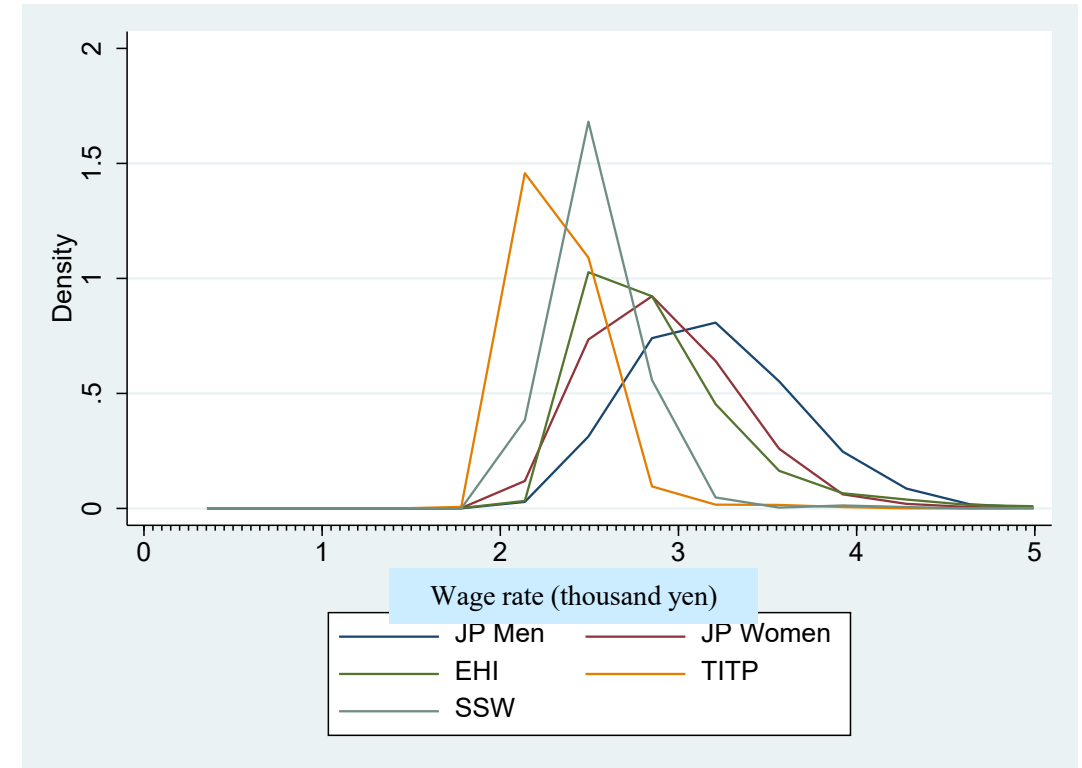
3. Labor Market Integration of Migrants in Japan (3)

White-collar workers with college degrees (Engineers, Humanities and International Services, E.H.I visa)

- The wage gap with the Japanese is -29%, 78.6% of which can be explained by differences in age and other attributes, as well as differences in firm size. There is no difference in the pace of wage increases. Experience from previous jobs is evaluated more positively than for Japanese workers.

Manual Work (TITP, SSW)

- Although the wage gap between TITP and Japanese is -85%, 65.3% (55.3% pt) of this is explained by differences in attributes such as age and company size, etc. If we focus mainly on differences in the evaluation of human capital, the wage gap with Japanese is reduced to -29%.
- When the financial cost of accepting a new worker is taken into account, the wage gap is about 4% higher than in the case of hiring a Japanese non-regular worker.
- The wage suppression effect due to restrictions on the transfer of technical training is about -15%.
- The wage gap between specified skilled foreign workers and Japanese workers is eliminated when the qualification is changed from technical training to specified skilled within the same establishment, but falls significantly (-30%) when the establishment is changed.



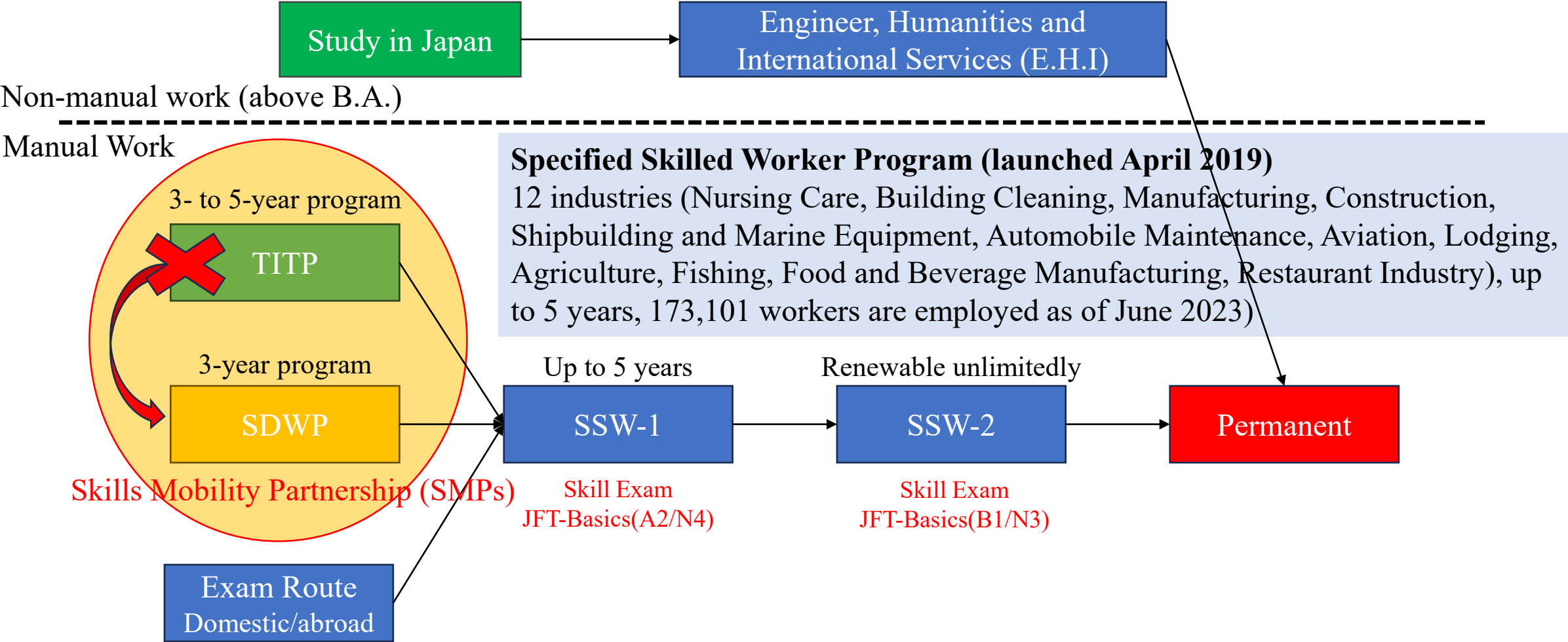
Source: Korekawa(2023)

Fig. 19: Distribution of Wage Rates for Japanese and Foreigners by Status of Residence

⇒ The Japanese labor market is not particularly closed to foreigners. It is solely explained by the disparity between the internal/external labor market in Japanese-style employment.

3. Labor Market Integration of Migrants in Japan (4)

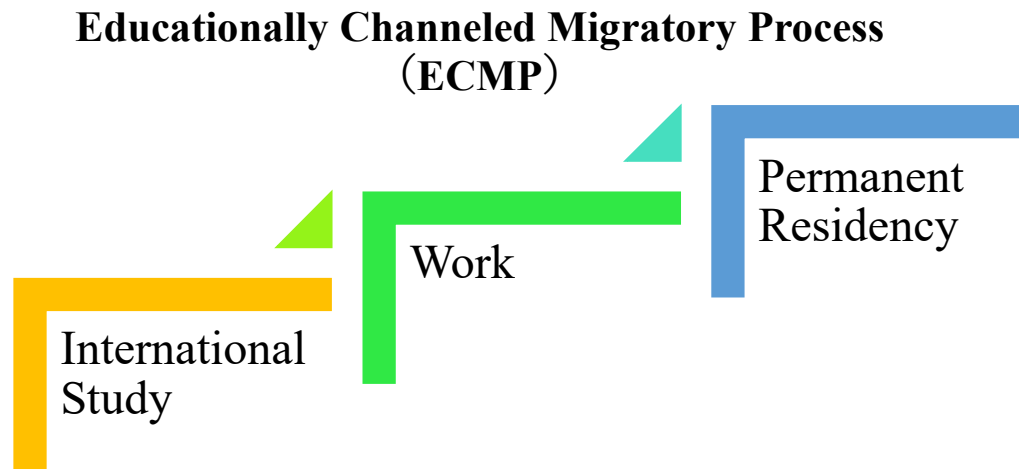
International Study in Japan
Largest destination country among non-English speaking OECD member states (5th ranked), high retention rate (about 40% in 5 years, 30% in 10 years.), 305,916 Students as of June 2023



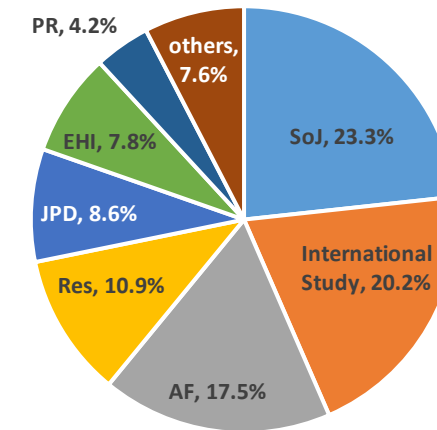
3. Labor Market Integration of Migrants in Japan (5)

“Moderate Social Integration” (Korekawa 2019: 258)

- A gradual tendency to shrinking the gap of the SES between migrants and the natives in the main stream of the society such as the labor market and educational system etc.
- **In Japan, the Educationally Channeled Migratory Process (ECMP) is playing a role to promote the social integration of migrants.**



- The custom of the lump-sum hiring of new graduates allow international students to obtain a job easily.



Source: ISA

Fig.21: The Composition of Initial SoRs of the newly Permanent Residents between 2016-20

Conclusion: Outlook of Japanese Society and Economy

1. Japan still has a larger loom for accepting foreign labors/migrants to mitigate low-fertility and ageing compared to other advanced economies.
2. Japan is a key player in the international labor market in Asia, where temporal labor migration is a mode of international migration.
3. Migration policy of Japan is labor-oriented and selective, which leads to moderate integration of migrants into the Japanese labor market and society.
4. New program “Skill Development and Working Program (SDWP)” can boost acceptance of foreign workers into Japan.
5. An outlook of Japanese society and economy will depend on international migration.