Recruiting Immigrant Workers

# Japan 2024

OECD

# Recruiting Immigrant Workers: Japan 2024

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**Please cite this publication as:**
OECD (2024), *Recruiting Immigrant Workers: Japan 2024*, Recruiting Immigrant Workers, OECD Publishing, Paris, https://doi.org/10.1787/0e5a10e3-en.

ISBN 978-92-64-71527-1 (print)
ISBN 978-92-64-99928-2 (PDF)
ISBN 978-92-64-94155-7 (HTML)
ISBN 978-92-64-88456-4 (epub)

Recruiting Immigrant Workers
ISSN 2225-7950 (print)
ISSN 2225-7969 (online)

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# Foreword

This review of Japan's labour migration policy is the twelfth in a series conducted by the OECD Secretariat. This series responds to the growth in labour migration in many OECD countries and the likelihood that labour migration will continue to increase in the context of demographic ageing. In this light, the question of the effectiveness of labour migration policy, as well as its objectives, has become more prominent.

The central objective of labour migration policy is to help meet labour market needs which cannot be met through tapping domestic labour supply in a reasonable timeframe, without adversely affecting the domestic labour market and without hindering development prospects in vulnerable origin countries. Although the objective itself can be easily stated, specifying the criteria for assessing the success of policy in achieving it is a complex matter. It involves evaluating how well labour market needs have been identified and whether migration has had an impact on the labour market, both of which are analytically difficult.

This series of reviews addresses the question of whether labour migration policy is effective in meeting labour market needs without adverse effects, and whether the policy is efficient. To address these questions, this review aims to analyse two key areas: i) the labour migration system and its characteristics, in terms of policies in place and the labour migrants who arrive; and ii) the extent to which it is responding to the current and forecast needs of the domestic labour market, as well as any impact on the latter.

Japan faces a similar discussion as other OECD countries regarding effective labour migration policy, and it is in this context that Japan requested that the OECD, together with the National Institute of Population and Social Security Research, review its labour migration policy. Japan was long among the OECD countries receiving the lowest migration flows relative to population. However, the situation has changed significantly in the past few years. To counteract the impact of ageing on the labour force, Japan has introduced major policy changes in the governance of recruitment from abroad, as well as smaller scale policy innovations.

This review asks what the role of discretionary labour migration policy in the specific context of Japan should be, given the relatively low levels of immigration and the challenges linked to the demographic context, and identifies policy directions for the future.

# Acknowledgements

This review was written by Ana Damas de Matos, Jonathan Chaloff and Yu Korekawa. Further contributions were provided by Elisabeth Kamm, Yukiko Nukina, Yumi Saito, Masahiro Shimada and Kanta Shimada. The review benefitted from valuable comments from Jean-Christophe Dumont as well as Delegates to the Working Party on Migration and Delegates to the Employment Labour and Social Affairs Committee. This review would not have been possible without the support of the National Institute of Population and Social Security Research and the relevant authorities. The OECD Secretariat would also like to thank the Japanese authorities involved, especially the Ministry of Health, Labor and Welfare, the Immigration Services Agency, and the many other officials, stakeholders and experts in Japan who provided information to the project team.

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# Acronyms and abbreviations

| | |
|---|---|
| BSWS | Basic Survey on Wage Structure |
| COE | Certificate of Eligibility |
| EHI | Engineers/Specialists in Humanities/ International Services |
| EJU | Examination for Japanese University Admission for International Students |
| EPA | Economic Partnership Agreement |
| EPS | Employment Permit System |
| HEI | Higher Educational Institution |
| ICRRA | Immigration Control and Refugee Recognition Act |
| ICT | Information and Communication Technologies |
| ILO | International Labour Organization |
| ISA | Immigration Services Agency |
| JASSO | Japan Student Services Organization |
| JAVADA | Japan Vocational Ability Development Association |
| JCCI | Japan Chamber of Commerce and Industry |
| JETRO | Japan External Trade Organization |
| JICA | Japan International Co-operation Agency |
| JICWELS | Japan International Corporation of Welfare Services |
| JITCO | Japan International Training Co-operation Organisation |
| JLI | Japanese Language Institute |
| JLPT | Japanese Language Proficiency Test |
| LMT | Labour Market Test |
| MBIE | Ministry of Business, Innovation & Employment, New Zealand |
| METI | Ministry of Economy, Trade and Industry |
| MEXT | Ministry of Education, Culture Sports, Science and Technology |
| MHLW | Ministry of Health Labour and Welfare |
| MOC | Memorandum of Co-operation |
| MOFA | Ministry of Foreign Affairs |
| MOJ | Ministry of Justice |
| NSSZ | National Strategic Special Zones |
| OTIT | Organization for Technical Intern Training |
| OTJT | on-the-job training |
| PBS | Points Based System |
| RSO | Registered Support Organisation |
| SoR | Status of Residence |
| SSW | specified skilled workers |
| SSWP | Specified Skilled Worker Programme |
| TITP | Technical Intern Training Programme |
| VAMAS | Vietnam Association of Manpower Supply |
| VET | Vocational education and training |
| VJ-FERI | Vietnam-Japan Fair and Ethical Recruitment Initiative |

# Executive summary

Japan has one of the lowest shares of foreign-born population in the OECD, 2.2% in 2021 compared with 10.4% in the OECD. Approximately half of all immigrants living in Japan are in the country for work or study purposes. Among these, half are high skilled labour migrants and their families; one-quarter are trainees, who stay in the country for up to 5 years through Japan's Technical Intern Training Programme; and one-quarter are international students.

In the late 2010s, the number of labour migrants, trainees and international students increased sharply. The growing inflow stopped during the COVID-19 pandemic due to the mobility restrictions, but resumed in 2022 and 2023. While almost all labour migrants and international students in Japan come from within Asia, the countries of origin have changed recently. The number of migrants from China, the main country of origin, has decreased whereas the number of migrants from other countries, such as Viet Nam or Nepal, has increased.

Favourable conditions in the Japanese labour market explain a large part of the increase in labour migration. The unemployment rate has remained low for the past 15 years, and vacancies per applicant hit a 45 year high in fiscal year 2018. Moreover, to address the challenge of a rapidly ageing population, labour migration is now considered one of the policy options, together with long-standing efforts to increase productivity growth and the labour supply of domestic residents.

Labour migration to Japan is driven by Japanese employers, rather than by the government selecting candidates. All migrants, regardless of the programme, are required to hold a job offer from a Japanese employer. There is no labour market test or salary threshold beyond the prevailing wage. The migration process is fast, the processing fees are low, and the digitalisation of processes is improving.

Japan's migration policy has historically focussed on accepting skilled migrants and attracting international students. Most skilled immigrants migrate to Japan under a single programme, *Engineers/ Specialists in Humanities/ International Services*, which encompasses a wide range of eligible occupations, such as engineers, architects or translators. Japan introduced a Points-Based System (PBS) offering better residency conditions to highly-skilled foreign professionals in 2012. The PBS has been primarily used by immigrants already in Japan.

Relative to other OECD countries, eligibility conditions for permanent residency in Japan are strict. Migrants usually need to live ten years in the country to be eligible, although the PBS grants faster access to permanence residency. The definition of accompanying family is also restrictive (excluding common-law partners and same sex partners) and the spouses of high skill labour migrants do not have immediate and unrestricted access to the labour market.

Attracting talent is also hindered by low job mobility in the Japanese labour market. Workers are often hired before completing their studies and there are high returns to job tenure, which makes integrating talent from abroad challenging. Moreover, integrating into Japanese society remains a challenge for migrants. Japan has only recently started developing an integration policy to support labour migrants. However, high-skilled migrants who choose to migrate to Japan tend to stay in the country long term.

International students are a key resource targeted by Japan's strategy to attract and retain global talent. Most skilled labour migrants in Japan first entered the country as international students. Many international students start by attending a Japanese Language Institute in Japan before enrolling in higher education. Tertiary education is not the only pathway: in the past decade, the number of international students in Japanese vocational schools has increased more than that in universities. The retention rate of international students in Japan has increased in the last decade and is high in international comparison. Nevertheless, job hunting and integrating into the Japanese labour market remains challenging for international students.

For lower skilled occupations, Japan historically had no labour migration channels. The Technical Intern Training Programme (TITP), first created in the 1960s for skills development and transfer back to developing countries, expanded over time and became the main programme through which firms could employ low and medium skilled foreign workers. Trainees are primarily employed in manufacturing, construction and agriculture, and their stay in Japan is limited to five years at most. Given the programme's training focus, mobility between employers is foreseen only in exceptional circumstances. Since restricted mobility creates a risk of exploitation, TITP was reformed in the late 2000s and in the mid-2010s to improve oversight and protection. Trainees are expected to return to the country of origin, so family reunification is not allowed. A main challenge in oversight of the TITP is rent-seeking by brokers in sending countries, leading to indebtedness and vulnerability of trainees. Thanks to co-operation with countries of origin, there has been some improvement in this area, but excessive fees in some countries of origin have not been entirely eliminated.

The Specified Skilled Worker Programme (SSWP) was introduced in 2019 to create a potentially long-term pathway for migrants with trades qualifications in specific sectors, including those most affected by demographic structural changes, such as nursing care. The programme has two tiers, with the second tier open to workers with a higher skill level and offering family reunification and a pathway to permanent residency. To enrol in the programme, candidates need to pass a skills test, in the country of origin or in Japan, or complete a TITP programme in the same sector. The TITP has so far been the main pathway to SSWP, highlighting the need for alignment between the two programmes. The possibility of family reunification for the higher-skill stream of SSWP, still under introduction, will also have implications for the labour market as spouses will also seek employment.

If the SSWP is to develop scale, Japan must also expand its ability to recruit adequately prepared workers directly from origin countries. Stakeholders in Japan – business associations, employers or public agencies – can follow the emerging model of "skills mobility partnerships". This means investing in partner training institutions in origin countries to reinforce their capacity to provide candidates with the language and vocational skills to enter both the SSWP and the TITP and any potential successor. Training should also be relevant for job opportunities in the origin country so that the training is attractive to more candidates and contributes to the skills base of the origin country.

# 1 Summary of the evaluation of Japan's labour migration system and main recommendations

This chapter presents the overall assessment of Japan's labour migration system. It first summarises the main findings of the review followed by the key recommendations.

**Japan has one of the smallest immigrant populations among OECD countries.** In 2021, 2.2% of the population was immigrant compared with 10.4% of the OECD population. In Japan, immigrants are defined as foreigners, while most other OECD countries define them as foreign-born. Given that the naturalisation rate is low in Japan, the vast majority of the foreign-born are foreigners.

**Only half of the approximately 3 million foreigners living in Japan in 2022 are permanent residents**.[1] These are former temporary labour migrants, and their families, who have been granted permanent residence, as well as spouses and children of Japanese citizens, immigrants of Japanese ethnicity and residents of Japan with ancestral origins in Japan's former colonies. All labour migrants to Japan are initially granted permits with a temporary duration.

**The other half are for the most part temporary labour migrants and their families, technical intern trainees, and international students**. In 2022, temporary labour migrants and their families accounted for 22% of foreigners in Japan (674 000). Japan hosts also a large number of trainees, through its Technical Internship Trainee Programme, who stay and work in the country for up to 5 years. In 2022, 325 000 technical interns were in Japan. Finally, there were over 300 000 international students in 2022.

**The number of labour migrants, technical intern trainees and international students in Japan increased sharply in the years leading to the COVID-19 pandemic**. The number of labour migrants approximately doubled since 2010. The number of technical intern trainees tripled, and that of international students almost doubled, from 2012 to 2019.

**The COVID-19 pandemic put a sudden stop to migration to Japan, but in 2022 the flows have bounced back.** Migrant inflows in 2021 dropped by 86% relative to 2019. In 2022, over 100 000new labour migrants and their families entered Japan, as well as 179 000 new technical intern trainees, and 167 000 international students.

**Almost all labour migrants come from Asia, but the countries of origin have changed recently.** In 2011, labour migrants from China accounted for 31% of all new labour migrants arriving in Japan. In 2019, Chinese migrants accounted for only 24% of new labour migrants. In the same years, the share of Vietnamese labour migrants increased dramatically, from 3% in 2011 to 20% in 2019.

**The change in the countries of origin has been similar for international students.** While international students from China and Korea represented 48% and 14% of the total number of students arriving in Japan in 2011, by 2019, the represented only 39% and 7%, respectively. Conversely, the number of international students arriving from Viet Nam increased 11-fold from 2011 to 2019, and that from Nepal over 7-fold. By 2019, these two countries together represented almost one-quarter of the total yearly inflow of international students.

**The increase in labour migration was partly a response to the favourable conditions in the Japanese labour market.** The unemployment rate has been sustainedly low over the past 15 years. The unemployment rate in the first quarter of 2023 was 2.6%, under its' structural level estimated at 4.6%, and well below the OECD unemployment rate of 5%. Furthermore, the number of vacancies per applicant was 1.6 in 2019, the highest ratio since the 1970s, and at 1.3 in 2022.

**Japan's population is ageing rapidly.** The working age population (ages 15 to 64) decreased by 9 million individuals, from 83 to 74 million, or 11%, in the past 15 years (2007 to 2021). The most recent population projections estimate that this population will drop to 71m in 2030 and to 51m in 2060. This represents a decrease of 4.6% and 31.6% from the current level. The magnitude of this demographic change is already posing challenges to the labour market.

**Japan is addressing structural challenges in the labour market through a mix of policies, aimed mainly at increasing productivity and the labour supply of domestic residents.** Boosting economic growth through increased productivity has been a key strategy of the Japanese Government in the past ten years. Increasing participation of women and older workers has also been a main aim of the

government, namely through a package of measures in the 2018 work-style reform, including legislation to ensure equal pay for equal work, and measures to promote job mobility at all ages.

**Labour migration is one of the policy options considered to address changes in the labour market.** The "third arrow", or growth strategy, of the Abe Government, starting in 2012 included relaxing immigration requirements for high-skilled foreign workers. Until recently, however, no policy was meant explicitly to address labour shortages. In 2019, Japan established its first labour migration programme for medium-skill trades jobs in identified shortage sectors, the Specified Skilled Worker Programme (SSWP). This is a two-tier programme: one temporary; and one with a pathway to permanent residency for some participants. This is the first time that medium skilled labour migrants have a clear pathway to qualify to remain in Japan indefinitely.

**Japan has focused its labour migration programmes on specific sectors, including those most affected by demographic structural changes.** An example is nursing care. Japan has an Economic Partnership Agreement with three countries to train nurses and nursing care workers, who may stay working in Japan if successful in the national qualification exams. Japan has also created a specific status of residence for migrants who pass Japanese qualification exams for nursing care, mainly international students. This is in addition to the nursing care stream of the TITP, and of the newly established SSWP (more on these programmes below). Agriculture is another example. As the average age of farmers increases and the number of young people going into the sector declines, Japan has included farm work in the different labour migration programmes.

**Japan has a demand-driven labour migration system.** Labour migration to Japan is driven by Japanese employers, rather than by the government choosing candidates. All migrants, regardless of the programme, are required to hold a job offer from a Japanese employer. There is no labour market test or salary threshold beyond the prevailing wage.

**The system is mainly overseen by the Immigration Services Agency (ISA) at the Ministry of Justice.** The ISA, which was created in 2019 as a higher-level agency than the Immigration Bureau which preceded it, holds the reins of the migration system, deciding on issuance of different permit categories or Statuses of Residence. The Ministry of Health, Labour and Welfare (MHLW) has a relatively limited role in the labour migration system, including its oversight of the labour inspectorate. Along with other Ministries, the MHLW is also involved in certifying actors within the different programmes. For example, the MHLW jointly manages the TITP with the Ministry of Justice. Policy has been guided by regular Basic Plans drafted by the Ministry of Justice since 1992, which outlines multi-year priorities and strategic directions.

**There are few restrictions on skilled labour migration to Japan.** To be eligible, in addition to a job offer, migrants must fulfil specific requirements in terms of educational attainment and work experience. The refusal rates are low. Japan places no caps on immigration, except for the SSWP, and job offers to foreigners do not need to be labour market tested.

**The migration process is fast, the processing fees are low, and the digitalisation of processes is improving.** The immigration process in Japan compares favourably with those of other OECD countries. There are no backlogs, and the processes are relatively simple and inexpensive. Although most immigration processes may now be filled online, this is a recent development and there are still difficulties in practice. However, Japan is monitoring the user experience and introducing improvements regularly.

**Japan's migration policy has focussed on accepting skilled migrants and attracting international students.** Until very recently, there were no channels for migrants to work in low to medium trades jobs, except for the TITP. In contrast, skilled migrants have long-established labour migration channels. Furthermore, attracting international students has been a key objective of Japan's *Basic Plan for Immigration Control and Residency Management* (the main guiding document for migration policy) for decades. Over the past 40 years, Japan has implemented successive International Student Plans with

numerical targets. In 1983, it established the “100 000 Foreign Student Program”. The latest target is hosting 400 000 international students by 2033.

**Most high-skilled immigrants migrate to Japan under a single programme, *Engineers/ Specialists in Humanities/ International Services*.** In 2022, 60% of newly arrived skilled migrants entered Japan under the status of residence *Engineers/ Specialists in Humanities/ International Services*. Furthermore, the number of immigrants arriving through this status has increased five-fold from 2011 to 2019, driving the observed overall increase in skilled migration.

**This status of residence encompasses a wide range of eligible occupations.** While many migrants work in high-skilled occupations, such as engineers, IT professionals or architects, close to one fifth of incoming immigrants under this status work as translators or in education (including language education). There is no published comprehensive list of occupations eligible for this status of residence. Hence, the skill threshold of the major skilled migration pathway is unclear for potential migrants and the public at large.

**Japan introduced a Points-Based System (PBS) for highly-skilled foreign professionals in 2012.** The Japanese PBS is designed to offer more rights to individuals who already hold a job offer and would have in any case qualified for an existing status of residence. In this respect, the PBS resembles that in the Netherlands and in Germany. In contrast, in OECD *settlement* countries, such as Canada, Australia and New Zealand, the PBS is a means for deciding eligibility for admission with immediate permanent residence status, including in the absence of a job offer.

**Few immigrants have come to Japan through the PBS, while most have used it to change status.** The uptake of the PBS has been low. In its 10 years of existence, only 4 200 immigrants arrived in Japan under the PBS by the end of 2022 (since its start in 2013). During the same years, there have been almost ten times more, 38 500, in country status changes. These are for the most part international students who remain in Japan after graduation. It remains unclear whether migrants arriving in Japan under other high-skilled statuses of residence do not qualify for the PBS or do not know about the programme.

**Relative to other OECD countries, the residence requirements for permanent residency are strict.** Labour migrants basically become eligible for permanent residence after ten years in Japan. In OECD *settlement* countries, like Australia, Canada and New Zealand, high-skilled migrants are already often permanent residents upon arrival, and in European countries, or in Korea, they are generally eligible after no more than five years of residence.

**Recent changes in the PBS have offered faster access to permanent residency to qualifying immigrants.** Under the PBS, since 2017, if migrants score above a given threshold on the PBS scale, they may be eligible for permanent residence (PR) after three years, or even one year. In 2023, the government announced a new status of residence, *J-Skip-visa*, which extends the eligibility to PR after one year of residence to all immigrants who satisfy the education criteria or experience, and a high earnings threshold.

**Given the recent multiplication of labour migration programmes for high-skill migrants, Japan could consider creating a platform to help potential migrants navigate the system**. The introduction of the PBS and its successive revisions imply that high-skill migrants may simultaneously qualify for different labour migration programmes that offer different conditions of stay. Japan could consider developing a single platform in which potential migrants could self-select into the migration programme which offers the most favourable conditions given their characteristics and job offer. This would also help with the evaluation of the different programmes and in particular ensuring that the best conditions are offered to priority migrants.

**In the longer term, Japan should consider consolidating labour migration pathways.** Japan recently developed several overlapping pathways, partly because of the establishment of the new programme SSWP but also through new programmes under the National Strategic Special Zones (NSSZs). The latter have the advantage of testing new policies in restricted geographic areas before potentially expanding to

the rest of the country. However, some of these pilots overlap, complicating management and evaluation. As of 2022, there were, for example, four different migration pathways for caregivers, three for entrepreneurs, and three for agricultural workers.

**The definition of accompanying family is restrictive.** High-skilled immigrants may be accompanied by their immediate family. However, the conditions are stricter than in many OECD countries. This basically excludes commonlaw partners and same sex-partners (married or common law).

**Spouses' access to the labour market should be facilitated**. Unlike in many other OECD countries, spouses of high-skilled migrants do not have immediate and unrestricted access to the labour market. They may apply for an authorisation for employment and be allowed to work part-time. Spouses of migrants under the PBS are eligible to work full-time. However, they may only work in jobs that would be eligible for some of the existing statuses of residence.

**Attracting talent is also hindered by the Japanese employment system.** Japan is disadvantaged in the global race for talent by some specific features of its labour market. First, wages for new graduates are low but increase steeply with tenure, making it difficult to attract young, high-skilled immigrants who do not necessarily plan to stay in Japan for long. Second, most training occurs within firms, and it is difficult for migrants to have their foreign skills recognised. Third, most recruitment for new graduates in Japan takes place before graduation. Immigrants arriving after completing their studies abroad will have missed the main recruitment cycle. Furthermore, employer have high expectations relative to foreigners' language fluency and understanding of Japanese labour market norms.

**Recent policies aiming to change employment practices may improve Japan's attractiveness to high-skilled migrants.** Employment practices are changing, especially in larger companies. The Japanese Government has adopted a series of measures since 2018 to reform the labour market. There are measures targeted at increasing job mobility and ensuring wages reflect productivity rather than tenure. These changes should make Japan more attractive to high-skilled migrants in the future.

**Integrating into Japanese society remains a challenge for migrants.** Japan has only recently started developing integration policy. In 2018, the government formulated the *Comprehensive Measures for Acceptance and Coexistence of Foreign Nationals*. These include a package of integration measures, such as increased options to learn Japanese, the promotion of the use of *plain Japanese* in information dissemination and consultation services, increased support for foreign children in schools, etc. Since then, the Comprehensive Measures have been revised and enhanced every year. Furthermore, in 2022, the government formulated the Roadmap for the Realization of a Society of Harmonious Coexistence with Foreign Nationals, which shows the visions of a society of coexistence to aim for, and the medium-to long-term issues that should be addressed. The implementation status of the Roadmap is to be assessed annually to confirm its progress and review the measures as needed. Despite these recent developments, Japan lags behind countries with a long history of immigrant integration. For example, there are no policies to help spouses of skilled migrants integrate into the labour market, nor the society at large.

**Japan could develop a job matching platform to attract potential high-skilled migrants.** Japan accepts, but does not actively try to attract, high-skilled migrants overseas. It is currently difficult for foreigners abroad to understand what jobs are open to high-skilled migrants. Japan should consider developing a job matching platform in which potential candidates could look for job offers. This could potentially be based on the existing platform developed by JETRO. A number of OECD countries have integrated vacancies into information portals for potential immigrants, such as *Make It in Germany*, or collect profiles of interested candidates, such as *New Zealand Now*.

**High-skilled migrants who choose to come to Japan tend to stay in the country**. Among foreigners who first entered Japan as skilled labour migrants between 2011 and 2017, approximately 40% were still in Japan five years later. Given that this group of migrants includes many highly mobile migrants, such as intra-company transferees, this is rather high and suggests that Japan can benefit from long-term

contr*ibution to the skilled labour supply through these channels. Among migrants arriving as Engineers/ Specialists in Humanities/ International Services*, the main migration channel, half of the migrants remain in Japan after five years, and up to two-thirds of migrants arrived under a small programme for skilled trades (*Skilled Labour*).

**International students are key players of Japan's strategy to attract and retain global talent.** International students who choose to remain in the host country after graduation typically integrate more easily in the labour market. Most OECD countries are developing policies to attract and retain international students. The advantage of international students, relative to labour migrants, is particularly important in the case of Japan. Japan, like many other non-English speaking countries, does not have a large pool of potential labour migrant who already speak the language, which makes talent attraction harder. Moreover, the traditional Japanese Employment System is difficult to navigate for immigrants and easier to integrate right after graduation. Some Japanese firms have begun recruiting students from foreign universities prior to their graduation in order to integrate them directly into the Japanese Employment System.

**Most high-skilled labour migrants in Japan first entered the country as international students.** In 2019, international students changing into a labour migration status of residence accounted for 30% of all new permits issued for labour migration (excluding the SSW programme and the TITP). This is a similar share as in Italy or France and among the highest in the OECD. Furthermore, labour migrants who arrived as international students are more likely to remain in the country. Over half of high-skilled migrants at the end of 2022 first migrated to Japan as international students.[2]

**The number of international students in Japanese vocational schools has increased more than that in universities.** International students in Higher Education in Japan enrol either in tertiary education (universities, junior colleges, colleges of technology, graduate schools) or in vocational schools. In 2022, approximately 30% of international students in Higher Education were enrolled in vocational schools. From 2011 to 2019, the number of international students in vocational schools more than tripled. In contrast, the number of international students in tertiary education increased only by 30% in the same years.

Many international students start by attending a Japanese Language Institute (JLI) in Japan before enrolling into Higher Education. In 2022, one fifth of international students in Japan were enrolled in a JLI (and over one-quarter in 2019). Learning Japanese is one of the main difficulties faced by prospective international students. Attending a JLI in Japan has become particularly attractive since students in JLIs have the same access to the labour market than international students in higher education institutions, among the most favourable accesses across OECD countries.

**Closer monitoring of the quality of education at JLIs is needed.** JLIs are not part of Higher Education Institutions. They are accredited by the Ministry of Justice, after consultation of the Ministry of Education, Culture Sports, Science and Technology (MEXT). JLIs do not follow a standard curriculum. The Ministry of Justice conducts residency examinations of students in JLIs and checks student attendance strictly. However, there is little oversight regarding the quality of teaching.

**New legislation to improve quality of JLIs was passed in May 2023.** In February 2023, a proposal was submitted to the Diet at the time to improve quality of JLIs and passed into legislation in May 2023. The changes include a new certification scheme of JLIs based on the quality of education, overseen by MEXT, as well as a certification mechanism of Japanese language teacher through an examination. The changes will be implemented from April 2024 and will be an important step in ensuring the quality of language teaching to international students.

**Japan has a high retention rate of international students by international comparison.** Between 30 and 40% of international students are still in Japan 5 years after arrival. Although the retention rates of international students in Japan lag behind those in Canada and Germany, they compare favourably with those of many European countries – including Switzerland, the Netherlands and the United Kingdom.

**The retention rate of international students has increased in the last decade due to the shift in the country-of-origin mix.** The 5-year retention rate increased by 6.5 percentage points from 37.3% to 43.7% from the 2011 to the 2017 entry cohort. However, this increase is completely driven by the cohort composition in terms of country of origin. An increasing share of international students come from Viet Nam and Nepal who are more likely to remain in the country after graduation. Among international students arrived in Japan between 2011 and 2017, 57% of students from Viet Nam and 80% of those from Nepal are still in Japan 5 years later, compared with 47% of those from China.

**In line with other OECD countries, Japan has created several pathways to retain international students after graduation.** Japan introduced a 6-month job search programme for graduates of Japanese HEIs, renewable up to 2 years, and specific support programmes for graduates founding a startup. In Japan, more than in other OECD countries, graduates find employment before graduating. The jobhunting process starts over a year before graduation and is highly codified.

**Job hunting in Japan remains a challenge for international students.** The Japan Student Services Organization (JASSO) provides detailed information on job hunting for international students. Fifteen universities participate in the "International Student Employment Promotion Programme" organised by the MEXT since 2017 to provide specific career support for international students in collaboration with Hello Work, the Japanese Public Employment Security Offices. A 2020 MEXT survey of universities that accept international students shows that there are few universities providing specific help for international students to find internships during their studies and that students themselves do not always grasp the importance of the job-hunting process.

**For lower skilled occupations, Japan historically had no labour migration channels.** Starting around 1990, however, foreigners began to contribute to employment in less skilled occupations and roles. International students took service sector jobs, especially in restaurants and retail. Two important policy changes in 1990 also contributed to a rapid expansion in the number of foreigners working in low-skilled occupations. Hundreds of thousands of Brazilian and Peruvian migrants of Japanese origin came to Japan under a residence status for descendants of Japanese emigrants and worked, primarily as dispatched workers, in manufacturing. The Technical Intern Training Programme (TITP), first created for skills development and transfer back to developing countries, expanded rapidly after policy changes in 1993 allowed more businesses to host trainees.

**TITP is currently the main programme for employment of less skilled foreign workers.** The 325 000 TITP participants in 2022, down from more than 400 000 in 2019, are primarily employed in manufacturing – including food processing – construction and agriculture. While their overall contribution to employment in these sectors is very small, they are concentrated in certain prefectures and industrial jobs, and comprise a larger share of new workers than their overall share in employment.

**TITP has several stages and can last for three to five years, depending on the sector.** There is a skills test to pass from the first phase to the second phase after one year, and skills tests to qualify for an additional two years after the third year for most TITP jobs. Some tests are based on the Japanese Vocational Education and Training framework while others are developed by industry associations specially for TITP. In both cases some tests have not been revised in decades and has not always been relevant to evolving tasks. Further, some tests are unrelated to the tasks actually performed by the trainee. TITP involves a "supervising organisation" which provides support and counselling to trainees and helps develop an individual training plan for each participant. Despite these skill development components, both workers and employers have perceived and used it largely as a labour migration programme.

**Excessive fees and the involvement of brokers in sending countries remain a problem.** TITP has been largely used to meet labour demand, rather than for skills transfer. TITP was initially designed to last for one year, extended to two years, and then three years maximum, with the first year as a "trainee" not treated as an employee (e.g. minimum wage did not apply). Since July 2010, trainees have been treated as employees for the full duration of their stay. Since the TITP is designed for participants to return home

after completion, family reunification is not allowed. Rent-seeking by brokers in sending countries was difficult to prevent and some trainees arrived indebted. Since 2016, Japan has signed Memoranda of Co-operation with its main origin countries, which accredit the "sending organisation" which recruits the workers. Excessive fees and involvement of other brokers are forbidden, but in practice have not been entirely eliminated. Overstay rates for TITP are not high, but firms were often reluctant to give up workers who had acquired useful human capital.

**Trainees are bound to their "receiving organisation" or employer, with limited possibilities for change after arrival.** Limited employer mobility constrains bargaining power and hinders wage growth, and in the worst cases makes the trainee vulnerable to exploitation. The TITP requirement to stay with the initial employer is based on the idea of receiving training rather than performing employment. The TITP infrastructure and regulations are designed to support a training rather than employment relationship. Voluntary employer changes are not allowed. However, trainees with compelling reasons can change employers without returning to the home country. TITP, as the only available programme, is sometimes used for short-term seasonal employment or other tasks not fully compatible with an extended training programme. In most labour migration programmes in OECD countries; workers can change employer if the new employment meets the labour market testing and other criteria imposed by programme rules. For example, most European countries grant employer mobility within 6 or 12 months of arrival, subject to the same conditions as applied upon admission. Korea's EPS allows several changes among authorised employers, although there are incentives to stay with the initial employer.

The structural shifts underway in the Japanese labour market should be addressed through a programme which has the flexibility to address real skills needs and the different types of demand. Japanese firms privilege on-the-job training for development of both soft and technical vocational skills. For soft skills, job experience in Japan is essential, but does not require remaining with a single employer for three to five years; it can be acquired in most suitable workplaces. Similarly, the multi-tiered TITP is arranged to help trainees develop professionally, but the temporal aspect – requiring a year in TIT (i) and two years in TIT (ii) – do not necessarily correspond to the time necessary for skills acquisition to test standards. TITP participants don't always have the intention to return home to use the skills acquired. Since the programme was introduced, the gap between Japanese standards and practices and those in many origin countries has shrunk, although Japan still has more advanced technologies in most fields. Half of trainees would like to remain in Japan for 10 or more years. Most return since there are few options to remain, but do not often return home to the same exact sector, limiting the impact of transfer of skills acquired within their training plan. Other skills – language and soft skills and use of technology – are often of more value upon return.

**The place of development co-operation elements in the programme needs to be rethought.** TITP can do a better job of serving the interest of the origin country. This requires revising the testing thresholds and requirements to facilitate the provision of training opportunities in origin countries. Clear and modern testing focused on Japanese work practices would be more suitable and still encourage participants to develop skills useful for future careers in Japan or at home. It would also reinforce the ability of training institutes in origin countries to prepare workers for the Japanese labour market and to enter directly into the programme corresponding to their skill level. It would also open a number of opportunities for skills development partnerships which could be organised flexibly and independent of TITP and other specific Japanese labour migration programmes, while still taking into account the different entry requirements.

**As TITP is under review, its reform should retain the support provided to workers under today's TITP**. TITP currently includes many additional support mechanisms not usually included in labour migration programmes. The supervising organisation provides initial orientation and training, monitors the work experience of the employee. OTIT, the legal entity approved by MOJ and MHLW, oversees the training plans. Different bodies administer the skills tests for passing different tiers. TITP employers are responsible for securing lodging for trainees. There are different institutional forms this support can take, and the current distribution of tasks may need to evolve, but the overall framework of orientation, assistance to

employers and workers, and responsibility for daily living in the initial phase of labour migration provided by supervising organisations should be maintained, given the specificities of the Japanese labour market.

The SSWP was introduced to create a potentially long-term pathway for migrants with trades qualifications. Japan did not have a dedicated channel for labour migration by workers with technical skills. The "Skilled Labour" Status of Residence does not apply to many technical occupations. In 2019, the SSWP was introduced, for a limited number of sectors, based on a skills assessment – either through a formal test or through demonstrated experience by finishing a TITP programme in the same sector. It resembles temporary foreign worker programmes in some OECD countries. A second tier of the SSWP was created for workers who qualify for a higher-level skill test; the second tier allows family reunification and indefinite stay. This is similar to the labour migration channel in most European countries.

**SSWP, like TITP, is more heavily managed than most labour migration programmes in other OECD countries**. There is a support organisation in the relationship between SSWP participants and their employers – the Registered Support Organisation. This organisation is supposed to provide support to workers. The SSWP allows workers to change employers within the sector for which the worker is qualified. SSWP employers are not required to directly provide housing but are required to help finding housing and signing a lease.

**The SSWP was delayed by the COVID-19 Pandemic but has since taken off**. The original expected upper limit for the 12 sectors designated for the SSWP was about 345 000 workers in the first five years. The pandemic affected not only entries to Japan but the entire testing system. Nonetheless, there were about 150 000 SSWP workers in March 2023, 43% of the expected number. However, these were distributed unevenly across sectors: some sectors such as machine parts and tooling industries, industrial machinery industry, electric, electronics and information Industries, were already above the expected number, others, such as food service and accommodation, were far below the expected number. The latter can be attributed to the slow return of employment in these sectors as well as lags in the roll-out of testing.

**The SSWP is much more accessible from within Japan than from abroad.** The roll-out of skills testing has been slow, with a relatively low number of applicants in origin countries. Testing has been sporadic but is always announced and texts are now also published on the website. Language learning infrastructure is still developing in most origin countries. There is no official "pool" of potential recruits available in origin countries, so recruitment occurs through different agencies. There is scope for an official platform of candidates who have met basic skill and aptitude requirements.

**This means that the TITP has so far been the main pathway to SSWP rather than skills testing.** Even in sectors like nursing care where testing is the main SSWP channel, most applicants are inside Japan. This means that the SSWP is still dependent on the TITP – or on another programme allowing migrants to acquire language and occupational skills in Japan. Not all TITP sectors lead to the SSWP, since both the TITP and SSWP are limited to certain industrial sectors, and they are not aligned.

The SSWP has the potential to meet future labour demand effectively but should rely on different programmes to allow migrants to acquire the necessary skills. The SSWP responds to the specificity of the Japanese labour market which requires a threshold of Japan-specific skills for employment in many jobs. This extends beyond language skills to include work practices. A reformed TITP will be important in supplying workers to the SSWP. It is already possible for TITP participants to finish the TITP and enter the SSWP without passing the test. This places importance on the quality of testing. The distribution of initial SSWP test takers suggests that some tests are easier to pass than others; more uniform standards would prevent distortion in the distribution of participants in the SSWP.

**Japan also needs to establish training capacity and pipelines in origin countries.** If the SSWP is to develop scale, Japan must also expand its ability to recruit adequately prepared workers directly from origin countries. Some actions can be taken within the SSWP itself, such as making the testing and qualification structure more transparent and increasing the number of tests administered in origin countries.

**There is a business case for investing in a "skills mobility partnership" with origin countries.** Stakeholders in Japan – business associations, employers or public agencies – can follow the emerging model of "skills mobility partnerships". This means investing in partner training institutions in origin countries to reinforce their capacity to provide candidates with the language and vocational skills to enter both the future TITP and the SSWP. Training should also be relevant for job opportunities in the origin country – for example, in Japanese subsidiaries – so that the training is attractive to more candidates and contributes to the skills base of the origin country. Funding models vary, but some involvement of the beneficiary – the Japanese businesses – is crucial.

## Summary of the main recommendations for Japan

### *Reorganise Statuses of Residence for greater transparency and better monitoring*

- Clarify the skill threshold of the status of residence **"**Engineers/Specialists in Humanities/International Services**"**.
- Align the list of occupations eligible to the different statuses of residence with the national classification of occupations.
- Publish, and update regularly, the going rate of wages for each occupation to ensure that job offers to migrants are at the going rate.
- Clarify the occupations eligible for the "skilled labour" status of residence.
- Consolidating labour migration pathways to reduce overlap and duplication.
- Publish complete data on yearly inflows and stocks of migrants under the Designated Activities status of residence.

### *Help potential and recent migrants navigate the migration system*

- Improve the visibility of the PBS for highly qualified workers.
- Create a single portal to orient foreigners through the Japanese labour migration system.
- Continue improving the digitalisation of immigration processes.

### *Improve permit conditions for higher skilled labour migrants*

- Expand access to permanent residence before residing 10 years.
- Grant immediate unrestricted labour market access to family members of skilled labour migrants.
- Expand recognition of different types of family ties.

### *Accompany skilled foreign workers through the Japanese Employment System*

- Provide more orientation to potential migrants abroad, and graduating students in Japan, on navigating the specific recruitment and employment practices prevailing in Japan.
- Increase the visibility of job opportunities in Japan to candidates abroad.
- Provide support for spouses of skilled migrants to integrate into the labour market.

### *Monitor international student pathways more closely*

- Monitor more closely the quality of education at Japanese Language Institutes.
- Monitor the quality of jobs of former international students and their career paths in the Japanese labour market, for graduates of universities and vocational schools alike.

### *Revise TITP*

#### *Skills testing*

- Modernise training goals and align them with occupations in shortage and with further labour migration channels, as well as soft skills and aptitude for Japanese workplaces.
- Decouple training from individual employers to allow more flexibility in employer change.
- Provide options to advance through TITP according to revised testing requirements. Align skills testing requirements across sectors so that the skills thresholds for different tiers and different programmes are set similarly between sectors.

#### *Reducing factors of vulnerability for workers*

- Allow TITP workers to change employers after completing a minimum period with the first employer.
- Adjust roles of different actors in governance of TITP to reduce risks of rent seeking.
- Allow interruptions of employment to accommodate seasonal and circular participation.

### *Improve access routes to the Specified Skilled Worker Programme*

- Develop the bridges between TITP and SSWP so that more sectors/activities are covered and the training in TITP leads more directly to both SSW(i) and (ii).
- Develop test preparation material in different languages for study in the country of origin.
- Invest in partnerships with bodies in origin countries to increase the skills pool from which to recruit SSWs, through training capacity, awareness raising, and direct engagement in the recruitment process.

## Notes

[1] In the text, permanent residents include former labour immigrants who have acquired permanent residence, as well as spouses and children of Japanese citizens, and ethnic Japanese (long-term residents).

[2] Among migrants arrived between 2011 and 2019.

# 2 Context for labour migration

This chapter outlines the Japanese labour market context and its implications for labour migration to Japan. Japan's population has aged rapidly which has led to a sharp decrease of the working age population. So far, this decrease has been counter-balanced by an increase in labour force participation of women and older workers. The labour market is tight, and, in international comparison, labour shortages appear to be particularly severe. Increasing productivity is the cornerstone of Japan's policy to address the impact of population ageing on the labour market. Labour migration is also increasingly considered as part of the solution to address labour shortages. The Japanese employment system has unique features that need to be factored in when considering how foreign workers can contribute to the host country labour market.

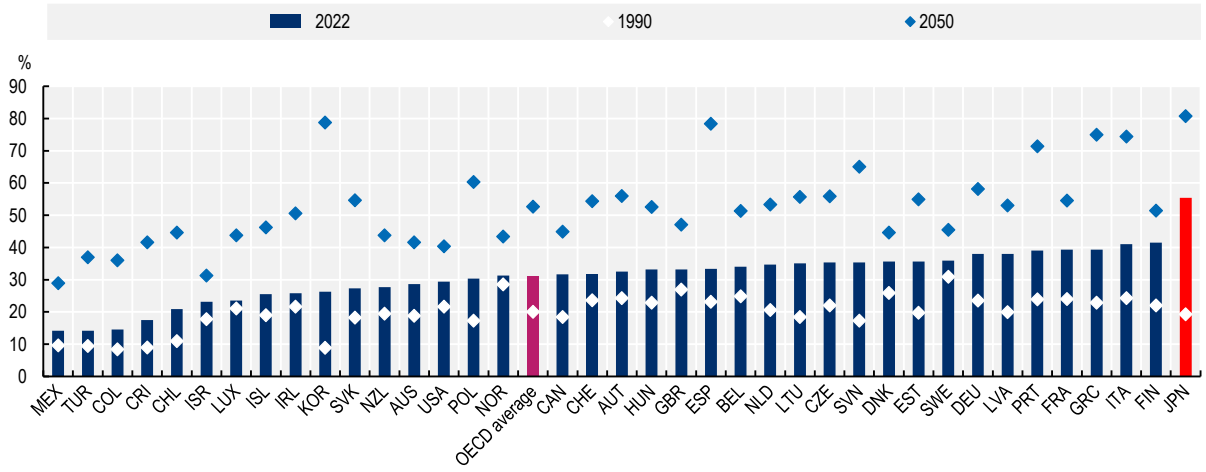
## The Japanese economy is close to full employment and labour shortages are widespread

### *The population is ageing rapidly*

In the last 30 years, Japan has aged rapidly. As a result, Japan's dependency ratio is now the highest in the OECD, far exceeding that of any other OECD country. In 2022, there were 55 individuals aged 65 and over per every 100 individuals aged 20 to 64, and this ratio is projected to increase to 81 by 2050 (Figure 2.1).[1]

In the next decades, most OECD countries will face the challenges of an ageing population that Japan is already facing today. By 2050, Korea and several European countries are expected to catch up with Japan.

### Figure 2.1. Old-age dependency ratio, 1990-2050




Note: The old-age dependency ratio is defined as the number of people aged 65 and over per 100 people of working-age (20-64). 2050 estimates based on the medium-variant projection.
Source: OECD Old-age dependency ratio, https://data.oecd.org/pop/old-age-dependency-ratio.htm.

### *Increased participation has counteracted, so far, the decline in the working age population*

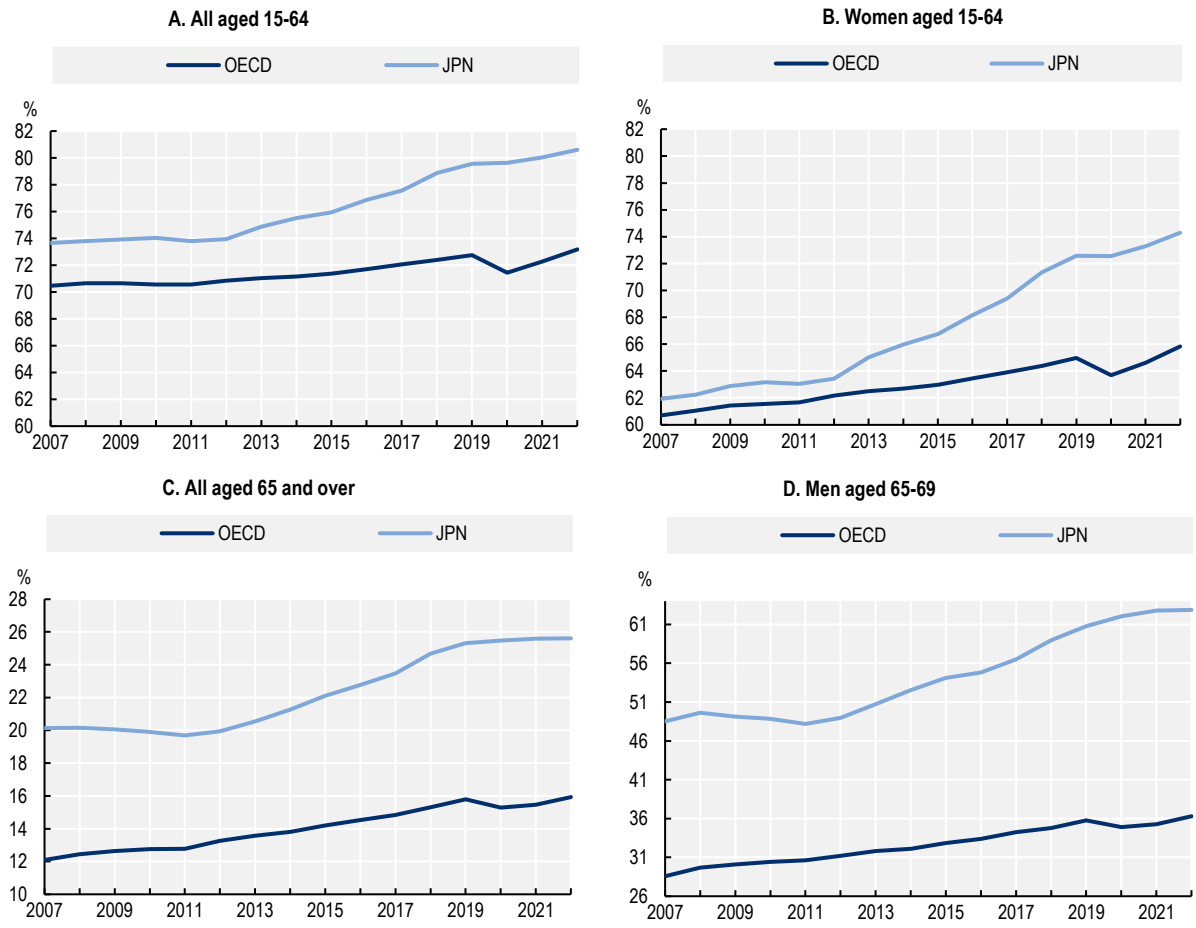
The working age population (ages between 15 and 64) decreased by 9 million individuals, from 83 to 74 million, or 11%, in the past 15 years (2007 to 2022). However, the total labour force has remained relatively stable in the same years, increasing by 3%, or 2 million individuals. The decrease in the working age population was compensated by the increase in participation of women and older workers.

The labour force participation rate of individuals aged 15 to 64 is high in Japan and has increased significantly in the past 15 years, reaching 80.6% in 2022, compared with 73.2% in the OECD (Figure 2.2). This increase was driven by the increase in the labour force participation of women. Between 2007 and 2022, the participation rate of women increased by 12.4 percentage points in Japan (from 61.9% to 74.3%), compared with 5.1 percentage points in the OECD (from 60.7% to 65.8%). The number of women in the labour force increased by slightly over 1 million in these years, partly compensating the decrease in the number of active men aged 15-64, estimated at 3 million.

Furthermore, the participation of workers, aged 65 and over has also increased, from 20.1% in 2007 to 25.6% in 2022 The participation of older workers is substantially higher in Japan than in the OECD. In 2022, only 15.9% of workers aged over 65 were active across the OECD.[2] The increased participation rate

of this age group added almost 4 million workers to the labour force in the past 15 years. This large effect is due not only to increased participation but also to the increase in the size of the population aged 65 and over (+ 33% in the same years).

## Figure 2.2. Labour force participation rates in Japan and the OECD, 2007-22




Source: OECD Labour Market Statistics.

The increase in the labour force translated into an increase of the employed population. The employed population increased by 9% in the past 15 years. However, the number of hours worked has not. The share of part-time employment has increased from 18.9% to 25.6% from 2007 to 2022, mainly driven by new female part-time employment. The estimated total annual hours actually worked decreased by 6% from 2007 to 2022 (or 3.5% from 2007 to 2019) (OECD Labour Force Statistics).

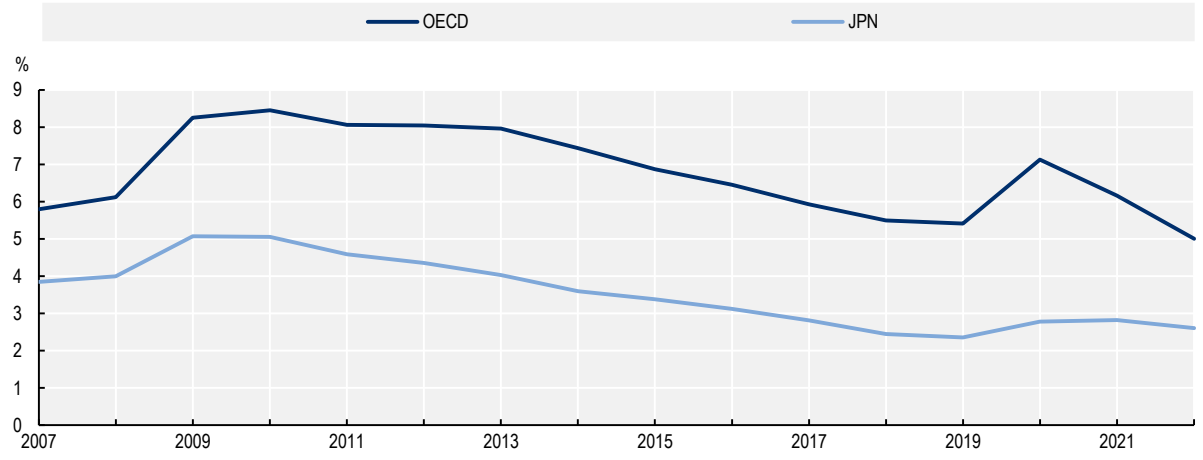
Despite the high participation rate, there could hence be a possibility to increase labour supply, if part-time jobs were to be converted to full-time employment. However, most part-time employment is voluntary (82.2% in 2022). Full-time employment for married women remains challenging in Japan. Most married women in employment are “non-regular” workers (see section on the Japanese employment system below) who work part-time. There are important tax disincentives for secondary earners in Japan which partly explains why married women work part-time and earn low wages (OECD, 2024[1]). Japan’s gender wage gap is the fourth largest in the OECD (OECD Labour Force Statistics). The margin to increase hours worked seems small in the current context.

### *Labour shortages are widespread*

The labour market has had a sustained low unemployment rate over the last 15 years. In 2019, prior to the COVID-19 pandemic, the unemployment rate was at 2.3%, below its estimated structural unemployment rate of 4.6% (OECD, 2019[2]), and 3 points below the OECD average (Figure 2.3).

Despite the setback due to the COVID-19 pandemic, the labour market remains close to full employment. By the end of 2022, the employment rate was slightly above the 2019 level and the unemployment rate was only a quarter of a percentage point above the 2019 level.

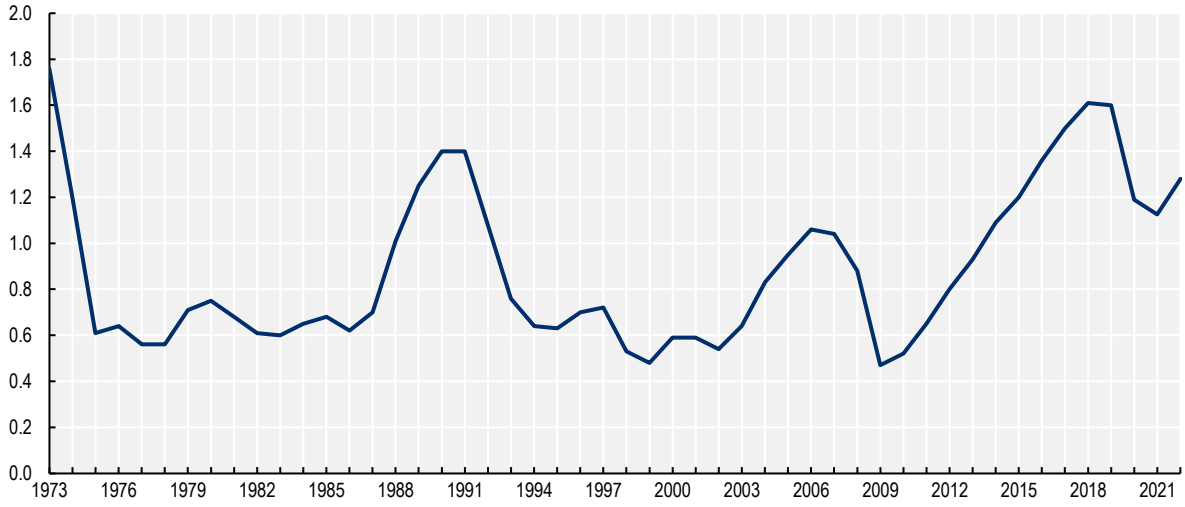
**Figure 2.3. Unemployment rate in Japan and the OECD, 2007-22**




Note: Harmonised unemployment rate as percentage of the labour force.
Source: OECD Labour Market Statistics.

The Japanese labour market is very tight. The number of vacancies per applicant reported by Hello Work – the Public Employment Service – was 1.6 in 2019, the highest ratio since the 1970s (Figure 2.4). Despite the drop due to the pandemic, there were more vacancies than there were applicants even in 2020 and 2021.

## Figure 2.4. Number of job-openings per applicant at Hello Work, 1973-2022

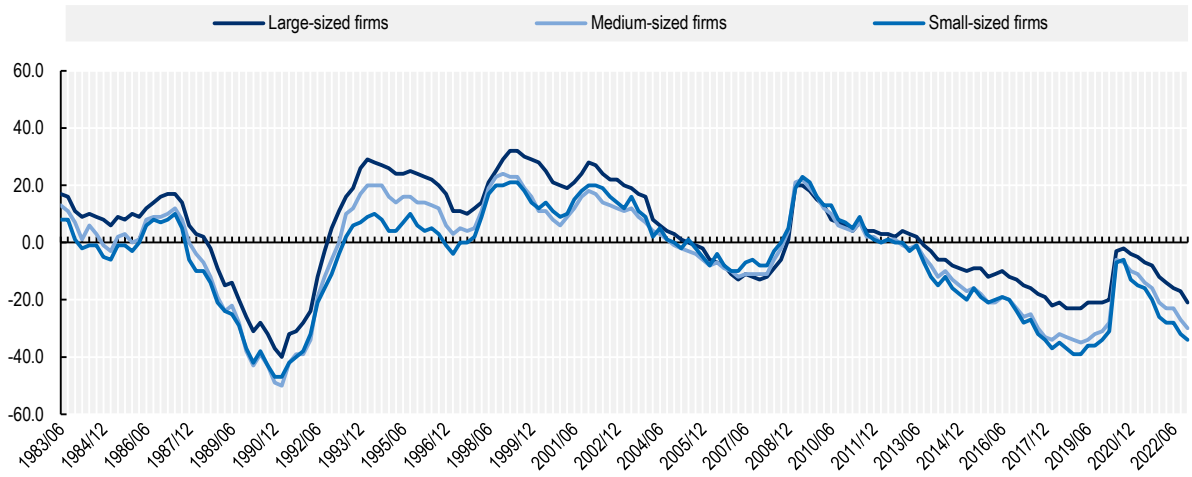



Note: The job-opening rate is defined as the ratio between the number of job openings and the number of job seekers registered at the Japanese Public employment Service, Hello Work.
Source: Ministry of Health, Labour and Welfare.

Employers are increasingly declaring labour shortages at all skill levels, across sectors and firm sizes. According to the Bank of Japan's (BoJ) Short-Term Economic Survey of Enterprises in Japan (Tankan) survey, labour shortages declared by employers are at the highest level since the early 1990s (Figure 2.5). The diffusion index for employment conditions in all industries, calculated by subtracting the percentage of companies with a labour shortage from the percentage of those with a labour surplus, reached -33 in the third quarter of 2018. Despite a decrease in labour shortages declared in 2020 and 2021, the diffusion index is already back to the pre-pandemic level.

Firms of all sizes reported increasing shortages until 2019, but small and medium firms were more likely to report labour shortages than larger firms (Figure 2.5). Two-thirds of SMEs reported labour shortages in 2019 whereas only half did so in 2015. Despite the drop in the share of firms reporting shortages by February 2022, 60.7% of SMEs did so, a similar share than in early 2020 (The Japan Chamber of Commerce and Industry, 2022[3]).

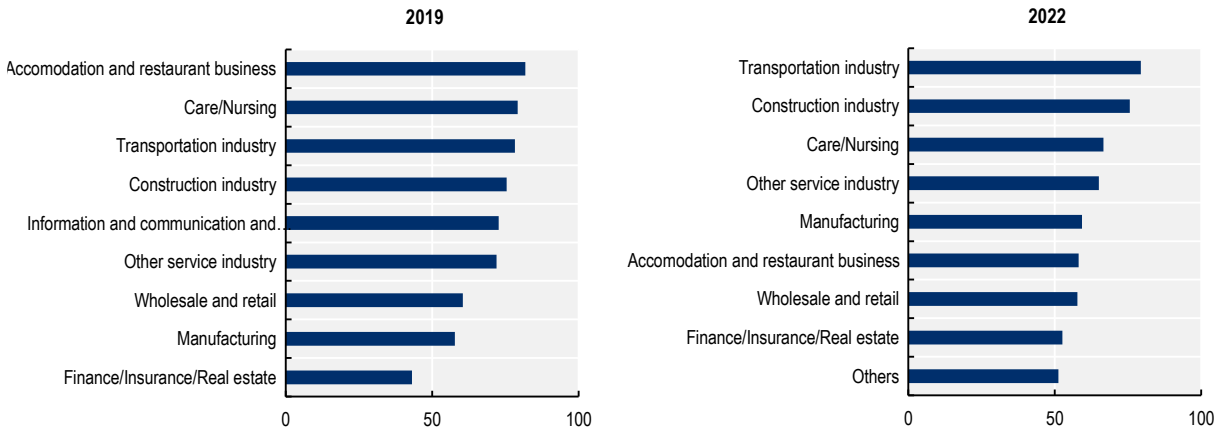
## Figure 2.5. Diffusion index for employment conditions by firm size




Note: The diffusion index for employment conditions in all industries, calculated by subtracting the percentage of companies with a labour shortage from the percentage of those with a labour surplus.
Source: Bank of Japan's Tankan survey.

Among SMEs, the largest increases in reported shortages leading up to the COVID-19 pandemic were in the accommodation and restaurant (81.8%), nursing care (79.2%), transport (78.2%), construction (75.4%), and ICT (72.7%) sectors (Figure 2.6). The COVID-19 pandemic affected industries to different extents. The drop in reported shortages in 2020 and 2021 was largest in services and manufacturing. By early 2022, the share of SMEs reporting shortages in construction and transportation are back to pre-pandemic levels. In contrast, shortages in accommodation and restaurants, or even in nursing care and ICT, remained at levels lower than pre-pandemic.

## Figure 2.6. Firms declaring shortages by sector of activity, 2019 and 2022




Source: Survey on labour shortage and Employee training/educational training, JCCI (2022) and Survey on labour shortage situation and response to workplace reform laws, Tokyo Chamber of Commerce and Industry (2020).

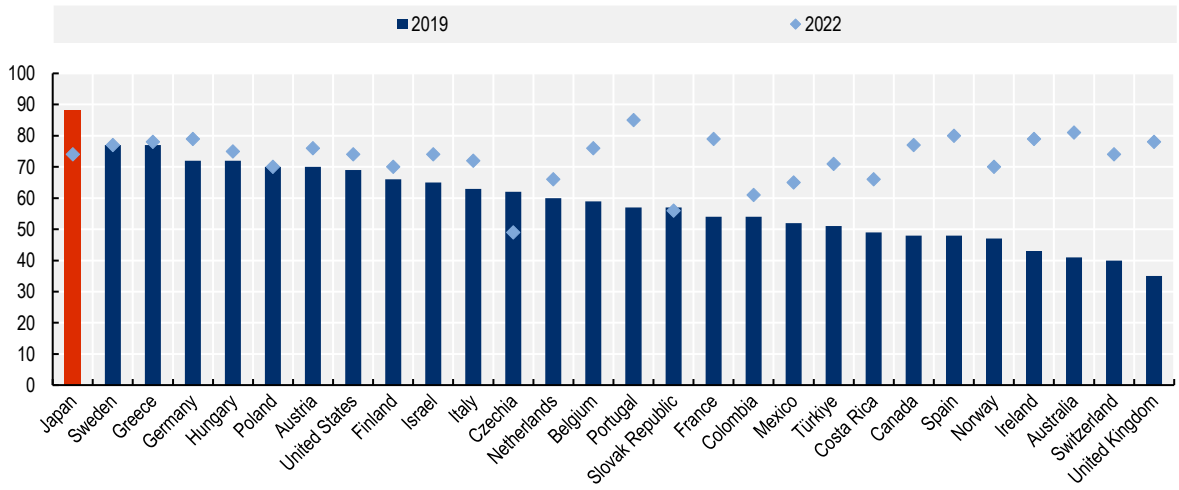
In some cases, firms' difficulties in hiring seem due to a general lack of applicants, more than to skill mismatches in the Japanese labour market. In a 2019 Japan Institute for Labour Policy and Training survey on labour shortages,[3] 60.9% of companies experiencing hiring difficulties reported that not a single

candidate applied when the company had a vacancy. This was the case across different industries and skill levels: 69.3% of employers in construction reported no candidates available, as did 72.3% of those in accommodations, eating and drinking services, and 64.7% in healthcare and welfare. Noticeably fewer employers (23.6%) reported that the quality of the applicants was not at the desired level. Vacancies left with no applicants are more frequent outside of the three larger metropolitan areas.[4]

While most surveys do not cover the agricultural sector, the Census of Agriculture and Forestry shows that population ageing, and rural depopulation are also having a strong effect on employment in agriculture. The total number of people working in agriculture (farmers and employees) has decreased sharply during the five years prior to the pandemic, and the average age of farmers has increased to close to 70.[5] In 2020, the share of farmers aged 65 and over was 69.6%, almost 5 percentage points above the share in 2015, 64.9%.

In international comparison, Japan's shortages appear to be particularly severe. Employers in Japan were more likely to report shortages than in any other OECD country in the years leading to the COVID-19 pandemic according to Manpower Group's Talent Shortage survey (Figure 2.7). In 2019, 88% of surveyed employers declared having difficulties hiring, compared with 59.5% on average across the OECD countries surveyed.[6]

## Figure 2.7. Employer reported shortages in international comparison, 2019, 2022




Source: Manpower Group survey.

### *Future labour shortages crucially depend on productivity growth*

The most recent population projections estimate that the population aged 15 to 64 would drop to 70.76m in 2030 and to 50.78m in 2060 (National Institute of Population and Social Security Research, 2023[4]).[7] This represents a decrease of 5.8% and 32.4% from the 2020 level.

Whether, and if so to which extent, the forecasted decrease in population will translate into a decrease in the labour force depends on future labour supply of the different population groups, notably of women and older workers. Future labour shortages are in turn determined by a potential mismatch between future labour supply and labour demand.

Several recent studies have attempted to forecast labour shortages (Persol Research Institute and Chuo University, 2018[5]; Japan International Cooperation Agency, 2022[6]; Works Report, 2023[7]; Japan Institute for Labour Policy and Training, 2019[8]). These studies estimate the imbalance between forecasted labour

demand and supply to achieve a target GDP growth under different assumptions on productivity growth.[8] Studies vary in the exact scenarios considered and features of the models but follow the same overall principle.

A main lesson from these studies is that the forecasted labour shortages are highly sensitive to the models' productivity parameters. For example, setting a target of annual real GDP growth of 1.2%,[9] and setting labour productivity growth at a level comparable to that observed in the past decade (low productivity scenario), both (Persol Research Institute and Chuo University, 2018[5]) and (Japan International Cooperation Agency, 2022[6]) forecast labour shortages at over 6 million by 2030, and 14 million by 2040[10] (Persol Research Institute and Chuo University, 2018[5]; Japan International Cooperation Agency, 2022[6]).[11] In the medium productivity growth scenario, the forecasted shortages in (Japan International Cooperation Agency, 2022[6]) fall to 2.5 million by 2030 and 5 million by 2040. In the high productivity growth scenario, there are no forecasted shortages at all.

Furthermore, a main limitation of the studies cited above is that the target considered is GDP growth instead of GDP *per capita*. Similarly, the government's overall economic strategy also targets GDP growth. However, GDP per capita is arguably a better measure of the population's welfare. Given Japan's forecasted decrease in population, targeting the growth of GDP per capita instead of GDP, would mechanically lead to lower forecasted labour shortages.

Moreover, at this stage, there is no realistic forecast available at the industry level. (Japan International Cooperation Agency, 2022[6]) and (Persol Research Institute and Chuo University, 2018[5]) extend the forecasting exercise above to the industry level. However, this forecasting exercise requires very restrictive assumptions, which considerably limits their usefulness. Labour demand by industry is estimated by dividing forecasted GDP at the industry level by industry specific labour productivity, which is assumed to grow at the same speed than in the 2010s. Labour supply by industry is assumed to grow until 2030, or 2040, at the same pace than in the previous decade. The main limitations of this approach are that industry GDP growth is taken as given and that there is no possible reallocation of labour across industries. Using this methodology, forecasted labour shortages are particularly large in the services sector, in IT, education and in medical care and welfare. In contrast, no shortages are forecasted in construction, nor in agriculture.

For the occupations for which there are more concerns about shortages, specific forecasting labour supply and demand have been undertaken in the past years. For example, the Ministry of Economy, Trade and Industry estimated in 2019 that there will be a shortage of 450 000 IT related workers by 2030 (Ministry of the Economy (METI), 2019[9]).[12,13]Another example is the Ministry of Health, Labour and Welfare estimation of a shortage of up to 270 000 nursing staff by 2025 (Ministry of Health Welfare and Labour (MHLW), 2019[10]).

## What is the role of immigrants in addressing labour shortages?

### *Foreign workers are part of the strategy to address labour shortages unmet by offshoring, technological progress, training, and activation policies*

Recruiting more foreign workers in Japan is increasingly presented as a way to address current and future labour shortages unmet by other policy options. For example, the JICA study discussed above (Japan International Cooperation Agency, 2022[6]) presents estimations of the number of foreign workers needed to fill labour shortages arising once activation policies and potential productivity increases have been taken into account. The forecasted need for foreign labour, like that of shortages, is highly sensitive to the model's productivity parameters. In these models, an increase in labour productivity growth mechanically leads to a lower reliance on foreign labour.

Increasing productivity is the cornerstone of Japan's policy to address labour shortages. Boosting economic growth through increased productivity has been a key strategy of the Japanese Government in the past ten years, through the successive growth strategies by the Abe Cabinet leading to the 5th Science and Technology Basic Plan for a human-centred society, *Society 5.0*, driven by a system that highly integrates cyberspace and physical space. While Japan does invest a high percentage of GDP into R&D (3.3% in 2020, among the highest in the OECD), productivity growth has so far not increased as hoped for (OECD, 2024[1]). Foreign workers are also not the primary short-term solution chosen by firms to address current labour shortages. Instead, firms see increasing productivity as a main strategy to address labour shortages. According to a 2022 JCCI survey,[14] 60.7% of SMEs facing labour shortages answer they are trying to counteract them by increasing productivity, through training of employees; by automation; or by improving business processes. By comparison, only 31.2% say they are trying to hire "women, older workers or foreigners" to address shortages.

Automation has been particularly successful in Japan's manufacturing. Japanese companies are world leaders in robotics. In 2020, robot density in Japan's manufacturing sector was the third highest in the world (International Federation of Robotics).

Increasing productivity, through automation or other means, has not decreased labour shortages across all industries in the same way. According to the 2022 JCCI survey mentioned above, many more SMEs in manufacturing than in non-manufacturing activities report that technology adoption or process improvement were effective in alleviating labour shortages. More tasks in the services industry are difficult to automate.

An alternative to automation is offshoring, that is shifting production of goods and services to other countries. Foreign subsidiaries are a key component of Japan's manufacturing. In 2021, sales by foreign subsidiaries of Japanese manufacturing companies accounted for nearly a quarter of total sales (BNP Paribas, 2022[11]). However, counteracting labour shortages does not seem the key factor driving Japanese firms' decision to open foreign subsidiaries. According to a 2018 METI survey, only 16% of firms indicated that the cost and quality of foreign labour played an important role, whereas over two-thirds declared wishing to serve markets with strong current and future demand (BNP Paribas, 2022[11]). Similarly, to automation, offshoring is particularly effective in manufacturing. Many jobs in agriculture and in the services may be neither offshored, nor automated. Furthermore, the impact of automation on total labour demand is unclear. While automation reduces labour demand for the automated tasks, it may also increase labour demand for more complex tasks, impossible to automate (Acemoglu and Restrepo, 2019[12]). Shortages are reshuffled across tasks rather than fully eliminated.

An interesting case study is the adoption of robots in nursing care homes in Japan (Eggleston, Lee and Iizuka, 2021[13]). The study uses establishment-level data to document the changes in employment, wages, tasks and working conditions of nursing care workers following the adoption of robots. Automation did not lead to a decrease in total staff, although their job content changed. The burden of care was reduced and the retention rate of workers increased, although their wages decreased.

Foreign workers may play a role in addressing shortages unmet by offshoring, automation and the domestic labour force. It is important to understand the causes, as well as the consequences, of the shortage to design appropriate migration policies. Are labour shortages due to the lack of specific skills in the Japanese labour market? May the domestic workforce be retrained to address the shortages? Are wages too low or working conditions too difficult for the jobs to be attractive?

Labour shortages have heterogeneous consequences on the functioning of the economy and the society. Migration policy may be a tool in addressing key shortages. Examples of labour shortages in key sectors are shortages in the transportation industry which affect the whole economy; shortages in the health and care sector; shortages in agriculture or other sectors of strategic importance such as aviation or ship building.

### *The Japanese employment system has unique characteristics complicating the potential contribution of foreign workers*

For labour migration policies to be effective, they need to account for current and forecasted labour market conditions – how labour demand, labour supply and shortages will evolve over time. Equally important are the regulations and norms of the country's labour market.

The Japanese employment system has unique features that need to be factored in when considering how foreign workers can contribute and when designing and evaluating labour migration policies.

In the traditional Japanese employment system, firms typically recruit students straight after graduation – often hiring recruits during their last year of studies – and it is still common for workers to remain in the same firm until retirement age. This is sometimes referred to as "membership type employment" given that companies hire young graduates not for a specific position but to contribute to the activities of the company as these evolve. Consequently, job descriptions and labour contracts tend to be less specific than in other OECD countries.

Traditional employment practices are still predominant in today's Japanese labour market. According to the 2013 Global Career Survey of college graduates between the ages of 20 and 39 conducted by Recruit Works Research Institute, 81% of college graduates in Japan found their first job after graduation while still in school, compared with 46% in the United States, 58% in Germany, and 42% in Korea (OECD, 2021[14]).

Long-term employment practices are particularly common in large firms. Approximately 40% of workers aged 50-59 in large firms have never changed workplace, compared to only 7% in small businesses. Lifetime employment is also particularly prevalent among tertiary educated men.[15] High school graduates are less likely than university graduates to be in lifetime employment irrespective of generation (OECD, 2018[15]). Frequent job changes are often perceived negatively by employers.

Alongside lifelong employment, the number of *non-regular* employees (i.e. not hired on a full-time long-term relationship) has increased from 20% to 40% in the last two decades (Ministry of Health Labour and Welfare (MHLW), 2019[16]). Non-regular employees are typically paid less than full-time regular employees are, they are offered less training and lack proper social security protection.

The traditional employment system is at the origin of several features of the Japanese labour market that make it challenging for immigrants to integrate into the labour market. Some of the challenges are also faced by the native-born who hold non-regular jobs.

First, the labour market is characterised by low job mobility. There are few opportunities for mid-career workers in the primary job market. Immigrants who arrive in Japan after completing their studies will have missed the main recruitment post-graduation.

Second, given the prevalence of long-term employment, training occurs mainly within firms. Training is geared towards firm specific more than general skills. Combined with low job mobility, this has led to the under-development of mechanisms to ensure the portability of skills across firms, and in particular to the development of skill certification. Recently arrived labour migrants have no way to certify the skills they acquired abroad and ensure these are used in the Japanese labour market.

Furthermore, firm led training and long-term employment may refrain employers from hiring immigrants. Immigrants are less likely to remain in the country, and a fortiori with the same employer, than the native-born in all countries. Thus, employers are typically less likely to hire and invest in the training of immigrants than the native-born. Given the importance of firm training in Japan, this difficulty is more salient in this context.

Third, wages for new graduates are relatively low but increase steeply with tenure. The wage premium of working continuously in the same company in Japan is large. In particular, the earnings of Japanese

workers peak later than their counterparts in other countries. Full-time working Japanese men in their early fifties earn 57% more than their early-thirties counterparts, compared to 42% in Korea and 36% in the United States (OECD, 2017[17]). Young labour migrants may not find employment in Japan attractive if they are unlikely to remain in Japan, and in the same firm, throughout their entire career.

The Japanese Government has adopted a series of measures since 2018 to reform the labour market. There are measures targeted at decreasing the duality of the labour market, increasing job mobility and ensuring wages reflect productivity rather than tenure. The reforms include legislation to ensure equal pay for equal work; measures to promote job mobility at all ages;[16] subsidies to companies establishing a pay scheme based on workers' competences rather than on seniority; and a requirement since 2020 for large companies to announce quotas of mid-career hires.

Large employers are also starting to promote labour market reforms. The Japan Business Federation, KEIDANREN, an employer association consisting mainly of large Japanese firms, has promoted developing mid-career recruitment, a shift from company led training to workers' autonomous career development, and a shift from automatic salary increases based on age and years of service to wages that reflect performance (Japan Business Federation, KEIDANREN, 2020[18]).

Although the Japanese Employment system is slowly changing, at least in the medium term, labour migration policy needs to account for the specificities of the labour market, in terms of hiring, training and compensation.

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## Notes

[1] A limitation of the dependency ratio is that it does not account for the labour market participation of workers aged 65 and over. In Japan's case, the participation is high counteracting part of the increased share of the elderly population.

[2] Similarly, 51.9% of individuals aged 65 to 69, were active in Japan, compared with 28.2% across the OECD.

[3] Survey on Current Status of Labour Shortage and Work Styles, etc. Company Questionnaire, Japan Institute for Labour Policy and Training (2019).

[4] Over 65% of firms outside of the metropolitan areas declare no applicants to their job vacancies, compared with 50% in the 3 metropolitan areas.

[5] In 2020, there were 1.4m self-employed farmers in Japan, a 22% decrease since 2015 and 39% decrease since 2005, according to the Census of Agriculture and Forestry. The number of permanent workers, employed 7 months or more per year in agriculture, decreased from 220 000 to 157 000. Similarly, the number of temporary employees also decreased from 1.5 million in 2015 to 947 000 in 2020.

[6] The 2022 results of this international survey are at odds with the Japanese evidence presented above. The share of employers reporting shortages in Japan in 2022 is 14 percentage points lower than in 2018, whereas in the JCCI and BoJ surveys presented above, declared labour shortages are already back to the pre-pandemic level.

[7] These projections correspond to the medium fertility/medium mortality scenario. Yearly net migration is assumed constant at 164 000 (until 2040).

[8] Alternatively, some studies estimate the necessary productivity growth such that labour demand equals labour supply (that is an equilibrium with no labour shortages) to reach the target GDP growth.

[9] This is the target set by the "Growth Realization Case" of the Cabinet Office (Ministry of Health, Labor and Welfare, 2019[19])

[10] Similarly, estimates from Japan's Institute for Labour Policy and Training show that in a scenario with a target of real GDP growth of 1%,labour productivity would need to increase at a rate of 1.7% to 1.9% per year until 2040 (Japan Institute for Labour Policy and Training, 2019[8]).

[11] The forecasted shortage is obtained from a "low automation" scenario in which the capital stock grows 21.2% from 2015 to 2040.

[12] The study was done in collaboration with the Ministry of Health, Labour and Welfare, and the Ministry of Education, Culture, Sports, Science and Technology.

[13] In this study, demand for IT human resources is projected to grow by an average of 2.7% per year. Despite the increase in labour supply of IT professionals until 2030, a labour productivity growth of 0.7% per year – the growth observed in the 2010s – would lead to a shortage of 450 000 IT related workers by 2030.

[14] JCCI Survey on labour shortages and Employee training/educational training Feb 2022.

[15] Both the average length of service and the 10-year retention rate of college graduates with more than 5 years of service have remained high in Japan since 1980 (Kambayashi and Kato, 2016[20]).

[16] "Guidelines for Promoting Job Change and Reemployment Regardless of Age".

# 3 Labour migration to Japan

This chapter covers the evolution of labour migration policy in Japan and provides an overview of recent labour migration to the country. While labour migration channels for high-skill migrants have been in place since the 1950s, it was only in 2019 that Japan introduced the Specified Skilled Workers Programme for medium to low skill labour migration. Prior to 2019, only migrants participating in Japan's long standing Technical Intern Trainee Programme worked in low to medium skill jobs. Japan is one of the OECD countries with the lowest share of immigrants in the population. However, migration has increased rapidly and become more diversified in the past 15 years and the contribution of migrants to the Japanese labour market is increasing.

## The evolution of labour migration policy from the 1950s to today

Current Japanese labour migration policy has its origin in the 1951 Immigration Control Ordinance (Cabinet Order No 319 of 4 October 1951), which became the 1952 Immigration Control Act, enacted on the same day as the San Francisco Peace Treaty. The main objective of the Act was to provide for fair management over the entry and departure procedure of all persons in Japan.

Up to the 1980s, there was little immigration to Japan (see also section Labour migration to Japan below) and few changes relative to labour migration in the Immigration Control Act, renamed in 1982 to the Immigration Control and Refugee Recognition Act (ICRRA). Since the 1980s, there were three turning points in labour migration policy in Japan, legislated by major changes in the ICRRA: at the end of the 1980s, early 2010s and in 2019.

### *The end of the 1980s: An expansion of the framework for high-skill labour migration and the emergence of indirect channels for low-skill labour migration*

The 1989 revision of the Immigration Control and Refugee Recognition Act (ICRRA), enacted in 1990, introduced some of the main changes in the 60 years since the Immigration Act was first enacted. These changes were introduced in a very favourable economic context, following Japan's post war economic miracle and unprecedented economic growth of the 1980s. Although the Japanese labour market of the late 1980s and early 1990s was tight, the demographic context was much more favourable than it currently is, with a growing labour force up to the 1990s.

The 1951 Immigration Control Act introduced several statuses of residence for highly-skilled foreigners. These *statuses of residence* based on occupation are the foundation of the current framework for high-skill labour migration to Japan. The 1989 revision of the ICRRA revised the existing categories of high-skill labour migration and introduced new categories most of which are still used today, such as Professor, Instructor, Researcher, Intra-company transferee, among others.

Another important development in migration policy introduced in 1990 was the creation of a status of residence, *long-term resident*, for individuals of Japanese ancestry up to the third generation, referred to as *Nikkeijin*. This status of residence effectively brought many Brazilians and Peruvians of Japanese ancestry to work in Japan often in low-skill occupations through placement agencies. Long-term residents have a status of residence based on ethnicity and as such have unrestricted access to the Japanese labour market (See Box 3.1).

### Box 3.1. Past experience with recruitment of workers of Japanese origin (Nikkeijin)

In the early part of the 1900s, Japan encouraged emigration towards South America, principally Brazil and Peru. As a result, there are several million persons of Japanese descent living in these countries, most three or four generations removed from their ancestors who left Japan.

Starting in the late 1980s, Japan opened the possibility for descendants of Japanese (up to the third generation) to come to Japan through one of two channels: an invitation for a family visit or for employment. In almost all cases, descendants from Brazil and Peru came through agencies (*empreiteras* in Portuguese), often taking on several months' salary in debt to pay fees and costs. Agencies dispatched these workers, usually in the manufacturing sector. Later family reunification occurred through the labour channel since few workers had the income to guarantee for spouses or children. The number of Brazilians and Peruvians in Japan rose quickly, from fewer than 3 000 in 1986 to 20 000 in 1989, 67 000 in 1990 and 136 000 in 1991. By 2000 the number stood at 300 000 and peaked in 2007 at 377 000.

The status of residence for most Nikkeijin was at first "Long Term Resident" or "Spouse or Child of a Japanese national". Over time, many became permanent residents, and the number of family of Japanese nationals declined.

In the 1990s and early 2000s the Nikkeijin were the main group of foreigners in lower skill employment. There was no skills or education threshold applied. Most were employed through agencies as dispatched workers in the manufacturing sector, even if placement was often for extended periods in the same manufacturing facilities. The dispatch model meant that most did not integrate into the regular labour market but remained in a parallel and segregated market in which their interaction was mediated through brokers who spoke Portuguese or Spanish.

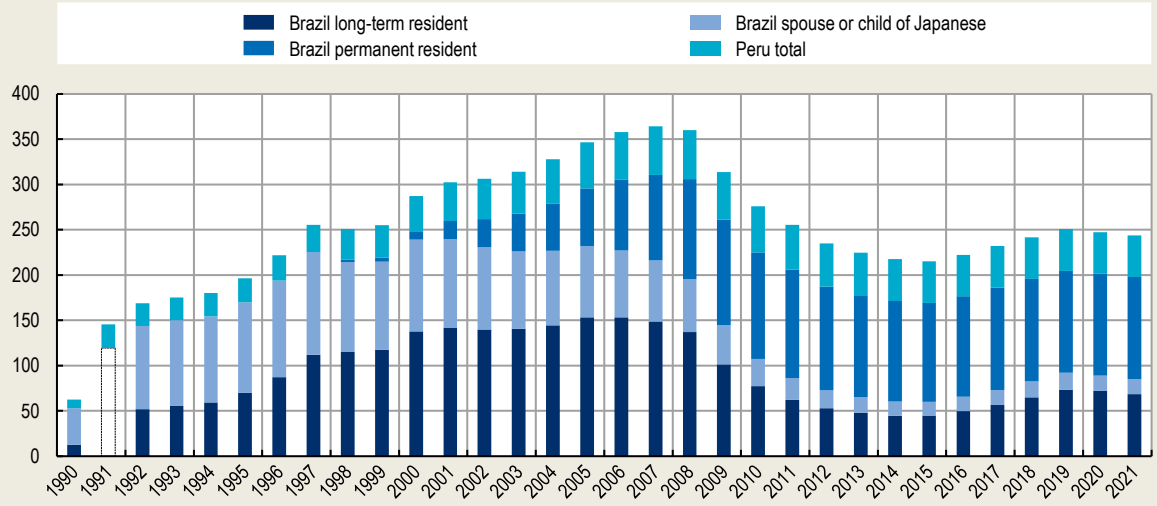
The employment model broke down with the economic crisis of the late 2000s, when Nikkeijin were thrown into unemployment at much higher rates than native workers. Retraining was difficulty since few spoke Japanese.

The setback in outcomes of these migrants was highlighted in the 4th Basic Plan (2010): "those of Japanese descent have been in a difficult position due to the recent recession, and one challenge facing us has been acceptance of such foreign nationals so that they will be able to live a stable life in Japanese society while also having them fulfil their obligations as a member of the local community."

Many Brazilians went home. In April 2009, the Japanese Government started offering grants (JPY 300 000 to each Long-Term Resident and an additional 200 000 for each family member) to those who were willing to return to their home countries, on the condition they not come back to Japan on the same type of visa. By February 2010, about 20 000 had taken the grant. Of those who departed Japan, most preferred to return without taking a financial contribution. Japan prohibited beneficiaries of the Japanese Return Programme who had returned to origin countries with financial support from re-entering Japan under the status of residence for Nikkeijin, but lifted the ban on 15 October 2013, allowing them to come back to Japan under the same status if they have a labour contract for a year or more. Between 2007 and 2013, the number of Brazilians in Japan fell by 43% and the number of Peruvians fell by 19%.

The pool of descendants of Japanese living in South America is not likely to be an important source of foreign workers. There are at most several million potentially eligible, and they are well informed of the conditions in Japan, since "practically every Nikkeijin household has one member of the household with some working experience in Japan" (Goto, 2007[1]). Many cycle back and forth between Japan and South America. Inflows to Japan of about 10 000 annually in the late 2010s reflect this stable and circular movement.

## Figure 3.1. Brazilian and Peruvian residents, 1990-2022, in thousands




Source: Ministry of Justice.
Note: Data by status of residence is not available for 1991.

The experience with Nikkeijin sheds light on some of the challenges for integration of labour migrants even when they have no restrictions on employment. The relegation to dispatched employment hindered full labour market integration. Their children – like all children of foreign nationality – were not required to attend Japanese schools, although they had the option to do so. In 2002, about half of the Brazilian children between age 5 and 14 were not frequently attending school (Sasaki, 2008[2]); rates of absenteeism of 40% or more were reported. Further, some Nikkeijin went to private Brazilian schools, where they learned little or no Japanese. Poor language skills are an issue for those in who attended both public or private schools (Ishida, Nakamuro and Takenaka, 2016[3]; Vaipae, 2001[4]). The uneven schooling contributed to the negative social outcomes and exclusion of these young people (Takenoshita et al., 2013[5]). Despite their long stay in Japan, many Nikkeijin do not have high levels of mastery of the Japanese language. In the 2021 ISA survey, 37.8% of Brazilians struggled to understand even basic written Japanese, and an additional 13.5% had only limited (JLPT N5 level) ability. Oral skills were slightly better, although 31.8% could not engage in even a simple conversation.

Japan still allows Nikkeijin up to the third generation to come to Japan for work or visit. However, fourth-generation descendants are only able to use a separate programme, introduced in 2018. The residence status for fourth-generation descendants applies age requirements (between 18 and 30, the same as for most Working Holiday Programmes) but also a basic (N5 level) Japanese-Language proficiency at the time of entry. In addition, the applicant must have a no-fee “Supporter Accepting Fourth-generation Japanese” who will assist them in their lives, activities and work after arrival in Japan. The number of entries is capped; the annual ceiling was set at 4 000 admissions.

Source: Guidelines for Fourth-generation Japanese, www.moj.go.jp/isa/content/001344922.pdf, (Revised on 29 March 2021).

Furthermore, the same revision of the ICRRA introduced the current system in which international students may apply for an authorisation to work part-time along their studies in Japan. The access to the labour market of international student in Japan has remained unchanged since 1990 and is one of the most liberal across the OECD (OECD, 2022[6]). The contribution of international students to employment in Japan increased significantly in the 2010s, making international students a relevant source of labour currently, particularly in the retail sector.

Following the approval by parliament in August 1999 of new measures to combat illegal immigration, in October 1999 the duration of initial visas accorded to all skilled workers, except for entertainers, was extended and the entry requirements for certain categories of skilled worker were the subject of a slight relaxation.

### *The early 2010s: the establishment of the Technical Intern Trainee status of residence and the introduction of the Points-Based System*

Two revisions of the ICRRA, in 2009 and 2012, introduced important changes to labour migration policy in Japan. The 2009 revision established the status of residence Technical Intern Trainee. Technical interns are the largest source of medium to low-skilled foreign labour currently in Japan. At the other end of the skill spectrum, the 2012 ICRRA revision introduced a Points Based System (PBS) to increase Japan's foreign talent attraction.

The Technical Intern Trainee Programme (TITP) was established in 1993 with the stated objective of transferring skills, technologies, and knowledge to developing countries and promoting international co-operation. Until 2010, when the change in the ICRRA came into force, technical intern trainees were considered trainees – not workers – and as such were paid a training allowance often below minimum wage, and did not have the right to paid overtime, nor social security benefits. With the introduction of the Technical Intern Trainee status of residence, as a separate status of residence, technical intern trainees were protected as workers based on the Labor Standards Act.[1] In the last decade, the TITP went through other major changes, in terms of allowed duration of stay and eligible sectors, but also in terms of oversight (See Chapter 6).

The PBS was enacted in 2012 with the subsequent creation of three types of activities permitted by the status of residence for *highly skilled professionals* in 2015*:* academic research; specialised/technical; and business management. The introduction of the PBS was part of an overall strategy to make Japan more attractive for high-skilled workers in the aftermath of the 2009 global financial crisis. The creation of a PBS was called for in the 2010 4th Basic Plan (See Box 3.2).

Relative to immigrants under the specialised and technical fields statuses of residence, immigrants admitted through the PBS benefit from an easier immigration procedure (faster processing times, longer permit duration) and better overall conditions in the host country (earlier eligibility for permanent residence, unrestricted labour market access for spouses, and the possibility for some to bring ascendent family members and domestic workers).

### Box 3.2. The Basic Plans

The background to the formulation of the first "Basic Plan for Immigration Control" lay in the large influx of foreigners entering, and staying in, Japan in the 1980s as a result of rapid economic growth. In response, the Immigration Control and Refugee Recognition Act was revised in 1990 to improve the status of the residence system and make screening criteria more transparent. It was following this revision that the "First Basic Plan for Immigration Control" was established by the Immigration Control Policy Roundtable of the MOJ in June 1992 as a guideline for medium- to long-term immigration and residency management for foreigners.

Between 1990 and 2019, the MOJ organised a total of seven roundtable conferences and released six editions of the Basic Plan (1992, 2000, 2005, 2010, 2015 and 2019). The Basic Plans reveal a gradual change in the government's policy position towards immigration over the past three decades.

The First Basic Plan reflected the prevalent political atmosphere in the 1990s by reaffirming the existing immigration policy and focusing on measures to promote the "smooth exchanges of personnel" and to counter "illegal foreign workers". During the 1990s, the basic principles of migration policy were reiterated in the Economic Plan (1996) and the Employment Counter Measures Plan (1996), according to which "Japan [would] readily accept foreigners possessing technological expertise, skills or knowledge or who engage[d] in business which require[d] a knowledge of foreign culture not possessed by Japanese nationals". Those with lower levels of qualification, however, were not to be accepted. Ethnic Japanese who entered under the status of residence Long-Term Resident were exempt from qualifications thresholds.

Starting with the Second Basic Plan in 2000, all Plans have expressed concern over Japan's ageing population and the need to expand the intake of foreigners. For example, the Third Basic Plan, in 2005, introduced the aim to address labour shortages in elder care through accepting foreign nursing care workers, which led to the acceptance of nurses and nursing care workers through Economic Partnership Agreements in the late 2000s. The Fifth Basic Plan, in 2015, noted the need for more "acceptance of foreigners in light of the declining birth rate and ageing population".

All developments in Japan's immigration policy are announced in the Basic Plans. The Fourth Basic Plan in 2010 introduced the point-based system for highly-skilled professionals. The revisions of the different migration channels were also discussed in the Plans, including those of the Technical Intern Training Programme.

The Plans also reflect global events and concerns. The Third Basic Plan in 2005 called for stricter border control and increased fight against illegal foreign residents, following the terrorist attacks on the United States on 11 September 2001. The Fifth Basic Plan in 2015 called for prompt asylum for refugees as the duty of a contributing member of the international community.

In December 2018, the Immigration Control Act was amended, assigning explicit responsibility to the Ministry of Justice for ensuring equitable management of the "residence of foreign nationals" in addition to immigration control. The Plan was renamed "Basic Plan for Immigration Control and Residency Management". The latest Basic Plan for Immigration and Residency Management, published in April 2019, emphasises the further active acceptance of foreigners who vitalise the Japanese economy and the development of an environment for coexistence with foreigners. The plan discusses the management of the newly established *Specified Skilled Worker* status of residence and improved management of the *Technical Intern Training* Programme.

The Plans do not set numerical targets for migration but rather guide policy development in the domains it covers, identifying issues that have emerged in the implementation of the preceding Plans. In that

sense, the roundtable conferences to draft the Basic Plans were an important mechanism for the MOJ to co-ordinate discourse on immigration policy reform across stakeholders.

In addition to the Plan, once a year, the Immigration Services Agency compiles a report detailing the situation surrounding immigration control and residency management and its latest measures.

Source: Ministry of Justice, Basic Plans, various years, www.moj.go.jp/isa/policies/policies/basic_plan.html.

### *2019: The introduction of the Specified Skilled Worker Programme, a turning point for medium to low-skill labour migration*

During the 2010s, the Japanese labour market became increasingly tight. Shortages reported by employers increased across all sectors (see Chapter 2). Despite the counteractive increase in the employment rate of women and older workers, the effects of demographic ageing on the labour market became increasingly felt.

This shift in the demographic and labour market contexts led to a more active public debate on whether to create new channels for labour migration to meet shortages in the Japanese labour market. Japan's labour migration policy had been so far very restrictive towards low-skill immigration. No channels for low-skill migration offered a pathway to permanent residency in Japan.

Japanese public opinion is relatively positive towards hosting immigrants. Most of the Japanese (59%) think that *immigrants make Japan stronger because of their work or talents*, the same share than in the United States or Germany, according to a 2018 Pew Research Survey.[2] They are also less likely to think that *immigrants are a burden because they take away jobs and social benefits.* Only 31% declare so in Japan, compared with 34% in the United Sates and 35% in Germany.

An increasing share of Japanese support an increase in immigration. 69% of Japanese are favourable to an increase in immigration to Japan, according to a 2019 Nikkei Survey.[3] 82% of respondents state the need for foreign workers as a main reason to accept more immigrants into the country. This represents an increase of 10 percentage points year on year.

In the 2010s, in a favourable overall economic and social context, the Japanese Government took some measures to allow an increase in migration to address labour shortages. In 2014, the government allowed Technical Interns in the construction and ship building industries to remain in Japan for an additional two years, under a designated visa, to address labour shortages due to the preparation of the 2020 Olympic Games. More generally, in 2017, a major revision of the TITP extended the total duration of stay of Technical Interns from three to five years and introduced a stream in the programme for nursing care.

The main turning point in labour migration policy occurred in December 2018 through a major revision of the ICRRA. The main changes introduced by this revision were the establishment of a new immigration programme for medium to low skill foreign workers – the Specified Skilled Worker Programme (SSWP) –; the introduction of an immigrant integration framework – the *Comprehensive Measures for the Acceptance and Coexistence of Foreign Residents*; and the establishment of the Immigration Services Agency (ISA), as an external agency of the Ministry of Justice (See Box 3.3).

The SSWP aims at accepting work-ready foreign workers, with specific expertise and skills, in sectors facing labour shortages. There are two streams in the new programme, *Specified Skilled Worker (i)* and *Specified Skilled Worker (ii)*. The first stream offers up to five years of residency for foreign workers in one of the 14 sectors (since then regrouped into 12) considered under pressure. Applicants are required to take a sector specific exam and a Japanese language test. The second stream is only open to foreign workers with more advanced skills. Initially, it applied only to the construction and the shipbuilding and ship

building machinery industries. It has since expanded to 11 sectors.[4] It offers the possibility of family reunification and a pathway to permanent residency.

The *Comprehensive Measures for Acceptance and Coexistence of Foreign Nationals* include measures related to various aspects of daily life such as the working environment, education, healthcare, and housing. The Comprehensive Measures are revised every year. In 2022, the government formulated the Roadmap for the Realization of a Society of Harmonious Coexistence with Foreign Nationals, which identifies medium to long-term issues to address The implementation status of the Roadmap is to be assessed annually.

Although the creation of a mid to low skill temporary migration programme represents a shift in migration policy, it remains unclear the extent to which it will translate into a pathway to permanent residency for medium to low skill immigrants. At this point, an overall immigration policy is still lacking.

### Box 3.3. Key actors in Japanese labour migration policy

The **Immigration Service Agency** (ISA) is an external bureau of the Ministry of Justice responsible for overall immigration administration. It was established in 2019 following a revision of the Immigration Control and Refugee Recognition Act (ICRRA). The Agency oversees border control, carries out immigration enforcement activities, and manages the status of residence system under the Immigration Control and Refugee Recognition Act. The ISA regularly publishes immigration statistics, as well as a yearly report, *Immigration Control and Residency Management*, on immigration trends and migration policy developments.

The **Ministry of Health, Labor and Welfare** (MHLW) is responsible for monitoring the labor conditions of foreign workers and supporting foreign job seekers. All firms in Japan must declare the beginning and end of any employment spell of a foreign worker (except for special permanent residents). Based on these firms' declarations, the MHLW publishes every year a Summary of Notifications of Employment of Foreign Workers, a comprehensive picture of foreign employment in Japan. The Employment Security Bureau (ESB) under the MHLW and its local branches, Hello Work, the Public Employment Services of Japan, play a role in providing advice to foreign workers, helping job seekers find employment, as well as preparing international students for job hunting in Japan.

The **Organization for Technical Intern Training** (OTIT) co-ordinates, implements and oversees the Technical Intern Training Program (TITP) in collaboration with Japanese employers and relevant organisations in partner countries. The OTIT plays an important role in monitoring and inspecting the working conditions of technical intern trainees. It publishes annual statistics on violations of regulations of the TITP.

The Specified Skilled Worker Programme (SSWP) is co-ordinated by the MOJ. However, each industry stream of the programme is managed by the ministry in charge of the industry (MHLW, MAFF, METI, MLIT). In particular, the ministries design and administer the skills tests for eligibility into the programme.

## Labour migration to Japan

### *The immigrant population in Japan remains one of the smallest in the OECD*

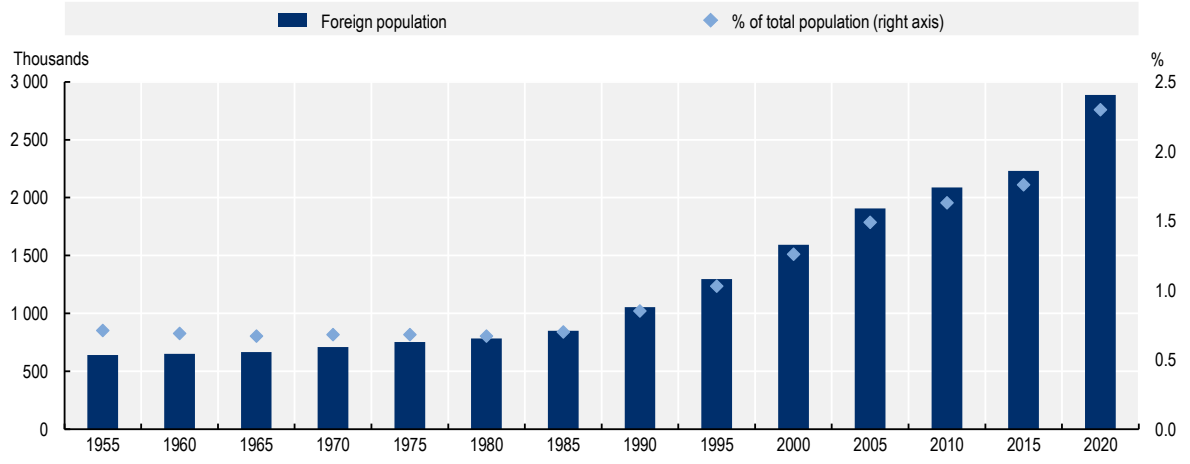
Japan was largely a sending country of migrants until the 1930s, and throughout the four decades following World War II, there was little migration to Japan (Figure 3.2). The foreign population was small and stable at 0.7% of the total population, predominately composed of Koreans who remained in Japan at the end of World War II. There are often referred to as Zainichi (literally "residing in Japan") or Zainichi Koreans. Koreans accounted for 90% of the total foreign population in 1950 and still for 80% in 1985.

The first significant increase in the foreign population in Japan was due to high-skilled labour migration in the 1980s, mainly from China. The Chinese foreign population increased threefold from 1980 to 1990, from approximately 50 000 to 150 000.

A second source of growth in the foreign population was the arrival of Brazilian and Peruvian Japanese descendants, referred to as Nikkeijin (Japanese diaspora). South Americans with Japanese origins started arriving in Japan for work in the 1980s due to the economic boom. However, their number only really took off after 1990 when the Japanese Government revised the Immigration Control and Refugee Recognition Act (ICRRA) to introduce a migration pathway for foreigners of Japanese ancestry (see Box 3.1). The number of foreigners holding the status of residence "workers of Japanese descent" rose from 71 800 in 1990 to 232 100 in 2000.

### Figure 3.2. Stock of foreign population in Japan 1955-2020

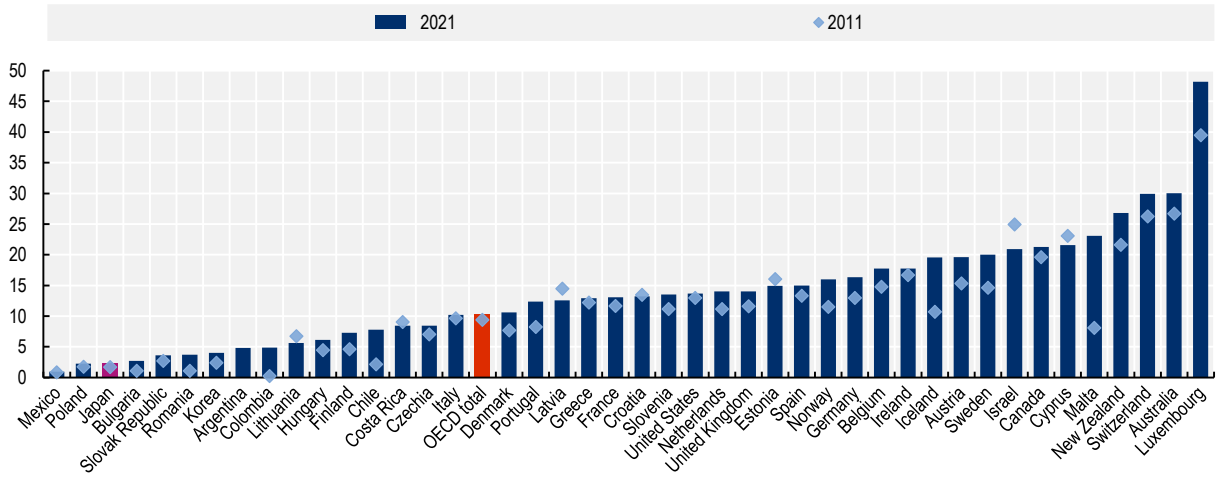
In thousands (left-axis) and in percentage of total population (right-axis)




Note: These numbers are based on the statistics as at the end of December each year. The numbers until 1985 represent the number of alien registrations, the numbers between 1990 and 2011 represent the sum of the number of alien registrations who stayed in Japan with the status of residence eligible for mid to long-term residents and the number of special permanent residents. The numbers from 2012 onwards represent the number of foreign residents adding together mid to long-term residents and special permanent residents.
The "percentage of the total population of Japan" is calculated based on the population as of 1 October each year taken from the "Population Estimates" and the "Population Census" of the Statistics Bureau of the Ministry of Internal Affairs and Communications.
Source: White Papers of Immigration Control and Residency Management 2021.

In the 2000s, and in particular in the last 10 to 15 years, immigration to Japan has increased again, driven by labour migrants and international students. Despite an increase in the share of foreigners in the total population from 1.7% to 2.3%, from 2011 to 2021, Japan remains one of the three OECD countries with the smallest immigrant population (Figure 3.3). As a comparison, in 2021, 10.4% of the OECD population was foreign born.

## Figure 3.3. Share of immigrants in the population, 2011 and 2021




Note: Total population (0+). Population with a foreign nationality as opposed to foreign-born in Japan and Korea.
Source: OECD/European Commission (2023[7]), *Indicators of Immigrant Integration 2023: Settling In*, https://doi.org/10.1787/1d5020a6-en.

### *Labour migration to Japan increased rapidly over the last decade and became more diversified*

While the total foreign population increased by 30% from 2010 to 2021, this increase varied substantially across the different migrant groups (Figure 3.4). Box 3.4 presents the different groups considered in the analysis.

### Box 3.4. Statuses of residence and main immigrant groups in Japan

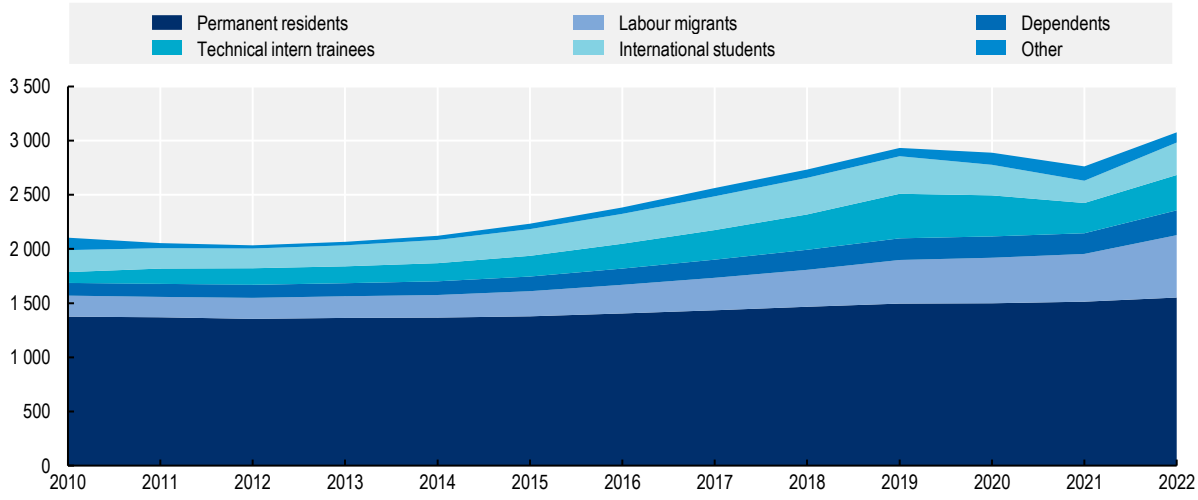
To live in Japan, foreigners need to be granted a *status of residence* (SoR) designated in the Immigration Control and Refugee Recognition Act (ICRRA). There are two main categories of SoR: those based on personal status (e.g. permanent resident, long-term resident), and those based on the authorised activities of the foreign national while in Japan. The authorised activities in Japan may be work-related, the focus of this publication, or not (e.g. student, visitor, cultural activities).

In this chapter, immigrants are classified into 5 groups based on their status of residence. First, there are all immigrants who are in Japan based on personal status. For simplicity, there are referred to as ***permanent resid*ents** in this chapter. This group includes spouses and children of Japanese citizens, special permanent residents (ethnic Koreans), long-term residents (mainly immigrants of Japanese descent), and immigrants who acquired permanent residence after living in Japan for a long-time, usually at least ten years. Second, there are skilled **labour migrants and their dependents.** As described in the text, these are mainly highly-skilled migrants (See also section on Programmes for high skilled migration in Chapter 4 and section on High-skilled labour migrants in Chapter 3.). Third, there are **technical intern trainees**, that is participants in Japan's Technical Intern Training Program (TITP) (See section on Temporary labour migration programmes for low-skill and medium-skill trades jobs in Chapter 4 and Chapter 6 for a detailed analysis of the TITP). Fourth, there are **international students**. (Chapter 5 discusses international students as potential high-skilled labour migrants). Fifth, there is a residual group, **other**, consisting of participants in cultural activities, artists, religious, entertainers, etc. Immigrants under Japan's *Designated Activities* status of residence are classified in this group. This status of residence encompasses many different categories of migrants, some are work related (such as participants in Economic Partnership Agreements) others are cultural exchanges with

work rights (working holiday makers) and others are dependents or humanitarian migrants, Box 4.2 in Chapter 4 describes this status of residence in detail. Small labour migration programmes under which migrants are in Japan under a Designated Activities status of residence are covered in Chapter 4.Annex Table 3.A.1 maps the statuses of residence of foreigners in Japan into the five groups above.

Note: Participants in the Specified Skilled Workers Programme, established in 2019, are classified under skilled migrants in this chapter for simplicity. The section on **Temporary labour migration programmes for low-skill and medium-skill trades jobs** in Chapter 4 and Chapter 6 cover this program.

## Figure 3.4. Stock of foreign population in Japan, main migrant groups, 2010-22, in thousands




Note: See Box 3.4 and Annex Table 3.A.1on the grouping of status of residence into the main categories of immigrants in the figure.
Stock at the end of the year.
Source: Immigration Services Agency.

The total population of permanent residents (that is all immigrants who are in Japan based on personal status, see Box 3.4) represents (without special permanent residents) 50% of all foreign residents in Japan in 2022, but a smaller share than it did in 2010, 65%. The declining share of permanent residents was driven by the decline in the number of special permanent residents and the stability of the number of long-term residents over the past 10 years. In 2022, special permanent residents, who are mainly Zainichi Koreans, represent 19% of this group. Their number decreased by one-third over the period to just under 200 000. Long-term residents, who are mainly Nikkeijin and some smaller categories such as resettled refugees, account for 13%. The remaining 68% are immigrants under the Permanent Resident SoR, that is immigrants who acquired permanent residence after living in Japan usually for at least ten years, as well as foreign spouses and children of Japanese citizens and Permanent Residents.

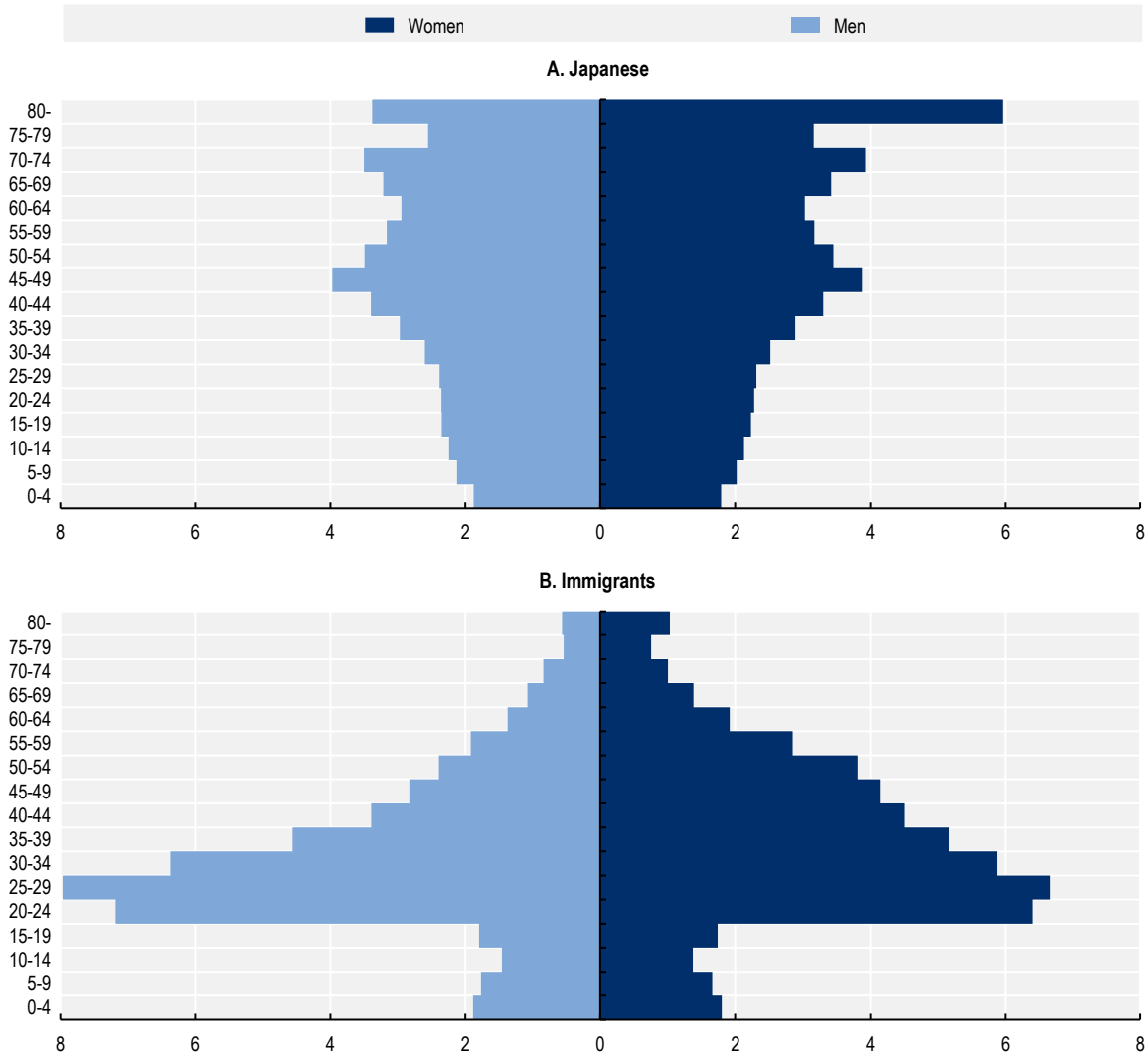
In contrast, the population of labour migrants and their dependents, technical intern trainees and international students increased sharply in the past 10 years. The number of labour migrants approximately doubled since 2010. The number of technical intern trainees tripled, and that of international students almost doubled, from 2012 to 2019.

In the last years, labour migration flows to Japan accounted for a larger share of flows than in any other OECD country. Among permanent-type migration flows, labour migration accounted for 60% of the total in 2019. This share was 30% for Canada, 26% for Australia, 18% for France and 15% for the United Kingdom (OECD, 2021[8]).[5] Moreover, inflows of technical intern trainees are excluded from the OECD's definition

of permanent-type labour migration in Japan. Including this inflow, would triple the inflows that are categorised as labour migration.

The immigrant population in Japan is young. This is driven by the high share of labour migrants, technical interns and international students in the overall migrant population. In 2020, 50% of foreigners in Japan – and 55% of foreign men – were aged 20 to 39, compared with 20% of the Japanese (Figure 3.5). Despite this over-representation of immigrants among youth, immigrants account only for 4.8% of all residents aged 20 to 39. This share has nevertheless increased by 1.6 percentage points (from 3.2%) since 2010 and is expected to increase further given Japan's population ageing.

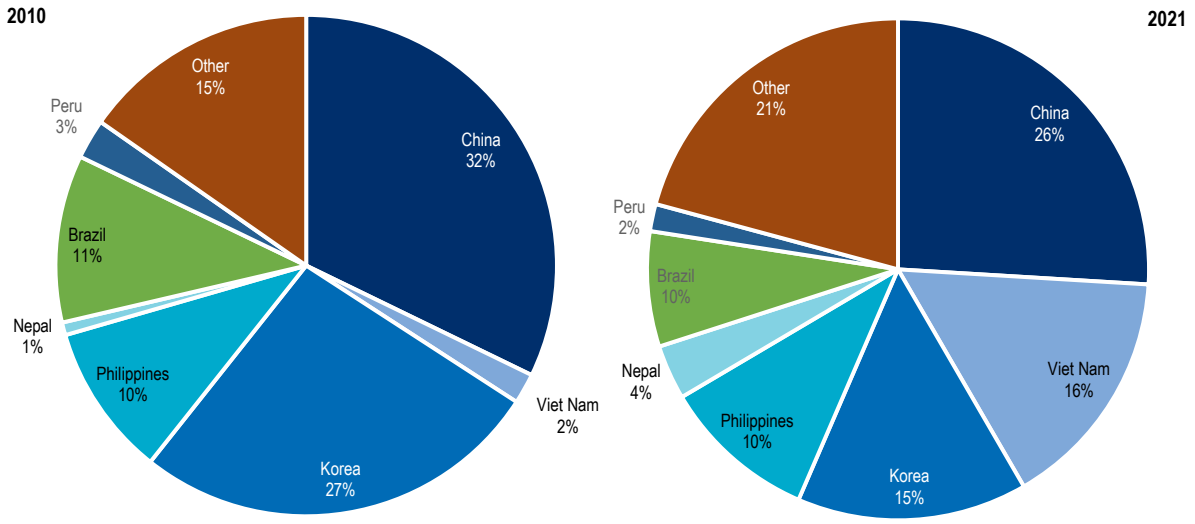
## Figure 3.5. Population pyramid, Japanese and immigrants, 2020




Source: Census 2020.

The composition of the foreign population by country of origin has changed significantly over the past decade. The main region of origin of foreigners remains Asia: 79% of foreign residents come from another Asian country in 2010 and 84% in 2021. The share of foreign residents from Korea and China decreased whereas that of Vietnamese increased tremendously (Figure 3.6).

## Figure 3.6. Main countries of origin of the foreign resident population, 2010 and 2021

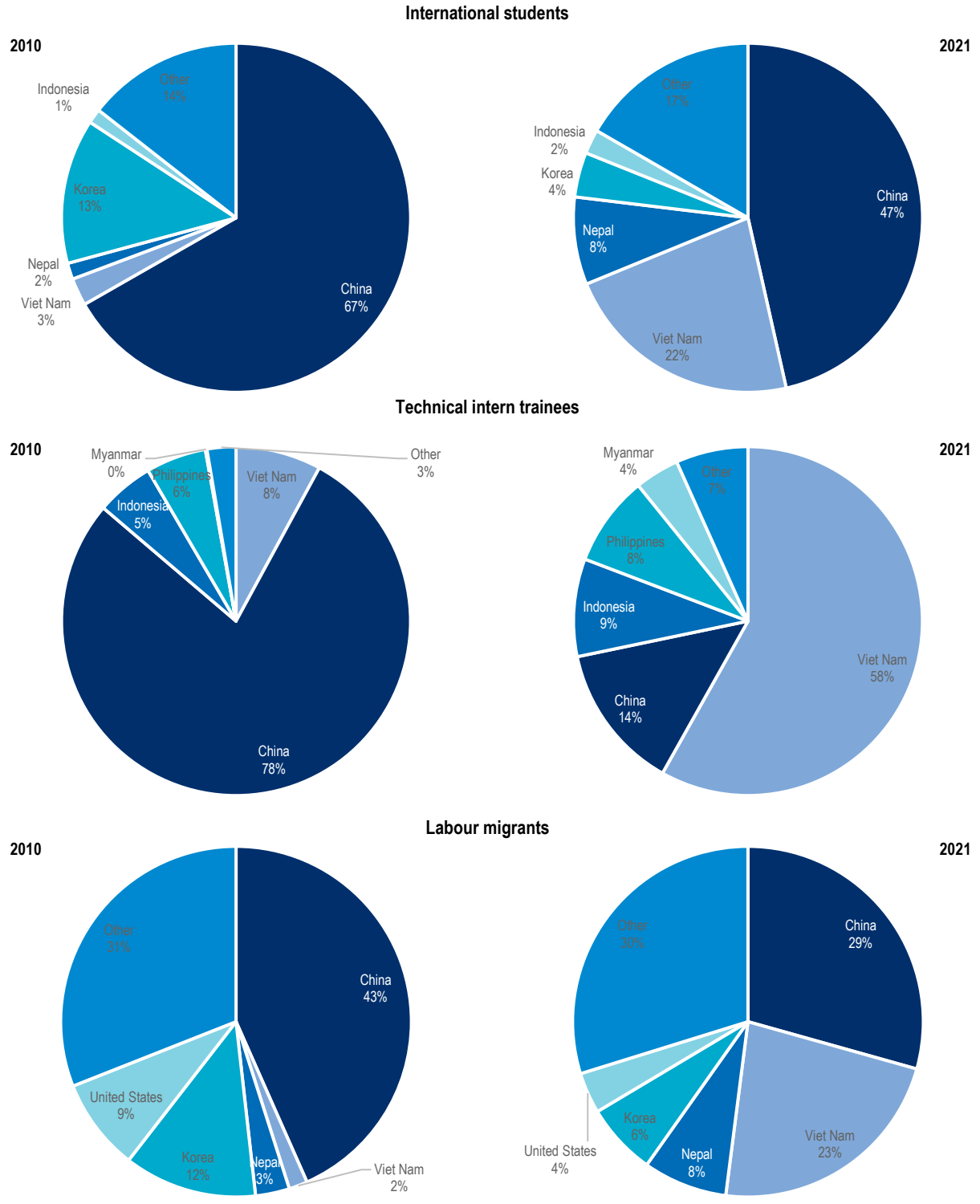



Note: Stock at the end of the year.
Source: Immigration Services Agency.

In 2021, only 15% of foreign residents are Korean compared with 27% in 2010. This is due to the slight decrease of the number of Zainichi Koreans over the decade. The share of residents from China, the main country of origin of migrants in Japan, has also decreased from 32 to 26%. This is a decrease across the different migrant groups. The number of Chinese international students in Japan decreased from 2010 to 2021. While they accounted for two-thirds of international students in Japan in 2010, they account for less than half in 2021 (Figure 3.7). The number of technical interns from China is by 2021 half of what it was in 2010. Only the number of Chinese labour migrants – despite its increase in absolute numbers – represents by 2021 only 29% of all labour migrants, compared with 43% in 2010.

In the last decade, Viet Nam became one of the main source countries of migrants in Japan. The number of Vietnamese migrants living in Japan increased 10-fold from 2010 to 2021. Vietnamese represent 58% of all technical interns, and between one fifth and one-quarter of all international students and labour migrants (Figure 3.7).

## Figure 3.7. Main countries of origin of immigrants, selected groups, 2010 and 2021




Note: Stocks at the end of the year.
Source: Immigration Services Agency.

### *The number of migrants in the labour market increased threefold over the past decade*

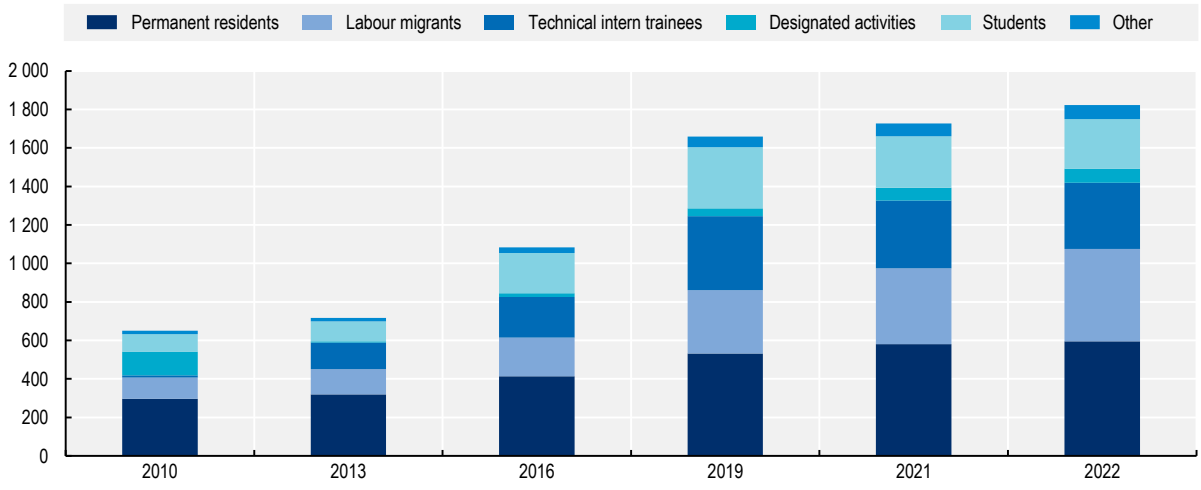
The number of migrants in the labour market increased much more rapidly than the total number of resident foreigners in Japan in the last 10 to 15 years. While as noted above, the total migrant population increased 30% from 2010 to 2021, the number of foreign workers increased 2.7-fold, from approximately 650 000 in 2010 to 1.7 million in 2021 (Figure 3.8).

The large increase in the number of migrants in the labour market comes from the increase in the number of labour migrants and technical intern trainees, whose main purpose of stay in Japan is employment, as well as from the increase in labour market participation of other migrant categories (such as international students or dependents).

The number of labour migrants and technical intern trainees employed by Japanese companies increased particularly sharply in the years leading to the pandemic, 2.8 and 2.5-fold respectively, from 2013 to 2019. This increase accounts for slightly over half of the increase in the number of migrants employed in Japanese companies over these years.

International students may work part-time during their studies in Japan, up to 28 hours per week. The number of students approximately doubled in the last 15 years and a larger share is taking up work alongside their studies. The number of recorded employment spells of international students tripled in the 6 years leading to the COVID-pandemic. In 2019, 318 000 employment spells of international students were recorded in Japan. Although this is likely to be an overestimation of the number of international students employed.[6] Nevertheless, survey data indicates that about three-quarters of international students in Japan work part-time (see also Chapter 6).

## Figure 3.8. Foreigners employed in Japan, in thousands, 2010-22




Note: Annex Table 3.A.1 presents the mapping of the status of residence into the main groups of migrants in the figure. Immigrants under the *Special Permanent Resident* status of residence are not included in this MHLW data set.
Technical intern trainees were under a *Designated Activities* status of residence until 2011.
Source: Summary of Notifications of Employment of Foreign Workers, MHLW.

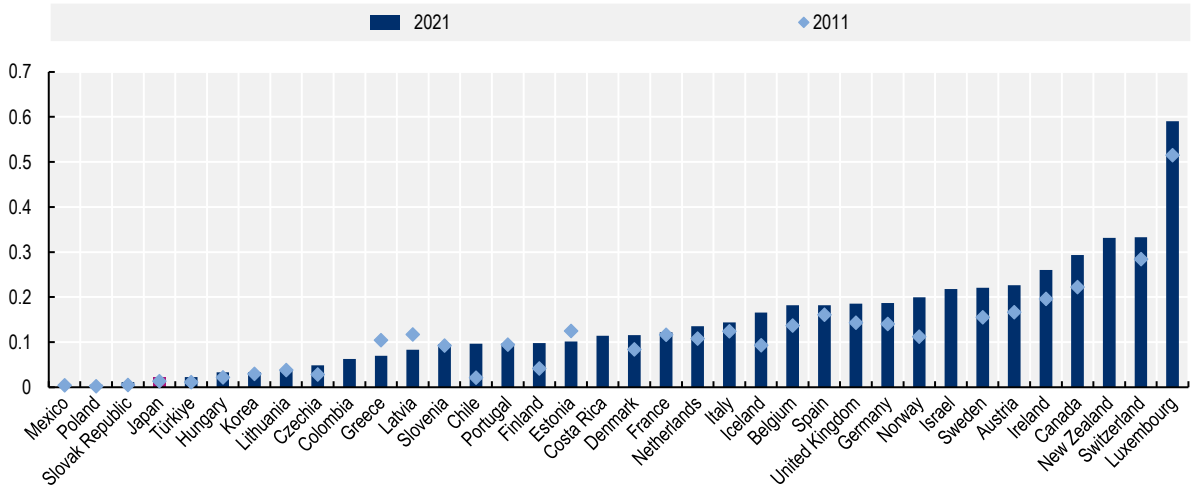
Similarly, more migrants under a *Designated Activities* status of residence participate in the labour market now than 10 years ago. This status of residence encompasses many different small programmes. Some are labour migration, such as Economic Partnership Agreement nurses and caregivers or domestic staff of migrants in Japan, others are international exchanges, such as working holidaymakers, or trainees, and some are humanitarian, such as individuals with refugee recognition in process (See Box 4.2 on the

*Designated Activities* SoR in Chapter 4). While the number of migrants under this status of residence tripled from 2013 to 2019, the number of employed migrants was multiplied by 5. Only a relatively small number of migrants is in Japan under a *Designated Activities* status of residence; however, the increase in the number of employed migrants under this status mirrors the overall increase in labour migration to Japan.

## The contribution of migrants to total employment is marginal but likely to increase in the next decade

Despite the increase in the number of labour migrants and employed migrants in Japan in the last decade, the share of immigrants in the employed population remains one of the lowest among OECD countries.

### Figure 3.9. Immigrant share in employment, 15-64 year-olds, 2011 and 2021




Note: Population with a foreign nationality as opposed to foreign-born in Japan and Korea.
Source: Secretariat calculations based on OECD/European Commission (2023[7]), *Indicators of Immigrant Integration 2023: Settling In*, https://doi.org/10.1787/1d5020a6-en.

Due to data gaps, it is not possible to estimate the role immigrants played in employment growth over the last decade. According to the Japanese labour force survey, total employment increased by 4.6 million – from 62.6 to 67.2 million – from 2010 to 2022. There is no variable indicating the country of nationality in the labour force survey. Hence, it is impossible to decompose this increase into the change in employment of foreigners and Japanese.

According to the declarations of employment to the MHLW, the number of foreigners employed by Japanese companies increased by almost 1.2 million – from 650 000 to 1.82 million – from 2010 to 2022. These numbers are an over-estimation of the number of employed foreigners in Japan. Taken at face value they would indicate that a quarter of the increase in employment was due to increased foreign employment.

The employment rate of women and older workers in Japan has already increased substantially in the last decade and the scope for further increases is now more limited (see Chapter 2). Immigration is likely to play a bigger role in driving employment growth in the next decades.

## Immigrants already account for a significant share of employment in some industries and some local labour markets

Immigrants in Japan, as in most other OECD countries, tend to work in different industries than the native-born (Table 3.1). According to the 2020 Census, 36% of employed foreigners work in *manufacturing*, compared with only 15% of Japanese workers. Immigrants are also over-represented in *accommodation, eating and drinking services* and *in information and communications*: 8% and 5% of immigrants work in these sectors, compared with 5% and 3% of Japanese workers.[7]

### Table 3.1. Distribution of foreign and Japanese workers across sectors, 2020

| Industry | Foreign | Japanese |
|---|---|---|
| Agriculture and forestry | 3.1 | 3.2 |
| Fisheries | **0.3** | 0.2 |
| Mining and quarrying of stone and gravel | 0.0 | 0.0 |
| Construction | 6.4 | 7.3 |
| Manufacturing | **36.1** | 15.3 |
| Electricity, gas, heat supply and water | 0.1 | 0.5 |
| Information and communications | **4.5** | 3.4 |
| Transport and postal activities | 3.1 | 5.5 |
| Wholesale and retail trade | 10.7 | 15.4 |
| Finance and insurance | 0.8 | 2.4 |
| Real estate and goods rental and leasing | 1.1 | 2.2 |
| Scientific research, professional and technical services | 2.9 | 3.7 |
| Accommodations, eating and drinking services | **8.4** | 5.3 |
| Living-related and personal services and amusement services | 2.1 | 3.5 |
| Education, learning support | 4.5 | 4.9 |
| Medical, healthcare and welfare | 4.4 | 13.4 |
| Compound services | 0.1 | 0.8 |
| Services, n.e.c. | 4.8 | 6.6 |
| Government, except elsewhere classified | 0.2 | 3.6 |
| Industries unable to classify | **6.3** | 3.0 |

Note: The numbers in each column add to 100%
Source: Census 2020.

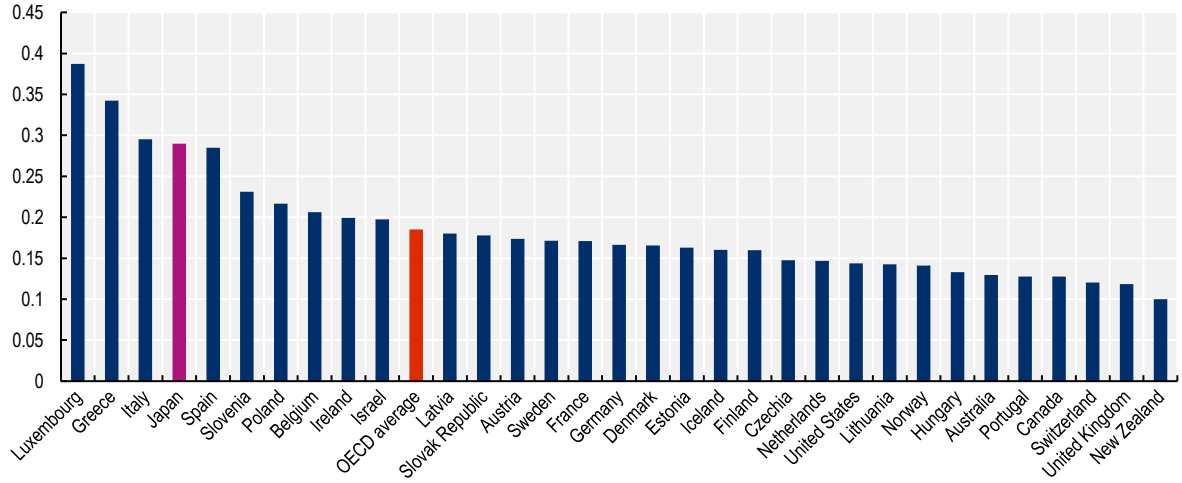
The concentration of immigrants in the hospitality sector is common across OECD countries, such as European OECD countries, Canada or the United States (see Annex Table 3.A.3). Like in Japan, immigrants in Canada and the United States are also more concentrated in Information and Communications than the native-born. However, the high concentration of immigrants in the manufacturing sector in Japan differs from most other OECD countries.

The very strong concentration of immigrants in manufacturing is the main reason why Japan is among the OECD countries in which the distribution of immigrants across industries differs more from that of the native-born (Figure 3.10).

Almost half of technical intern trainees are employed in manufacturing, compared with 27% of all employed foreigners (Table 3.2). A further 20% work in construction. While over 20% of skilled migrants also work in manufacturing, 14% also work in wholesale and retail trade and 12% in IT. Over half of international students work in accommodation and food services (35%) or in accommodation and retail services (21%).

## Figure 3.10. Sectoral immigrant concentration in OECD countries

Dissimilarity index, 2018




Note: The dissimilarity index is defined as half the sum of the absolute values of the differences between the distribution of the foreign-born across industries (ISIC) and the distribution of the native-born across industries. The index is calculated on 21 industries, except for Australia and New Zealand (19 industries). Data for Japan refer to foreign nationals, not foreign-born.
Source: OECD (2020[9]), *International Migration Outlook 2020*, https://doi.org/10.1787/ec98f531-en, based on European Union Labour Force Survey (EU-LFS 2005 and 2018), Current Population Survey (CPS 2005 and 2018), Canada: Census 2016 and LFS 2008. Japanese Census 2015, Australian LFS 2007 and 2017, New Zealand LFS 2005 and 2019, Israel LFS 2005 and 2019.

## Table 3.2. Share of foreign workers by status of residence, by industry, 2022

| Industry | Total | Labour migrants | Technical intern trainees | International students |
|---|---|---|---|---|
| Construction | 6.4 | 4.0 | 20.5 | 0.2 |
| Manufacturing | 26.6 | 22.4 | 48.9 | 7.4 |
| Information and telecommunications | 4.2 | 11.8 | 0.1 | 0.9 |
| Wholesale and retail | 13.0 | 13.7 | 8.1 | 21.0 |
| Accommodation and food services | 11.5 | 8.3 | 1.0 | 34.7 |
| Education and learning support | 4.2 | 6.6 | 0.0 | 6.6 |
| Medical care and welfare | 4.1 | 3.9 | 4.1 | 2.3 |
| Services, nec | 16.2 | 11.7 | 3.2 | 17.3 |

Note: The percentages in each column add to 100% when summed across all industries.
Source: *Summary of Notification of Employment Status of Foreign Workers* October 2022 (MHLW).

Despite the concentration of immigrants in a few sectors, given their low overall number, immigrants account for less than 5% of employment in any aggregate industry (see Annex Table 3.A.4). Immigrants account for a larger share of employment in manufacturing (4.4%), hospitality (3%), information and communication, as well as in the fishing industry (2.6%), compared with 2% of employment overall.

Within manufacturing, immigrants in Japan are concentrated in the manufacturing of food, textile and transportation equipment. We estimate that in 2020,[8] immigrants account for at least 10% of the total employed population in food manufacturing, 8% in textile manufacturing and 7% in manufacturing of transportation equipment.[9] Textile manufacturing is often a sector with an over-representation of immigrants in OECD countries: in the Baltic countries, Canada, Iceland, the Netherlands and the United States, immigrants are also over-represented (OECD, 2020[9]).

Furthermore, immigrants are geographically concentrated. The three most populous prefectures (Tokyo, Aichi and Osaka) account for 35% of all foreigners in Japan, compared with 24% of all Japanese according to the 2020 Census (Table 3.3).[10]

### Table 3.3. Top 10 most populated prefectures, share of foreign and Japanese, 2020

| Prefecture | Foreign | Japanese |
|---|---|---|
| Tokyo | 17.7 | 10.9 |
| Osaka | 9.2 | 6.9 |
| Aichi | 8.2 | 5.9 |
| Kanagawa | 7.8 | 7.3 |
| Saitama | 6.3 | 5.8 |
| Hyogo | 5.4 | 4.3 |
| Chiba | 5.3 | 5.0 |
| Fukuoka | 4.6 | 4.0 |
| Kyoto | 2.5 | 2.0 |
| Shizuoka | 2.4 | 2.9 |

Note: Top 10 prefectures according to the distribution of the foreign population.
Source: Census 2020.

The geographical concentration of foreign workers varies across immigrant groups. Thirty-eight percent of skilled labour migrants are employed in Tokyo, as well as 39% of international students. In contrast, only 6% of technical intern trainees work in Tokyo (Table 3.4). Technical intern trainees are dispersed all over the country. Their largest concentration is in Aichi, where 10% of technical intern trainees work.

### Table 3.4. Share of foreign workers by status of residence, selected prefectures, 2022

| Prefecture | Total | Labour migrants | Technical intern trainees | International students |
|---|---|---|---|---|
| Tokyo | 27.4 | 38.3 | 6.4 | 39.5 |
| Osaka | 6.8 | 8.3 | 6.0 | 10.0 |
| Aichi | 10.3 | 7.9 | 9.7 | 6.3 |
| Kanagawa | 5.8 | 6.2 | 3.8 | 3.5 |
| Saitama | 5.1 | 4.0 | 4.5 | 5.0 |
| Hyogo | 2.8 | 2.7 | 3.2 | 4.1 |
| Chiba | 3.8 | 3.4 | 3.9 | 3.3 |
| Fukuoka | 3.1 | 2.5 | 3.8 | 7.2 |
| Kyoto | 1.3 | 1.6 | 1.4 | 1.5 |
| Shizuoka | 3.7 | 2.3 | 3.6 | 1,6 |

Note: The percentages in each column add to 100% when summed across all 47 municipalities.
Source: *Summary of Notification of Employment Status of Foreign Workers* October 2022 (MHLW).

The geographical and sectoral concentration of immigrants implies larger concentrations in local labour markets than their small share in total employment. According to the 2020 Census, immigrants represent between 5 and 10% of total employment in manufacturing in some prefectures (such as in Shimane, Gifu, Mie or Gunma), as well as in agriculture in the prefecture of Ibaraki. Despite the small share of immigrants working in the fishing industry, they account for 32% of employment in the fishing industry in Hiroshima, and over 5% in seven other prefectures.

## Box 3.5. Main data sources on labour migration in Japan

### Population Census and survey data

The most comprehensive data on immigrants in Japan is the Population Census, similarly to other countries. The information on the country of birth is not available in the Census. Japanese statistics follow the citizenship classification, not the place of birth, in recording the nativity information of individuals. A main drawback of the population census is that there is no question on the status of residence of foreigners. Hence, it is not possible to identify labour migrants.

Contrary to most OECD countries, the labour force survey in Japan does not contain information on country of nationality. Many OECD cross-country comparisons of the situation of immigrants in the labour market are drawn on labour force surveys given that labour force surveys are timely and closely comparable across countries.

However, the Basic Survey on Wage Structure has introduced information on the status of residence in 2019. This is a survey of establishments in 16 industries. The survey does not target foreign workers but has been shown to cover approximately one-third of foreign workers in Japan. This is, for the time being, the most comprehensive data set currently available on the working conditions of foreign workers.

The Basic Survey on Foreign Residents FY2021 is conducted by the Immigration Services Agency based on the "Comprehensive Measures for Acceptance and Coexistence of Foreign Nationals". The survey aims at grasping the situation of foreign residents and the problems in their work, daily life, and social lives. As such, it contains detailed information on foreign residents – demographic characteristics, education abroad and in Japan, status of residence, years spent in Japan – and their experience in the Japanese labour market and society.

### Administrative data

The Immigration Services Agency collects detailed administrative data on entry and exit from Japan, as well as on immigration procedures. The ISA publishes detailed monthly statistics on immigrant flows by status of residence, on renewals and changes of status, and on permissions to work outside of residency status (mainly for international students and dependents of labour migrants).

The Ministry of Health, Labour and Welfare (MLHW) collects data on foreigners employed in Japan. Since 2007, employers are required to notify the ministry at the beginning and end of employment of all foreign workers, apart from special permanent residents, and foreigners with a status of residence of "diplomat" or "official". Failure to do so, or providing an incorrect notification, is subject to a fine of up to JPY 300 000. This administrative data set is a de facto continuous census of the employed foreign population. It contains information on the worker (nationality, status of residence, gender, age) as well as on the employer (size and industry of the firm, prefecture).

A "Summary of Notification of Employment Status of Foreign Workers" with summary statistics is published as of the end of October each year. Unfortunately, the microdata is not available to external researchers and has never been analysed to produce a more detailed analysis of foreign employment in Japan.

The collected data has a longitudinal dimension for both foreign workers and firms. The data could be used to study the job mobility of foreigners and address questions such as: how stable the jobs of foreigners with different status of residence are; or whether technical trainees who transition to specified skilled workers change employers; among others. The data could also be mobilised to study firms' recruitment patterns of foreigners, and to understand for example, how firms expand their hiring of foreign workers under different status of residence over time.

A main drawback of this data is that there is no comparable data on Japanese workers. Any comparison with Japanese workers must draw on alternative data sets.

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# Annex 3.A. Additional tables

## Annex Table 3.A.1. Main groups of foreigners in the chapter

| International Students | Technical intern trainees | Permanent residents | Labor migrants | Dependents | Other |
|---|---|---|---|---|---|
| Students | Technical Intern Training No.1(a) | Special permanent residents | Professor | Dependent | Cultural activities |
| | Technical Intern Training No.1(b) | Long-term residents | Highly-Skilled Professional No.1 (a) | | Designated activities |
| | Technical Intern Training No.2(a) | Permanent resident | Highly-Skilled Professional No.1 (b) | | Trainee |
| | Technical Intern Training No.2(b) | Spouse or child of permanent resident | Highly-Skilled Professional No.1 (c) | | Artist |
| | Technical Intern Training No.3(a) | Spouse or child of Japanese national | Highly-Skilled Professional No.2 | | Religious |
| | Technical Intern Training No.3(b) | | Business manager | | Journalist |
| | | | Legal/Accounting Services | | Entertainer |
| | | | Medical Services | | |
| | | | Researcher | | |
| | | | Instructor | | |
| | | | Engineer/Specialist in Humanities/ International Services | | |
| | | | Intracompany Transferee | | |
| | | | Nursing Care | | |
| | | | Skilled labor | | |
| | | | Specified Skilled Worker (i) | | |
| | | | Specified Skilled Worker (ii) | | |

Source: Secretariat grouping based on Status of Residence as of 1 April 2021, as in Immigration Services Agency (2021[10]).
Note: Special permanent residency is not a Status of Residence.

## Annex Table 3.A.2. Distribution of foreign workers across industries, 2020

| Industry | Census | Employment notifications |
|---|---|---|
| Agriculture and forestry | 3.1 | 2.2 |
| Fisheries | 0.3 | 0.2 |
| Mining and quarrying of stone and gravel | 0.0 | 0.0 |
| Construction | 6.4 | 6.4 |
| Manufacturing | 36.1 | 28.0 |
| Electricity, gas, heat supply and water | 0.1 | 0.0 |
| Information and communications | 4.5 | 4.1 |
| Transport and postal activities | 3.1 | 3.6 |
| Wholesale and retail trade | 10.7 | 13.5 |
| Finance and insurance | 0.8 | 0.6 |
| Real estate and goods rental and leasing | 1.1 | 0.9 |
| Scientific research, professional and technical services | 2.9 | 3.4 |
| Accommodations, eating and drinking services | 8.4 | 11.8 |
| Living-related and personal services and amusement services | 2.1 | 1.4 |

| Industry | Census | Employment notifications |
|---|---|---|
| Education, learning support | 4.5 | 4.2 |
| Medical, healthcare and welfare | 4.4 | 2.5 |
| Compound services | 0.1 | 0.3 |
| Services, n.e.c. | 4.8 | 16.1 |
| Government, except elsewhere classified | 0.2 | 0.6 |
| Industries unable to classify | 6.3 | 0.3 |

Note: The numbers in each column add to 100%. The large share of foreign workers in "Services, n.e.c." in the MHLW Notifications of Employment Status of Foreign Workers is driven by 8% of total foreigners working in "Employment and worker dispatching services".
Source: Census 2020 and *Summary of Notification of Employment Status of Foreign Workers* October 2020 (MHLW).

## Annex Table 3.A.3. Distribution of immigrants and native-born across industries

European OECD countries, the United States and Canada

| | Europe | | United States | | Canada | |
|---|---|---|---|---|---|---|
| | Immigrant | Native-born | Immigrant | Native-born | Immigrant | Native-born |
| Agriculture, forestry and fishing | 1.9 | 3.4 | 1.9 | 1.5 | 1.2 | 2.7 |
| Mining and quarrying | 0.2 | 0.3 | 0.4 | 0.5 | 0.7 | 1.6 |
| Manufacturing | 14.4 | 15.3 | 10.9 | 10.0 | 10.7 | 8.5 |
| Electricity, gas, steam and air conditioning supply | 0.3 | 0.7 | 0.3 | 0.7 | 0.4 | 0.8 |
| Water supply; sewerage, waste management and remediation activities | 0.5 | 0.8 | 0.4 | 0.6 | 0.2 | 0.4 |
| Construction | 7.8 | 6.6 | 10.4 | 6.4 | 5.6 | 7.6 |
| Wholesale and retail trade | 12.6 | 13.9 | 12.4 | 14.4 | 15.0 | 16.5 |
| Transportation and storage | 6.1 | 5.1 | 5.7 | 4.4 | 5.9 | 4.5 |
| Accommodation and food service activities | 9.4 | 4.1 | 9.1 | 6.6 | 8.5 | 6.3 |
| Information and communication | 3.3 | 3.2 | 4.8 | 3.8 | 4.8 | 3.2 |
| Financial and insurance activities | 2.2 | 3.2 | 3.7 | 5.0 | 5.5 | 4.1 |
| Real estate activities | 0.8 | 0.9 | 1.8 | 2.2 | 2.0 | 1.4 |
| Professional, scientific and technical activities | 5.1 | 6.1 | 4.3 | 5.9 | 6.6 | 5.7 |
| Administrative and support service activities | 6.7 | 3.9 | 6.2 | 3.6 | 5.2 | 3.9 |
| Public administration and defense; compulsory social security | 2.8 | 7.7 | 2.4 | 5.3 | 3.6 | 7.2 |
| Education | 5.6 | 8.2 | 6.3 | 9.5 | 6.2 | 8.0 |
| Human health and social work activities | 11.4 | 11.6 | 12.6 | 13.8 | 12.2 | 12.0 |
| Arts, entertainment and recreation | 1.5 | 1.9 | 1.5 | 2.5 | 1.6 | 2.5 |
| Other service activities | 3.0 | 2.5 | 3.7 | 3.2 | 3.1 | 2.9 |
| Activities of households as employers | 4.0 | 0.6 | 1.4 | 0.3 | 0.9 | 0.2 |
| Activities of extraterritorial organizations and bodies | 0.4 | 0.0 | | | 0.1 | 0.0 |

Source: Calculations by the Secretariat based on data collection for OECD (2020[9]), *International Migration Outlook 2020*, https://doi.org/10.1787/ec98f531-en.

## Annex Table 3.A.4. Share of foreign workers in employment by industry, 2020

| Industry | Census | Employment notifications |
|---|---|---|
| Agriculture and forestry | 1.8 | 1.8 |
| Fisheries | 2.6 | 2.8 |
| Mining and quarrying of stone and gravel | 0.8 | 1.5 |
| Construction | 1.7 | 2.2 |
| Manufacturing | 4.4 | 4.6 |
| Electricity, gas, heat supply and water | 0.3 | 0.2 |

| Industry | Census | Employment notifications |
|---|---|---|
| Information and communications | 2.6 | 3.1 |
| Transport and postal activities | 1.1 | 1.8 |
| Wholesale and retail trade | 1.3 | 2.1 |
| Finance and insurance | 0.6 | 0.6 |
| Real estate and goods rental and leasing | 1.0 | 1.0 |
| Scientific research, professional and technical services | 1.5 | 2.3 |
| Accommodations, eating and drinking services | 3.0 | 4.9 |
| Living-related and personal services and amusement services | 1.1 | 1.0 |
| Education, learning support | 1.8 | 2.2 |
| Medical, healthcare and welfare | 0.6 | 0.5 |
| Compound services | 0.1 | 1.0 |
| Services, n.e.c. | 1.4 | 6.2 |
| Government, except elsewhere classified | 0.1 | 0.4 |
| Industries unable to classify | 4.0 | 0.7 |

Source: Census 2020 and *Summary of Notification of Employment Status of Foreign Workers* October 2020 (MHLW).

## Notes

[1] Prior to the creation of the specific Technical Intern Trainee status of residence, technical intern trainees held a Designated Activities Visa.

[2] Pew Research Survey, Spring 2018 Global Attitudes Survey, Q54a.

[3] https://asia.nikkei.com/Spotlight/Japan-immigration/Nearly-70-of-Japanese-say-more-foreigners-are-good-survey.

[4] Cabinet decision of 9 June 2023. The only excluded sector is Nursing Care for which an SoR already exists.

[5] The shares for France and the United Kingdom assume that all free movement inflows were labour related, which is an over-estimation of the share of labour migration in total inflows.

[6] First, since the data records employment spells and does not keep track of individual workers, an international student with two part-time jobs would be counted twice. Second, if firms do not notify the Public Employment Services, Hello Work, at the end of an employment spell, international students may appear to still be in employment in October (time of the data collection) while they may have already left the firm.

[7] The distribution of foreign workers across industries based on administrative data collected on foreign workers by the Ministry of Health and Labour produces similar results (see Box 3.5 and Annex Table 3.A.4).

[8] Estimations based on the Notifications of the Employment of Foreigners, MHLW and the Japanese Labour Force Survey.

[9] These estimations are a lower bound given that worker-dispatching services employ 8% of foreign workers. There is no information in the data on the sector of activity these foreign workers actually work in.

[10] Stock data on all foreigners at the end of 2020 published by ISA provide a similar distribution, although the exact shares differ.

# 4 The policy framework for labour migration

This chapter analysis the policy framework for labour migration in Japan. It first describes the different channels for high skilled labour migration and compares their features relative to those in other OECD countries. It then studies the long-standing Technical Intern Trainee Programme as well as the recently introduced Specified Skilled Worker Programme for medium to low skill trades jobs. The efficiency of the migration processes (processing times, costs and complexity) is also evaluated. Finally, the chapter presents Japan's smaller labour migration programmes, such as its Economic Partnership Agreement for nurses and care workers and the several programmes under Japan's National Strategic Special Zones to be potentially scaled up.

To live in Japan, foreigners need to be granted a *status of residence* (SoR) designated in the Immigration Control and Refugee Act (ICRRA). There are two main categories of SoR: those based on personal status (e.g. permanent resident, long-term resident), and those based on the authorised activities of the foreign national while in Japan. The authorised activities in Japan may be work-related, the focus of this publication, or not (e.g. student, visitor, cultural activities).

There are over 20 SoR for labour migration. This chapter analyses them under three main groups. First, it considers the SoR for high skilled labour migration. Second, it considers the two main programmes for medium to low-skilled labour migration: the *Technical Intern Training Programme* (TITP) and the recently established *Specified Skilled Worker Programme* (SSWP). Finally, it addresses the many existing small niche labour migration programmes.

## Programmes for high skilled labour migration

The overall framework for high skilled migration in place in Japan today was established in the Immigration Control Act of 1951 (see Chapter 3). Since then, some SoR have been introduced and others revised but the guiding principles for high skill migration have remained the same. The immigration inflows in 2022, as well as the stock of immigrants at the end of 2022, vary considerably across the different SoR (Table 4.1).[1]

The largest channel for high skilled labour migration to Japan is the *Engineer/Specialist in Humanities/International Services* (EHI) SoR. It accounts for the bulk of high skilled migration inflows and stocks. Like other OECD countries, Japan also has migration channels for intra-company transferees (ICTs), entrepreneurs (*Business Manager* SoR), *Professors* and *Researchers*, as well as a Points-Based System (*Highly Skilled Professionals* SoR). Other SoR target specific skills, such as *Instructor* or *Skilled Labour*, or are specific for regulated professions (*Medical Services*, *Nursing Care* or *Legal/Accounting Services)*. This section describes these different channels in more detail before turning to the general features of the policy framework for high skilled migration to Japan.

### Table 4.1. Inflows and stocks, statuses of residence for high skilled migration, 2022

| Status of Residence | Inflow | % of total inflow | Stock | % of total stock |
|---|---|---|---|---|
| Professor | 2 645 | 4.4 | 7 343 | 1.6 |
| Highly-skilled professional | 1 673 | 2.8 | 18 315 | 4.1 |
| Business manager | 4 346 | 7.3 | 31 808 | 7.1 |
| Legal/Accounting services | 8 | 0.0 | 151 | 0.0 |
| Medical services | 57 | 0.1 | 2 467 | 0.6 |
| Researcher | 364 | 0.6 | 1 314 | 0.3 |
| Instructor | 3 041 | 5.1 | 13 413 | 3.0 |
| Engineer/Specialist in humanities/international services | 35 711 | 59.8 | 311 961 | 70.0 |
| Intra-company transferee | 7 798 | 13.0 | 13 011 | 2.9 |
| Nursing care | 42 | 0.1 | 6 284 | 1.4 |
| Skilled labour | 4 075 | 6.8 | 39 775 | 8.9 |

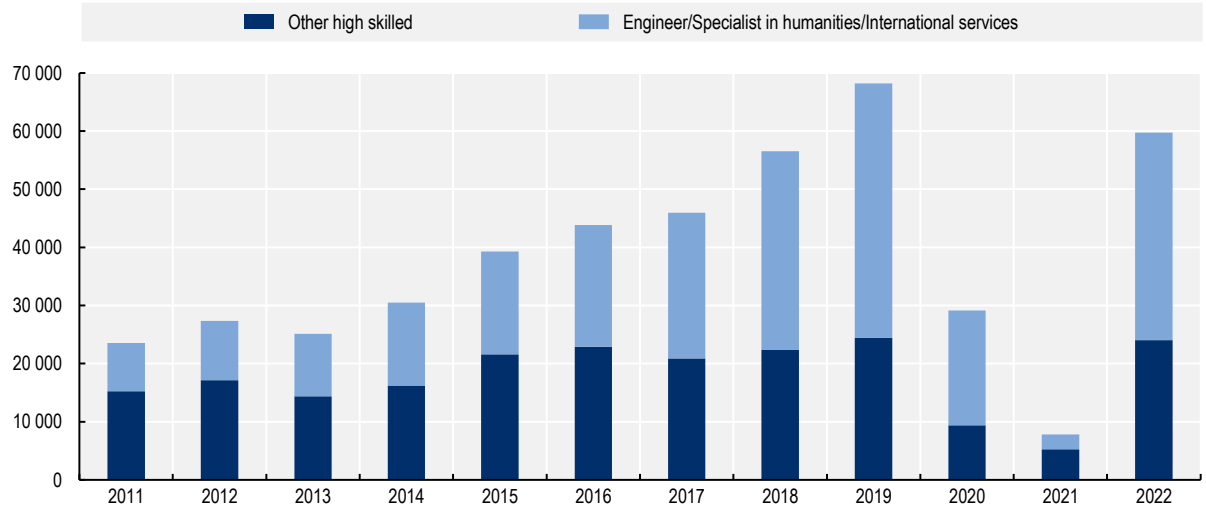
Note: The percentages over the rows add to 100.
Source: Immigration Services Agency.

### *More than half of high skilled migrants come to Japan under the status of residence Engineer/Specialist in humanities/International services*

Most high skilled labour migrants arrive in Japan under the Engineer/Specialist in humanities/International Services (EHI) SoR. Sixty percent of labour immigrants who entered Japan in 2022 applied under this SoR, and 70% of labour migrants living in Japan at the end of 2022 were under the EHI SoR (Table 4.1).

Not only does the EHI SoR account for most of high skilled migrants arriving in Japan in the last years, but it has also driven the remarkable increase of high skilled migration to Japan over the past 15 years (Figure 4.1). Annual inflows of high skilled migrants increased almost 3-fold from 2011 to 2019, from 23 600 to 68 200. The number of immigrants arriving in Japan under the EHI SoR increased over 5-fold from 2011 to 2019. In 2022, the inflows of high skilled migrants were almost back to the pre-pandemic levels, and EHI accounted again for 60% of this inflow.

## Figure 4.1. Inflows of high skilled immigrants to Japan, 2011-22




Note: Inflows under "Other high skilled" include all the statuses of residence in Table 4.1 other than Engineers/Specialist in Humanities/International Services.
Source: Immigration Services Agency.

This status of residence is quite broad and according to the official description is applicable to migrants who "engage in services which require specialised skills or knowledge pertinent to the field of physical science, engineering or other natural science fields or to the field of jurisprudence, economics, sociology or other humanities fields or to engage in services which require specific ways of thinking or sensitivity acquired through experience with a foreign culture" (see Annex Table 4.A.1).[2]

This is the main channel through which Japan hires highly qualified foreign workers. In 2019, the latest year of available data, over one-quarter of jobs (and over one-third in 2015) were jobs in Information, processing and communications technology (16%) or in Technology development (11%). An additional 7% were jobs in architecture, civil engineering, and surveying techniques (Table 4.2).

It is also an important channel to hire migrants with foreign language expertise. Jobs as translator/interpreter account for 13% of the total in 2019, and jobs in education, including language teachers in non-educational institutions, account for another 4%.

Overall, in line with the broad official description of the EHI SoR, the jobs of immigrants under this SoR are diverse. These include jobs for which expertise on foreign markets is likely to be required such as overseas trading (10% of jobs in 2019), as well as other jobs, such as in corporate sales, production control, or public relations and advertising.

### Table 4.2. Main occupations of foreigners under the Engineer/Specialist in humanities/International services status of residence, 2015-19

| | Information processing, communications technology | Translation / Interpretation | Technology development | Overseas trading business | Architecture, civil engineering, surveying techniques | Corporate sales | Education | Others | Total |
|---|---|---|---|---|---|---|---|---|---|
| 2015 | 27.6 | 12.0 | 7.9 | 5.5 | 7.5 | 9.9 | 9.8 | 19.8 | 22 756 |
| 2016 | 18.3 | 15.1 | 7.1 | 10.7 | 6.6 | 7.5 | 8.0 | 26.7 | 35 802 |
| 2017 | 15.6 | 15.7 | 8.3 | 9.9 | 7.7 | 7.7 | 6.8 | 28.3 | 42 267 |
| 2018 | 16.5 | 13.6 | 9.6 | 8.4 | 10.0 | 6.4 | 4.9 | 30.6 | 56 959 |
| 2019 | 15.9 | 13.0 | 10.8 | 10.1 | 7.2 | 4.3 | 4.2 | 34.4 | 71 569 |

Source: Immigration Services Agency, available at www.moj.go.jp/isa/publications/materials/10_00024.html.

### *Japan is the fourth destination country in the OECD for intra-company transferees*

Inflows of intra-company transferees account for approximately 15% of all inflows of high-skilled migrants. This is the second SoR when it comes to inflows, after EHI. Until the COVID-19 pandemic, Japan consistently ranked fourth among destination countries for intra-company transferees. Inflows to Japan account for 4 to 6% of total OECD inflows. This is similar to the flows to Germany, but far behind the flows to the United States, which hosts half of all intra-company transferees in the OECD, or to the United Kingdom, which hosts between one fifth and one-quarter of the total.

### Table 4.3. Inflows of intra-company transferees to OECD countries

In thousands, 2011-22

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Total OECD | 137.8 | 127.6 | 134.4 | 136.1 | 149.7 | 141.7 | 138.9 | 141.7 | 150.5 | 72.1 | 54.8 | |
| United States | 70.7 | 62.4 | 66.7 | 71.5 | 78.5 | 79.3 | 78.2 | 74.4 | 77.0 | 35.9 | 27.4 | |
| United Kingdom | 29.7 | 29.3 | 33.2 | 36.6 | 36.4 | 36.0 | 32.8 | 31.7 | 27.1 | 8.6 | 0.3 | 20.7 |
| Canada | 11.1 | 12.4 | 11.5 | 11.4 | 9.8 | 9.8 | 11.0 | 12.7 | 14.3 | 5.9 | 11.3 | 17.1 |
| Japan | 5.3 | 6.1 | 6.2 | 7.2 | 7.2 | 7.7 | 8.7 | 9.5 | 10.0 | 3.2 | 0.5 | 7.8 |
| Australia | 8.2 | 10.1 | 8.9 | .. | 7.8 | 8.1 | 7.6 | 4.7 | 2.8 | 1.8 | 1.5 | 1.8 |
| Germany | 7.1 | 7.2 | 7.8 | 9.4 | 9.3 | 7.5 | 7.3 | 8.0 | 6.7 | 2.9 | 1.9 | |

Note: Only inflows to the main OECD receiving countries are presented.
Source: OECD (2023[1]), *International Migration Outlook 2023*, https://doi.org/10.1787/b0f40584-en.

In Japan, the *Intra-Company Transferee* SoR may be renewed indefinitely. Until the 1990s, there was a maximum five-year stay. However, this limit was lifted following a revision of the Immigration Control Act after the recommendations of the First Basic Plan and as part of the Deregulation Promotion Plan of the mid-1990s.-

Unlimited stay for intra-company transferees also exists in Korea under the D-7 visa but is unusual in the other OECD countries. Intra-company transferee permits are most often subject to a maximum duration of stay without extension in many countries.

Under the EU intra-corporate transfer directive (2014/66/EU), the maximum duration is one or three years, depending on the level, with a cool-down period (mandatory absence) of up to six months. In the United States, the L-1 visa for intra-company transfers is valid for up to seven years and requires a one-year period of employment outside the country before a new visa can be issued. In country status changes are nevertheless allowed, in the EU, the United States, as well as in Japan.

Like in other OECD countries, intra-company transferees are required to have been working at a foreign branch of the same company for at least one year. The conditions are identical for all intra-company transferees, regardless of job title, level within the firm or compensation.

In practice, intra-company transferees stay in Japan for relatively short periods and changes into other SoR are rare. Considering the 2011-19 entry cohorts, only 12% of intra-company transferees remained in Japan 5 years after arrival. Among those still in the country, only 6% had changed into another SoR (see also Chapter 5).[3] This is in contrast to the United States, where intra-company transfer is often a pathway to permanent residence in the economic category.

### *Like most OECD countries, Japan has specific migration tracks for researchers/professors and entrepreneurs*

#### *Researchers and professors*

Like most OECD countries, Japan has specific SoR for researchers and professors. While the *Professor* SoR is designed for academics teaching and doing research at tertiary level institutions, the *Researcher* SoR is meant for research outside of the universities, at government or private institutions. This is also like the E-1 visa for Professors and E-3 visa for Researchers in Korea. It is also similar to the Researcher residence permit defined by EU Directive 2016/81, which applies to doctoral level or higher researchers admitted to conduct research for which doctoral-level qualification is required, on the basis of a hosting agreement. The EU Directive requires EU Member States to provide unrestricted access to the labour market for family members of researchers.

#### *Entrepreneurs and start-up visas*

Entrepreneurs wishing to migrate to Japan may apply to the SoR *Business Manager*. The eligibility conditions for entrepreneurs differ markedly from those for high skilled wage earners. The focus is less on the individual's human capital and more on the profitability of the business. In Japan, to be eligible for the *Business Manager* SoR, applicants need to hold and invest a capital of at least JPY 5 million or employ at least two full-time employees; and have secured office space in Japan.

The profile of migrants entering Japan through the Business Manager SoR differs from that of other high skilled migrants. Migrant entrepreneurs are on average ten years older than high skilled migrants upon arrival, 42 compared with 32 years old; and slightly more likely to be men, 76% compared with 71%. Over half of entrepreneurs arriving in Japan between 2011 and 2019 came from China, compared with 24% for all high skilled migrants.

The requirements of the Business Manager SoR are difficult to meet for foreigners wishing to start a business in Japan. Several programmes have been launched since 2015 that allow applicants who wish to start a business to enter Japan without fulfilling all the requirements of the *Business Manager* SoR if they receive the endorsement of a municipality (see section below on Channels for start-up ). To do so, the applicant must first submit an application to the municipality, including their business plan. If successful, the applicant will be issued with a Certificate of Confirmation of Business Start-up Activities. The applicant may then be accepted in Japan through a temporary visa – a start-up visa. By the end of the validity of the visa (between 6 and 18 months depending on the programme) the migrant must satisfy the requirements for the *Business Manager* SoR, including registering the company and securing office space.

Most OECD countries have introduced start up visas in the last 10 years (OECD, 2022[2]). Similar to Japan, in some countries, start-up visa programmes have been introduced as an extension of existing entrepreneur or investor programmes, as for example in Italy. In other cases, start-up visa programmes have preceded the introduction of a full-fledged entrepreneur or investor programme.

OECD countries differ in the conditions offered to foreign entrepreneurs in terms of length of permits and rights of accompanying family. Japan offers a short-term temporary permit, which later requires a change of status. This is similar to most OECD countries. Only Australia and Canada offer immediate permanent status. In most other OECD countries, families may accompany the migrants and have access to the labour market. In contrast, in Japan, the migrant may only sponsor family once he/she has changed SoR to *Business Manager* and even then, dependents do not have automatic nor full access to the labour market (see also section *Conditions for accompanying family are restrictive*).

In Japan, municipalities approve the suggested business plan for the start-up visa (see also section *Channels for start-up* ). Some municipalities have set priorities areas for projects while others have not. In some OECD countries, such as Denmark, Italy and Estonia, selection committees are composed of incubators and investors. In terms of types of eligible business, requirements also differ considerable. For example, in Denmark, projects need to be considered tech driven, and in Lithuania, projects need to be in one of the six eligible sectors.

### *Other statuses of residence target specific skills or regulated professions*

#### *Language instructors*

Japan accepts foreign language teachers through the *Instructor* SoR. The status of residence is meant for teachers in the educational system at all levels, from elementary to vocational, with the exception of tertiary education. Foreign language teachers hired by a company, or other non-educational institution are eligible for the EHI SoR. Foreign language teachers at university level are eligible for the *Professor* SoR. The *Instructor* SoR is not exclusive to language instruction, although it is its main purpose.

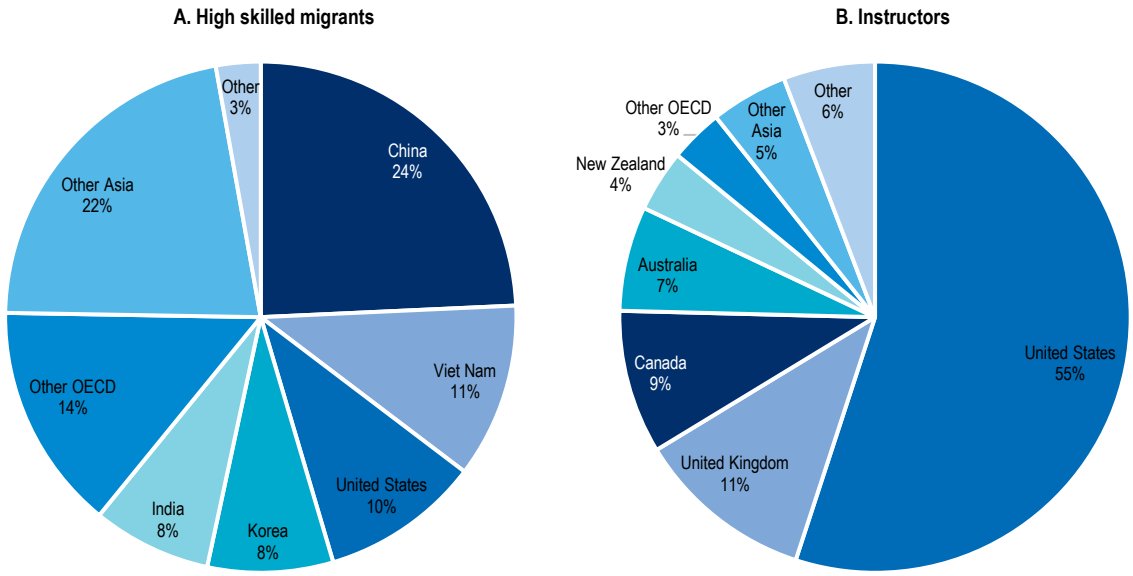
Korea is the only other OECD country with a similar work visa, the E-2 visa for Foreign Language Instructor. The conditions of the Korean visa are somewhat stricter. It applies to language instruction only, and, until recently, was only open to citizens of English-speaking countries (the United States, the United Kingdom, Canada, South Africa, New Zealand, Australia and Ireland) who hold a 4-year-university degree from of one of these countries.[4]

In Japan, to be eligible for the SoR Instructor, migrants need at least 12 years of education in the foreign language they intend to teach. To teach other subjects, applicants must have at least five years of work experience at an educational institution. Despite the stricter conditions of the Korean visa, the inflows to Japan under the Instructor status of residence are lower than to Korea: approximately 3 000 vs. 6 300 in 2022 (3 500 vs. 5 500 in 2019). These numbers do not include Working Holiday Makers who often also work as language teachers.

The profile of migrants under the *Instructor* SoR differs markedly from that of most high skilled labour migrants. There are no restrictions on the language taught, nor on the country of origin, for this SoR. Nevertheless, over half of incoming *Instructors* in 2011-19 come from the United States, and 86% come from the English-speaking OECD countries (United States, the United Kingdom, Canada, Australia and New Zealand) (Figure 4.2). Furthermore, 52% of new entries in the same reference years are women, compared with 29% for skilled migrants overall.[5]

### Figure 4.2. Nationalities of new immigrants: All high skilled migrants vs. Instructors

2011-19 cohorts




Source: Immigration Services Agency.

#### *Skilled Labour*

The *Skilled Labour* SoR allow labour immigrants with specific skills "to engage in services which require industrial techniques or skills belonging to special fields". Examples of specific skills include chef of foreign cuisine, sports instructor, aircraft pilot, or craftsman of precious metals. There is no available rationale for the eligibility of different occupations, nor a detailed list of eligible occupations. According to the 2011 White Paper on Immigration Control, most migrants under the *skilled labour* SoR are cooks. However, no statistics on the occupations of foreigners under this SoR, nor on their wages, exists.

There is no educational requirement for the *Skilled Labour* SoR. Instead, migrants need to show they have experience in the specific occupation they are intending to work in. For example, at least 10 years of work experience are necessary for most eligible jobs, such as in cooking, architecture, manufacturing, metal processing, animal training, or seabed drilling. For some occupations, the years of required experience are fewer: 5 years for wine sommeliers and 3 years for sports coaches. For pilots, a flight record of at least 250 hours is a pre-requisite.

The numbers have been relatively small and stable throughout the years, with an average yearly inflow of approximately 4 000 new migrants, between 2011 and 2019, and again in 2022.

### *Regulated professions*

Japan has three SoR for regulated occupations in law, accounting, and health. To be eligible for the SoR *Legal and Accounting Services*, immigrants need to be registered foreign lawyers, certified public accountants, or have other legal qualifications. Similarly, the SoR *Medical Services* applies to registered physicians, dentists or nurses, whereas the more recent SoR *Nursing Care*, created in 2016, applies to certified care workers (here referred to as "nursing caregivers").

These SoR are almost exclusively given to immigrants already in the country, as an in-country change of status. Immigrants need to first acquire the Japanese training and certification to qualify to these statuses. As shown in Table 4.1, the inflows into these SoR are negligeable.

The stock of immigrants in Japan under these SoR is small. In 2022, there were 151 foreigners under the *Legal and Accounting Services* SoR, 2 467 under *Medical Services* and 6 284 under *Nursing Care*. The *Nursing Care* SoR was only established in 2017 but the number of foreign registered nursing caregivers living in Japan increased ten-fold from 2019 to 2022 (from under 600 to 6 284). The trend is expected to continue given the high demand for care workers and the expansion of the feeder channels.

Most nursing caregivers enter Japan as international students and transition to the status of residence once they pass the certification exams. There are nevertheless several recent migration pathways to become a nursing caregiver. These are explained in detail further on in this chapter. Among those with nursing care SoRliving in Japan at the end of 2022, and who first entered Japan between 2011 and 2019, 85% arrived as international students and 14% under the EPA nursing care program.[6]

## *Japan introduced a Points-Based System 10 years ago*

In 2010, the 4th Basic Plan called for the Introduction of a Preferential System Utilizing Points-Based System for Highly Qualified Human Resources. In 2010, Japan's government decided to introduce this Points-Based System (PBS) for highly skilled workers, which was implemented in May 2012. It comprises three different streams depending on the type of occupation: Advanced academic research activities; Advanced specialised/technical activities; and Advanced business management activities.

While the PBS was introduced with explicit reference to PBS in Canada and Australia, the Japanese PBS serves an entirely different policy function. The PBS in Canada, Australia and New Zealand is a means for deciding eligibility for admission with immediate permanent residence status, including in the absence of a job offer. The PBS in these countries selects migrants based on human capital factors that favour long-term adaptability and integration in the host country. The PBS is therefore not primarily interested in the job characteristics, but in the characteristics of the migrants themselves. This includes migrants without employment who would have no other grounds to migrate temporarily or permanently to these countries.

The Japanese system is instead designed to offer higher-quality conditions to individuals who already hold a job offer and would have in any case qualified for an existing status of residence (usually *Engineer/Humanities/International services* or *Researcher*). Japan uses the PBS to offer concessions and advantages to younger, highly educated migrants in an effort to better attract and/or retain this talent over the long term. Hence, the Japanese PBS rewards job characteristics and salary in addition to the characteristics of the applicant, including education levels, age, language ability, local qualifications, or prior research achievements.

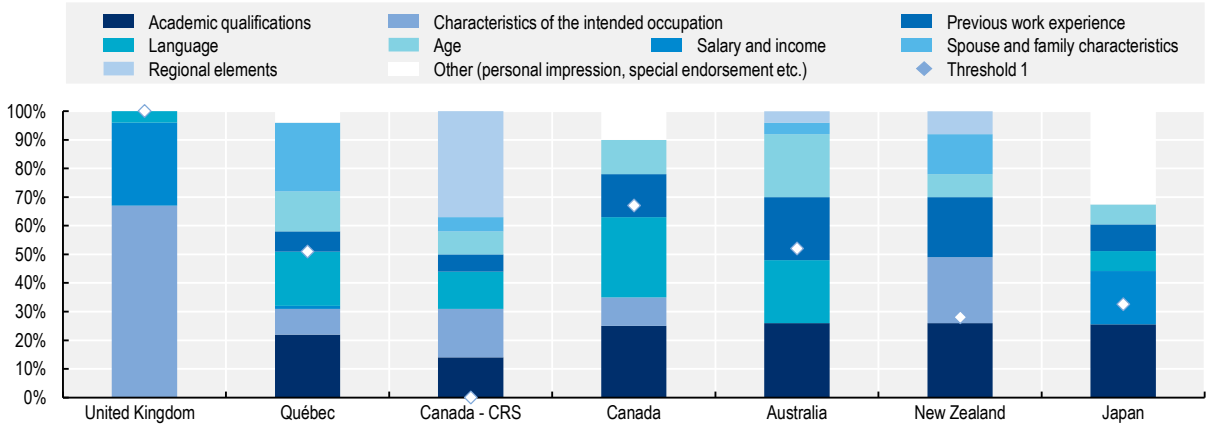
The United Kingdom also established a so-called PBS which requires a job offer as a basic eligibility requirement. The UK model is used primarily to restrict migration to high skilled migrants only. Vacancies are eligible to be filled if they meet salary requirements, with concessions to salary levels permitted for the highly educated or occupations with skill shortages. In this case, human capital characteristics do not play a role in the migrant selection process. In contrast, the Japanese PBS offers a long-term stay and fast-tracked permanent residency to highly skilled migrants who meet the points threshold.

In Japan, applicants need a total of 70 points to be eligible for the PBS and being granted the status of residence *Highly-skilled professionals*. Education and salary are the main points categories. Applicants who meet the top requirements for these categories 30 points for a PhD and 40 points for an annual salary of JPY 10 million, equivalent to about EUR 70 000 in the Advanced Academic Research Activities and Advanced Specialised/Technical Activities programmes) are eligible to migrate to Japan without scoring points in other categories. Further points are awarded for professional experience, age (except the Advanced Business Management Category), and bonus points – which include Japanese language proficiency or a degree or work qualifications from a Japanese institution. A full breakdown of the Japan's points grid can be found in Annex Table 4.A.2.

Figure 4.3 presents a comparison of the structure of the PBS for selected OECD countries. First, wages play a relatively large weight in the Japanese and UK PBS. This is due to the fact that in these two countries, the PBS is demand-driven system, whereas in the other selected countries the PBS is mainly supply-driven.

## Figure 4.3. Components of Points-Based systems in selected OECD countries, 2021

Share of points based on maximum possible points and threshold for qualification




Note: Refers to most recent PBS distribution. CRS: Comprehensive Ranking System for Federal Skilled Worker programme.

Second, human capital variables play an important role in the Japanese PBS. These are young age, academic qualifications and language fluency, all relevant predictors of a successful integration into the host country. Academic qualifications account for over 25% of the total points in the Japanese PBS. This share is like that in Australia, Canada, or New Zealand. The share of points that reward younger migrants is also similar to that in Canada and New Zealand. In Australia, the age category has a heavier weight with the points for age contributing around 46% of the total required to reach the eligibility threshold. The weight of language fluency in the Japanese system is more like the one in the United Kingdom than in the other countries. Language fluency is more important in supply-driven systems in which if accepted into the country, the migrant will in many cases need to find a job. In demand-driven programmes, like in Japan and the United Kingdom, the migrant already has a foothold in the labour market.

Third, Japan has the largest share of points, almost one-third of the total, awarded to other factors. These include research achievements (e.g. publications and patents), holding a job offer from strategic employers (e.g. an organisation which receives financial support measures for the promotion of innovation or a small or medium sized enterprise whose experiment and research expenses add up to more than 3% of the total revenue) or in strategic projects (an advanced project in a growth field). Bonus points are also awarded for migrants hired by companies eligible for projects approved by the local government.

### *There are few restrictions to high-skilled labour migration*

High-skilled migration to Japan is entirely demand-driven. Irrespective of the SoR the migrant applies for, a job offer from a Japanese employer is a pre-condition.

In Japan, there are no numerical limits, nor targets, for the total annual high skilled immigrant intake. There are also no limits by status of residence, nor by occupation. Furthermore, job offers to foreigners do not need to be labour market tested. Employers do not need to give priority to citizens, nor residents.

The SoR are occupation based, a main condition is that the job offer in Japan is in an occupation eligible for the SoR. Additionally, the wage must be at least equal to that of the native-born in an equivalent job for all high skilled SoR. Migrants are free to change employers as long as the new job offer also fulfils the requirements of the SoR. Migrants need only to notify ISA of the job change within 14 days. Alternatively, migrants may request a change of status of residence if the new job falls under the criteria for a different SoR.

Most of the statuses also have requirements in terms of educational attainment and/or work experience. Migrants need at least a bachelor's degree to be eligible for the EHI or *Instructor* SoR, and a master's degree for the *Researcher* SoR. There are also work experience requirements, which are partially interchangeable with the educational requirements. For the EHI SoR, there is no minimum experience required. Nevertheless, for jobs in International Services, if migrants have at least 3 years of work experience, they are not required to have a bachelor's degree. For jobs as Engineer and Specialist in Humanities, migrants are eligible if they have 10 years of work experience even if they do not have a bachelor's degree. Finally, as explained in the previous section, there are specific language and experience requirements for *Instructors.*

The eligibility conditions are stricter for the PBS. As for the other SoR, migrants need a job offer in an eligible occupation, and in addition, they need to score at least 70 points according to the PBS grid. The total required points may be acquired through many different combinations of skills and achievements. Nevertheless, the minimum requirements in terms of education and experience are stricter than for the other high skilled SoR. Migrants need at least a bachelor's degree – a master's degree for the research stream – and three years of work experience.

The occupational foundation of the statuses of residence – in particular for the EHI and Skilled Labour SoR – implies that not all occupations, and hence not all high-skilled jobs, are open to immigrants. However, it is difficult to evaluate what share of high-skilled jobs are open to migrants. There is no published official complete list of eligible occupations for each status of residence. When filling out the certificate of eligibility, applicants must indicate an occupation corresponding to their job offer. ISA provides a list of occupations that are compatible with the selected SoR (see Annex Table 4.A.3).

The occupations stated in the certificate of eligibility do not match the Japanese classification of occupations. Hence, it is not possible to compare the eligible occupations to the distribution of occupations in the Japanese working population.

Other OECD countries have high skilled visas that are restricted to specific occupations. For example, the United Kingdom has a Skilled Worker Visa that may only be used by migrants with a job offer in a pre-determined list of occupations. The Home Office publishes the list of occupations with their occupational code in the national occupational classification.[7] Moreover, the Home Office publishes the annual going rate wage (hourly and annual) for each occupation in the eligible list, which is the floor for eligibility, although exceptions may apply. Another example are the occupational requirements for migrants to apply for the Canadian Experience Class programme. Migrants need to have a job offer in an occupation classified as level 0, A or B (managerial, high-skilled or skilled) in the National Occupational Classification.

### *Conditions for accompanying family are restrictive*

The conditions for accompanying family are the same for all high-skilled statuses of residence, except for the PBS which offers more favourable conditions. Almost all high-skilled migrants are allowed to sponsor dependents.[8] However, accompanying family is restricted to married spouses and dependent children. In the case of children from previous marriages, or non-biological children, the process requires additional steps. Common-law partners are not eligible for the *Dependent* SoR.

Under the PBS, migrants may additionally sponsor ascendent family members as well as domestic workers.[9] Parents of the migrant accepted under the PBS, or the parents of the migrant's spouse, may accompany the migrant to Japan under the condition that the migrant is raising a child aged 7 and under, or expecting a child. Furthermore, the annual household income must be equal to at least JPY 8 million and the accompanying parent(s) must live together with the principal applicant.

Spouses of skilled workers, migrating to Japan under the *Dependent* SoR, do not have automatic, nor unrestricted, access to the Japanese labour market. To work in Japan, dependents need to obtain a Permission to Engage in an Activity other than those Permitted by the Status of Residence from the Immigration Services Agency. The work may not exceed 28 hours per week, and the job must be eligible for one of the existing high skilled SoR (that is, excluding technical intern trainee or specified skilled worker). Alternatively, spouses may obtain their own labour related SoR.

Spouses of *Highly Skilled Professionals* who are issued a *Designated Activities* SoR do not need to obtain a Permission to Engage in an Activity other than those Permitted by the Status of Residence from the Immigration Services Agency. Furthermore, they may work full-time. However, they may only work in jobs eligible for the SoR: *Engineer/Humanities/International Services, Entertainer, Instructor, Researcher*.

The trend over the past years in most OECD countries has been to facilitate access to the labour market for dependents of highly skilled workers. In fact, in many OECD countries, accompanying dependents of high skilled migrants are granted unrestricted access to the labour market. This is the case for example of dependents of migrants under the EU Blue Card; under temporary permits for high skilled migrants in Canada; or under the Skilled Workers visa in the United Kingdom. In Germany, new rules have recently been put in place and any family member with a residence title for the purpose of family reunification has unrestricted and permanent access to the labour market upon arrival.

Dependents' access to the labour market is more restricted in the United States. Dependents of most temporary visas are allowed to accompany the migrant to the United States under a H-4 visa. However, they need to apply for an Employment Authorization to be able to work. Dependents of H1-B visas are typically granted this authorisation, although they must pay a fee of about USD 500 and may have to wait many months for their request to be approved.

### *All high skilled statuses of residence are temporary but indefinitely renewable*

All labour migration permits are temporary upon arrival in Japan. However, all high skilled SoR are indefinitely renewable as long as the conditions of the SoR continue to be met. The initial duration of the SoR, and subsequent renewals, for all high skilled SoR may be 5 years, 3 years, 1 year or 3 months, except for *Highly-skilled professionals* who are consistently granted a 5-year permit.[10]

The ISA exerts considerable discretion on the duration of the granted SoR. Despite similar rules for all high-skilled SoR, the duration of the initial permit varies considerably across SoR (Figure 4.4). Some of the observed differences are likely to be due to the immigrant's work contract. For example, many *Professors* are on short-term academic exchanges. Close to 30% of *Professors* have an initial permit of 6 months or less, and under 20% of initial permits have a duration larger than 1 year.

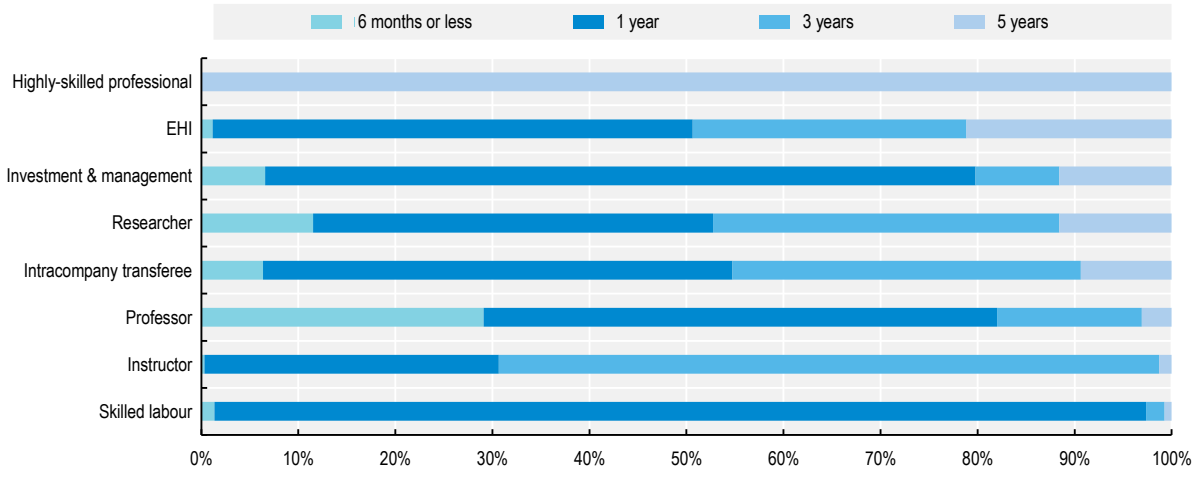
The characteristics of the firms hiring the immigrants are also taken into account by the ISA to determine the duration of the permit. There is no required certification of firms to hire foreign workers. However,

immigrants hired by firms that are more established, have experience in hiring foreign workers, or have a better financial situation may be more likely to obtain longer initial permits for their hires.

The duration of the permit also correlates with the expected temporariness of the SoR. Almost all initial permits under the *Skilled Labour* SoR have a duration of only one year, whereas over two-thirds of initial permits for *Instructors* are 3 years. Migrants arriving in Japan under *EHI* SoR often have longer duration permits. Close to half are granted an initial permit with a duration of at least one year and 20% are granted a five-year permit.

## Figure 4.4. Duration of initial status of residence

2011-19 entry cohorts




Source: Immigration Services Agency Data.

Given that all permits are indefinitely renewable, the initial duration of the permit does not indicate the total duration of stay in Japan. The initial duration of the permit imperfectly correlates with the total duration of stay. While *Highly Skilled Professionals* and *Engineers/Specialist in Humanities/International Services* tend to stay in Japan longer than immigrants under most other SoR, so do immigrants under the *Skilled Labour* SoR. An estimation of the duration of stay in Japan by status of residence is presented in Chapter 5.

### *High skilled migrants have new faster routes to permanent residence*

Statuses of residence for high skilled migrants are indefinitely renewable, as long as the conditions of the SoR are met. In principle, after 10 years in the country, under a work-permit or family-based SoR, migrants may apply for permanent residency. Relative to other OECD countries, this requirement is rather strict. In *settlement* countries, like Australia, Canada and New-Zealand, highly skilled migrants are already often permanent residents upon arrival, and in European countries, or in Korea, they are eligible after 5 years of residence.

Access to permanent residence is faster for migrants under the *Highly-skilled professionals* SoR. Since 2015, after three years under the *Highly Skilled Professionals* (i) SoR, immigrants are eligible for the *Highly-skilled professional* (ii) status of residence which grants indefinite period of stay. Furthermore, since 2017, *Highly-skilled professionals* who score 75 points may apply for permanence residency after three years in Japan, and those who score 80 points, or more, are eligible after one year.

Under the new J-Skip visa, established in April 2023, migrants will only need one year of residence before applying to permanent residence under certain conditions. For the academic research and specialised/technical streams, the conditions are that the immigrant has a master's degree, or 10 years of work experience, and an annual income of 20 million yen. For the business management stream, immigrants need 5 years of work experience and annual income of 40 million yen to be eligible for the J-Skip visa.

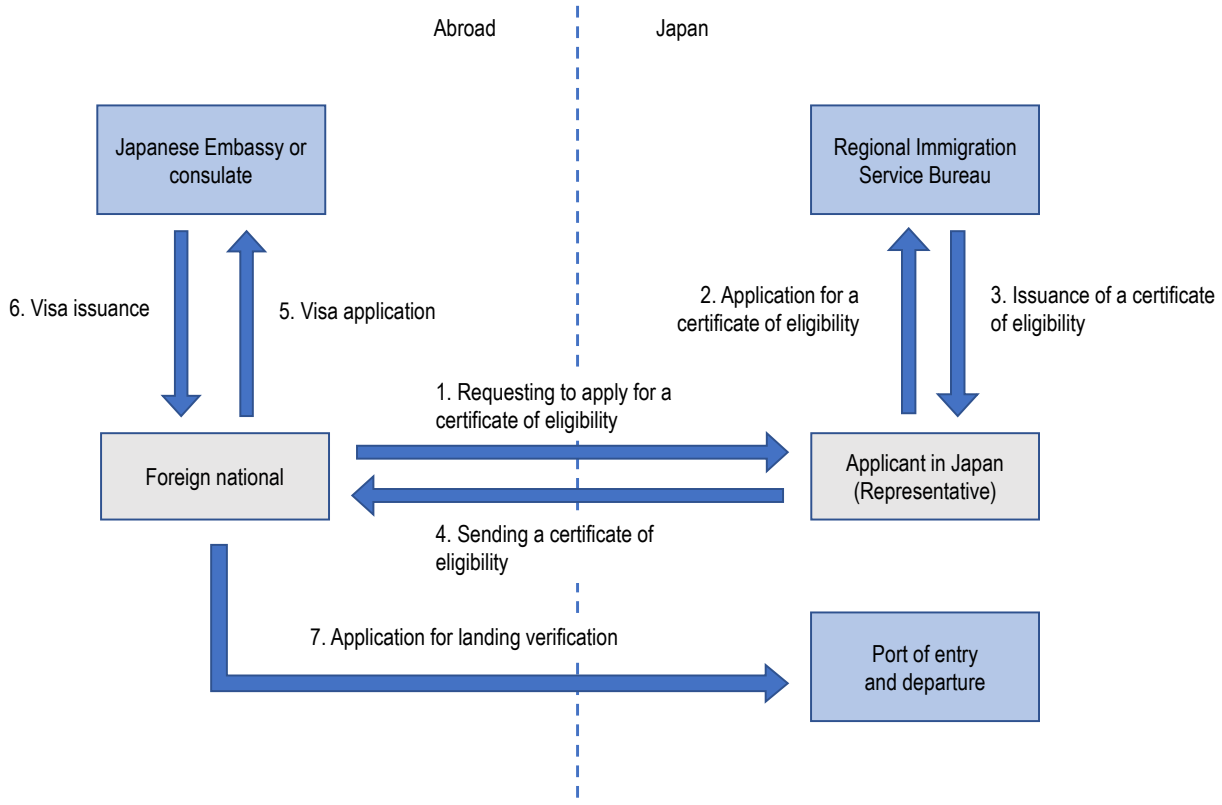
### *Processing times are short, costs are low, and digitalisation of processes is improving*

#### *Migrating to Japan*

To migrate to Japan under a work-related status of residence, migrants need to obtain a visa while still in the country of origin. With their job offer in hand, migrants first need to apply for a Certificate of Eligibility (CoE) for the relevant SoR from the ISA (Figure 4.5). The Certificate of Eligibility attests that the migrant, as well as the job offer, meet all the conditions for the requested SoR. The CoE needs to be requested in Japan from the Regional Immigration Service Bureau. An immigration lawyer typically files the application. The rejection rate when applying for the CoE is low. It has hovered around 10% over the past 10 years.

With the CoE in hand, migrants can then apply for a visa at the Japanese Embassy or Consulate in the country of origin. Once the visa is granted, migrants may travel to Japan. At the port of entry, the ISA checks the migrant's passport and visa, and determines the duration of the permit which is in almost all cases between 3 months and five years.

**Figure 4.5. Steps to obtain a Status of Residence in Japan**




Source: Adapted from Immigration Control and Residency Management, 2021, Immigration Services Agency.

### *Fees and processing times*

The processing times vary across SoR (Table 4.4). For EHI, which accounts for most incoming high-skilled labour migrants, the average processing time for the CoE is 44 days. Hence, adding the time to request a visa at the embassy of the country of origin, one may expect that there will be about two months from the moment the migrants have a job offer until they are able to start working in Japan.

## Table 4.4. Processing time, average number of days, 2017-22 average

| Certificate of eligibility | | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | **2017-22** |
| Professor | 16 | 16 | 18 | 32 | 20 | 26 | **21** |
| Highly-skilled professional (i) (a) | 29 | 22 | 21 | 23 | 25 | 24 | **24** |
| Highly-skilled professional (i) (b) | 20 | 19 | 20 | 27 | 16 | 19 | **20** |
| Highly-skilled professional (i) (c) | 57 | 34 | 28 | 43 | 55 | 43 | **43** |
| Business manager | 80 | 72 | 100 | 69 | 79 | 58 | **76** |
| Researcher | 15 | 15 | 20 | 34 | 43 | 44 | **29** |
| Instructor | 18 | 18 | 21 | 38 | 26 | 33 | **26** |
| Engineer/Specialist in humanities/International services | 32 | 38 | 46 | 59 | 49 | 40 | **44** |
| Intra-company transferee | 20 | 23 | 29 | 48 | 42 | 34 | **30** |
| Skilled labour | 61 | 61 | 64 | 61 | 49 | 58 | **59** |
| **Extension of period of stay** | | | | | | | |
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | **2017-22** |
| Professor | 27 | 26 | 26 | 26 | 27 | 27 | **27** |
| Highly-skilled professional (i) (a) | *** | *** | *** | 28 | 24 | 23 | **25** |
| Highly-skilled professional (i) (b) | *** | *** | *** | 28 | 35 | 33 | **32** |
| Highly-skilled professional (i) (c) | *** | *** | *** | 91 | 33 | 35 | **53** |
| Business manager | 32 | 32 | 33 | 33 | 32 | 36 | **33** |
| Researcher | 24 | 26 | 25 | 28 | 26 | 27 | **26** |
| Instructor | 28 | 28 | 27 | 28 | 27 | 28 | **28** |
| Engineer/Specialist in humanities/International services | 29 | 30 | 30 | 30 | 31 | 32 | **30** |
| Intra-company transferee | 27 | 28 | 29 | 29 | 30 | 33 | **29** |
| Skilled labour | 26 | 28 | 27 | 29 | 30 | 33 | **29** |
| **Change of status** | | | | | | | |
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | **2017-22** |
| Professor | 24 | 26 | 25 | 26 | 26 | 29 | **26** |
| Highly-skilled professional (i) (a) | 27 | 25 | 26 | 26 | 28 | 30 | **27** |
| Highly-skilled professional (i) (b) | 34 | 29 | 30 | 30 | 38 | 35 | **33** |
| Highly-skilled professional (i) (c) | 37 | 46 | 39 | 35 | 48 | 47 | **42** |
| Business manager | 53 | 54 | 53 | 46 | 49 | 56 | **52** |
| Researcher | 23 | 28 | 26 | 28 | 30 | 33 | **28** |
| Instructor | 27 | 27 | 28 | 28 | 29 | 31 | **28** |
| Engineer/Specialist in humanities/International services | 34 | 39 | 40 | 41 | 42 | 37 | **39** |
| Intra-company transferee | 9 | 9 | 13 | 18 | 20 | 21 | **15** |
| Skilled labour | 21 | 26 | 24 | 30 | 37 | 50 | **31** |

Note: The 2017-22 average presented is the unweighted average over 23 quarters, from 2nd quarter of 2017 to end of 2022. There is no information on the quarterly number of cases handled. Each quarterly average is the average number of days from the receipt of the application for the certificate of eligibility until the delivery of the certificate. In cases where additional materials are requested, the number of days until the submission of such materials is included.
Source: Immigration Services Agency, www.isa.go.jp/en/publications/materials/nyuukokukanri07_00140.html.

The processing time is faster for *Highly Skilled Professionals*, under the PBS. It takes on average 20 days to process the CoE for stream (a) academic research and 24 days for stream (b) specialised/technical. The processing time is significantly higher for migrant entrepreneurs (*Business Manager*) – 76 days – and the business management stream, stream (c), of the PBS – 43 days. The processing time is also relatively high for applications to the *Skilled Labour* SoR – 59 days.

Permits for highly skilled migrants are indefinitely renewable, few migrants are granted an initial 5-year stay and applying for permanent residence requires in principle at least 10 years of residence. In this context, it is important to have a swift process for the extension of the period of stay. The number of applications for extensions of stay is significantly larger than that of applications for the CoE, 761 000 vs. 592 000 in 2019.

The processing time is shorter in the case of permit renewals than initial permit issuances, for most SoR. For the SoR with the longest CoE processing times, the difference is significant. The average processing time of a renewal for *Business Manager* is 33 days compared with an initial processing time of 78 days. Similarly, for *Skilled Labour*, the processing time goes down from 59 to 29 days.

Similarly, there are many applications for change of status of residence, 290 000 in 2019. The most common change of status is from a student status to work status (mainly EHI). The average processing times for applications of changes of status is shorter than for initial applications but not drastically so. For example, the processing time to change into the *EHI* SoR is 39 days, compared with 44 days for CoE applications.

Furthermore, the rejection rate of requests to extend the period of stay has consistently been under 1% over the past 10 years. Similarly, the rejection rate of requests to change status of residence has been under 2%.

There is no fee to apply for the CoE. The fee to apply for an extension of stay, or for a change of status of residence, is JPY 4 000, approximately USD 30. Immigration processing fees can be quite high in some OECD countries. For example, the fee to request a labour market impact assessment, necessary to hire a temporary foreign worker in Canada is CAD 1 000 or USD 740; and the processing fee for a fast-track application in Denmark is DKK 4 405, approximately USD 650.

### *Streamlining immigration processes*

The processing times for initial permits, as well as for renewals, compare favourably with other OECD countries. The process is also faster in Japan given that there is no requirement for labour market tests. In many OECD countries – such as in Australia, Belgium, Canada, or the United Kingdom, among others – companies need to advertise a vacancy up to one month, and demonstrate their efforts to recruit resident workers, before making a job offer to an immigrant. These requirements significantly increase the time between the moment the vacancy is posted and that when the immigrant starts working. They also require co-operation, and transfer of documents, between the Ministry of Labour and Ministry of Justice (or Interior), which slow the process and increase the risk of loss of documents when these are in paper form.

Many OECD countries are streamlining immigration processes to bring in talent from abroad faster. One way to do this has been through creating fast tracks for specific immigration categories and/or companies. In Japan, one of the aims of the PBS is to fast-track applications of highly skilled migrants. The PBS targets a processing time of 10 days or less. As seen in Table 4.4, the processing times for the PBS are twice as long as the target but are nevertheless the shortest processing times among highly skilled SoR.

In some OECD countries, there are fast track applications for subsets of companies. For example, in Canada, under the Global Skills Strategy, innovative companies, certified by Employment and Social Development Canada, seeking to fill a position which requires unique and specialised talent in order for the firm to scale-up and grow, benefit from faster permit processing time, targeted at two weeks. Similarly,

Denmark and Finland also have fast-track schemes for certified companies, with reduced documentary requirements; Finland processes complete on-line applications in eight days.

In countries and immigration streams in which a labour market test is required, a solution has also been to waive this requirement for occupations in shortage occupation lists. In Canada, the labour market test is not required for companies seeking to hire highly-skilled foreign workers in Canada's Global Talent Occupations List – a shortage occupation list, focused mainly on science, technology, engineering and mathematics (STEM) occupations.

A major improvement of processing times in many OECD countries has been due to increased digitalisation of processes. Japan has been relatively slow in the take-up of digitalisation of immigration processes. However, there has been significant progress since 2019, in the context of a government-wide effort to increase the digitalisation of processes under the Regulatory Reform Implementation Plan. Prior to 2019, all immigration processes had to be filed in paper.

Currently, on-line processes are possible for seven types of applications (obtention of the CoE, re-entry permission, certificate of authorised employment, acquisition of status of residence, extension of period of stay, change of status of residence and permission to engage in activity other than that permitted under the status of residence). The only limitation is that foreign nationals need an Individual Number Card to be able to use the On-line Residency Application System themselves. This means that on-line applications are not open to those living outside Japan. Moreover, since March 2023, the CoE can be issued in electronic format. This removes the step of mailing the CoE original to the immigrants in the country of origin, which streamlines and reduces the costs of the immigration process.

The current on-line processes are still in need of improvement. The ISA conducted two waves of a survey to evaluate the on-line immigration processes, in 2021 and 2022. The latest results show that approximately half of respondents do not use the system due to its difficulty of use. Some basic features are unavailable, such as the possibility to attach multiple files, save the data entered for future processes, or pay the application fees electronically. Based on the surveys, the ISA is continuously improving the system, which should lead to increased usage and ultimately shorter processing times.

## Temporary labour migration programmes for low-skill and medium-skill trades jobs

Japan's labour migration policy settings exclude admission and employment for persons without skills (see Chapter 3). At the same time, since the 1990s there has been a growing presence of foreigners employed in low-skilled employment in a wide range of sectors. Since there are no labour migration channels specifically designated for low-skilled employment, these workers have come primarily through three channels: as Technical Interns; as Long-Term Residents of ethnic Japanese origin; and as international students.

The channels for descendants of Japanese emigrants have ceased to play an important role (see Chapter 3, Box 3.1) while the employment of international students, despite its magnitude, cannot be considered a labour migration channel (see Chapter 6). The understanding of the TITP, on the other hand, has evolved to the point where participants are not only treated as employees under Labour Laws but it is accepted by participants and employers as a labour migration channel in all but name. The policy discussion also treats TITP as part of the labour migration system. This section will describe the TITP as a programme for employment in jobs requiring a low level of qualifications, and look at the inflows, characteristics and employment of its participants. It will then examine inflows and characteristics of participants the Specified Skilled Worker Programme which was introduced in 2019 as a channel for workers meeting occupational skill thresholds.

Foreigners are eligible for the TITP in selected industries to perform specific sets of tasks under an approved training plan (see Chapter 6). The training plan is based on the principle that the skills would be difficult to acquire in the home country, are meant to be used upon return, and cannot be acquired mostly through the repetition of simple work. Technical intern trainees are allowed in Japan for up to 3 or even 5 years, conditional on passing the programme's skill tests after one and three years of training. Technical intern trainees are linked to a Japanese employer and voluntary change of employers is usually not possible. They may not sponsor dependents and have no pathway to permanent residency.

The current structure of TITP involves a number of different actors in Japan and the origin country. Identification of participants is done by a sending organisation in the origin country. The sending organisation is accredited by origin country governments, which have signed an MoC with Japan (Table 4.5). The sending organisation maintains some responsibility throughout the TITP career, which makes it more than just a recruitment agency – different from labour migration channels in most OECD countries. The sending organisation is required, for example, to provide post-return support.

### Table 4.5. Japan has signed Memorandum of Co-operation with 14 countries

MoCs between the Japanese Ministry of Foreign Affairs, Justice, and Health, Labour and Welfare, and partner countries

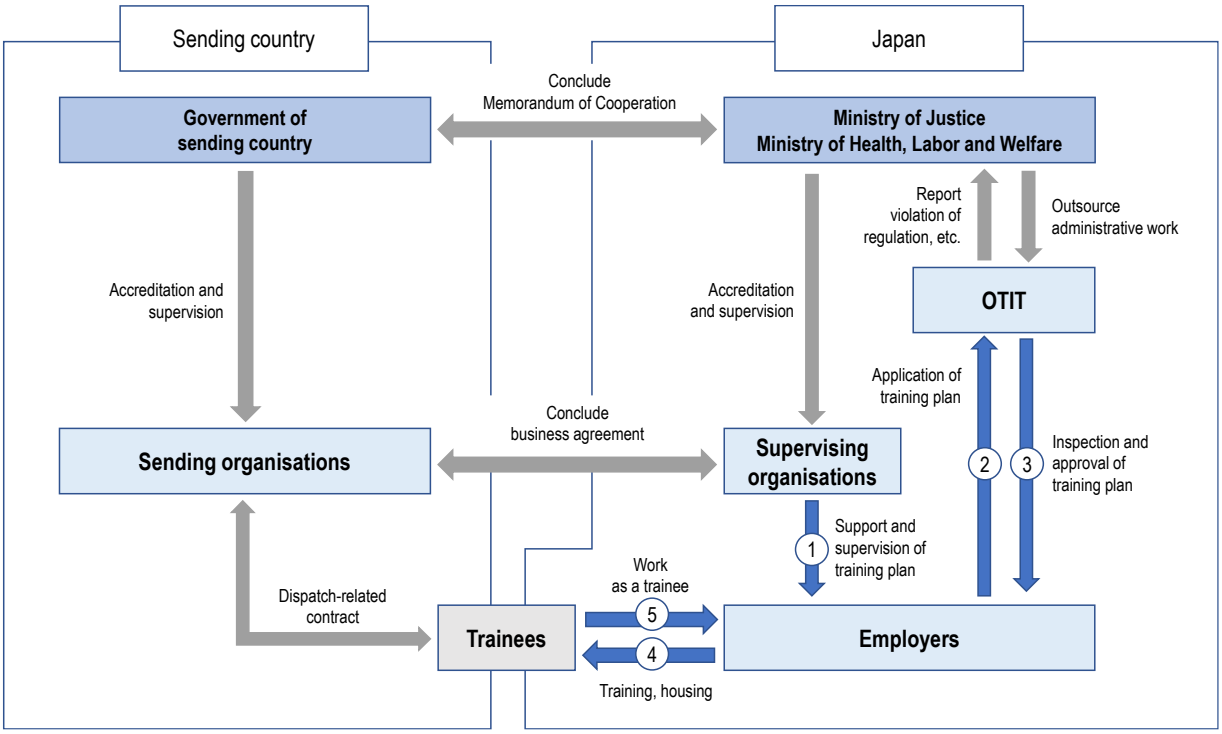
| Country | Date | Partner |
|---|---|---|
| Viet Nam | 6 June 2017 | Ministry of Labour, Invalids and Social Affairs |
| Cambodia | 11 July 2017 | Ministry of Labour and Vocational Training |
| India | 17 October 2017 | Ministry of Skill Development and Entrepreneurship |
| Philippines | 21 November 2017 | Department of Labor and Employment |
| Laos | 9 December 2017 | Ministry of Labor and Social Welfare |
| Mongolia | 21 December 2017 | Ministry of Labor and Social Protection |
| Bangladesh | 29 January 2018 | Ministry of Expatriates' Welfare & Overseas Employment |
| Sri Lanka | 1 February 2018 | Ministry of Foreign Employment |
| Myanmar | 19 April 2018 | Ministry of Labour, Immigration and Population |
| Bhutan | 3 October 2018 | Ministry of Labour and Human Resources |
| Uzbekistan | 15 January 2019 | Ministry of Employment and Labour Relations |
| Pakistan | 26 February 2019 | Ministry of Federal Education and Professional Training |
| Thailand | 27 March 2019 | Ministry of Labour |
| Indonesia | 25 June 2020 | Ministry of Manpower |

Source: Ministry of Health, Labor and Welfare www.mhlw.go.jp/stf/seisakunitsuite/bunya/0000180849.html.

In Japan, a supervising organisation is responsible for supporting the employer or "receiving organisation" in the "hosting" of the trainee. The Organization for Technical Intern Training (OTIT) is the body which oversees the training plan. The Ministry of Justice and the Ministry of Health, Labour and Welfare oversees the system. Employers are responsible for the daily life of trainees, including securing appropriate housing, while the supervising organisation provides them with support in preparing for tests (Figure 4.6).

## Figure 4.6. TITP involves multiple actors with different responsibilities in origin countries and Japan

Schematic diagram of the process for recruitment and employment of TITP workers




### *The Technical Intern Training Programme differs from Trainee Programmes in most OECD countries*

Most OECD countries admit trainees, but in much smaller number than Japan (Box 4.1). Japan has a trainee status of residence, intended for foreigners who come to perform “activities to acquire skills at a public or a private organisation in Japan”. The duration of stay can be 3, 6 or 12 months. This status allows foreigners employed abroad by Japanese firms to learn how to operate equipment or participate in corporate training, for example. Prior to 2011, trainees in the first year of TITP were classified in this category – numbers were much higher (102 000 admissions in 2008) and stays were longer (87 000 mid to long-term residents with the status of residence of “Trainee” in 2008). Since 2010, very few trainees stay in Japan for an extended period. While annual inflows of trainees ranged between 13 000 and 16 000 between 2016 and 2019, fewer than 1 500 were mid- to long-term residents in Japan at the end of each year. This programme is comparable to the “trainee” visa used in other OECD countries.

## Box 4.1. Trainee programmes in OECD countries

Most OECD countries have "trainee" programmes. These are generally intended for short-term skills transfer and to gain familiarity with processes or equipment. Trainees are not meant to provide labour. They are exempt from labour market tests and other measures meant to protect the labour market. In many cases, the firms who bring trainees do so either in the context of in-house training or preparation of agents and representatives abroad, or as part of mobility schemes organised by governments.

This is similar to the TITP for individual-enterprise-type technical intern training, which is meant for employees of a Japanese public or private organisation whose place of business is located overseas (or an employee of a foreign public or private organisation with a close relationship with a Japanese organisation whose place of business is located overseas), who has been accepted by the Japanese organisation, for training at a place of business of the organisation in Japan based on an employment contract with the organisation. Only a small share of TITP in Japan is individual-enterprise type (less than 4% in 2022).

Japan admits more trainees than other OECD countries (Table 4.6). Trainees here exclude TITP and are limited to those without an employment relationship. The nationalities of trainees reflect the presence of Japanese businesses. Trainees in Japan rarely come from countries with which a visa-free regime is in place, suggesting that the trainee Status of Residence is not used for short stays when visa waivers are applicable.

In addition to these trainee statuses, there are also several statuses under "Designated Activities" which apply to interns, such as summer interns and cultural exchange (Box 4.2). Different rules apply and these are not included in the table.

### Table 4.6. Japan receives more "trainees" than most OECD countries

Temporary migration by categories considered "Trainees", 2017-22

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|
| JPN | 16 393 | 13 389 | 12 985 | 2 392 | 179 | 3 859 |
| DEU | 4 040 | 4 589 | 5 132 | 3 121 | 5 345 | 9 260 |
| FRA | 2 483 | 3 080 | 4 212 | 2 504 | 3 034 | 3 725 |
| AUS | 1 181 | 2024 | 3 521 | 1993 | 1 366 | 3 649 |
| DNK | 1 899 | 2 251 | 2 360 | 1 642 | 2 045 | 2 028 |
| NZL | 1 536 | 1 461 | 1 164 | 288 | 21 | 171 |
| USA | 1 232 | 1 036 | 1 035 | 475 | 382 | 695 |
| KOR | 1 382 | 1 085 | 811 | 295 | 382 | 370 |
| NOR | 302 | 271 | 221 | 48 | 1 | 18 |
| FIN | 285 | 252 | 163 | 70 | 91 | 66 |
| CHE | 123 | 133 | 143 | 90 | 120 | 137 |
| BEL | 136 | 108 | 113 | 51 | 0 | |

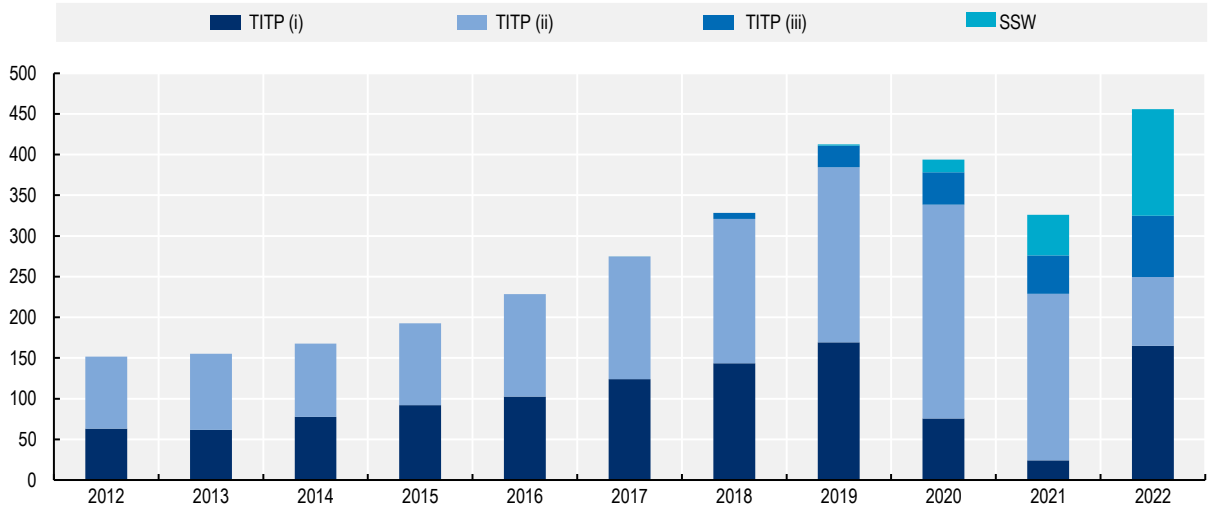
Note: Countries are those for which data are available on "trainees". For Japan, only "Trainees", not "Technical Interns".
Source: OECD International Migration Database.

### *TITP became the main channel for foreigners to work in jobs with no skills requirements*

TITP in practice is the single largest channel for labour migration in Japan and grew in the 2010s to eclipse the contribution of Long-Term Residents and other categories of foreign workers. The trainee programme throughout the 2010s was the main programme available to Japanese businesses in many sectors to recruit foreign workers. The absence of a skills threshold or language requirement makes TITP accessible for candidates in origin countries. The number of TITP participants doubled in the span between 2015 and 2019, to exceed 400 000 (Figure 4.7). Inflows of TITP workers exceeded 160 000 in 2019 before a pandemic-related interruption; they resumed in 2022.The onset of the COVID-19 pandemic travel restrictions, which prevented any new arrivals of TITP workers, interrupted this trend. Business activity was also disrupted, pushing many TITP workers out of their jobs and leading the government to authorise exceptional employment access for those unable to depart. A new cohort of TITP participants entered in 2022, indicating a full return to the pre-pandemic trend. Further, the number of TITP participants in TITP 3 staying beyond three years increased even during the pandemic, to reach more than 75 000 in 2022 – notable since not all TITP sectors allow this extension.

## Figure 4.7. The Technical Intern Programme peaked in 2019

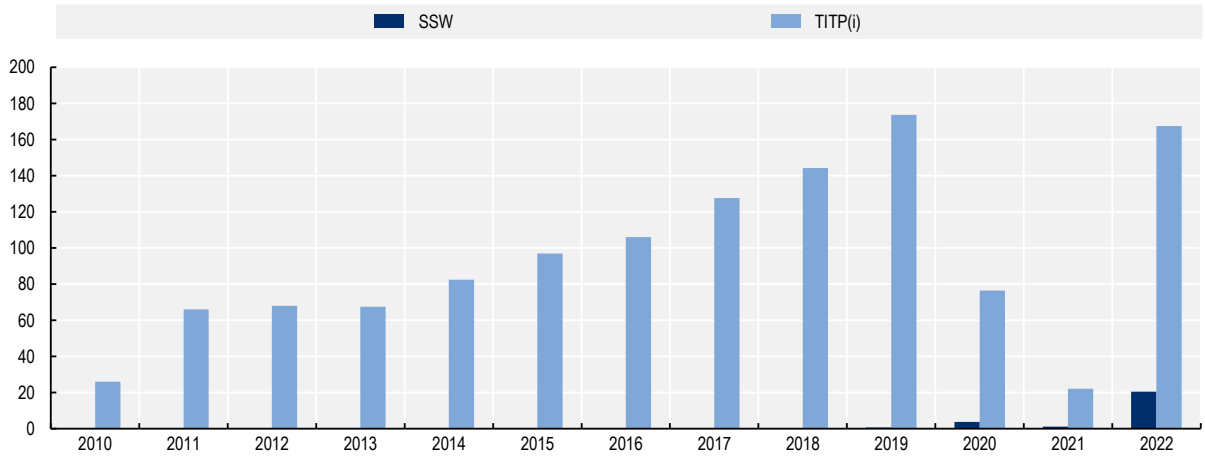
Stock of Technical Intern Trainees and Specified Skilled Workers, end of year, 2012-22, thousands




Note: TIT 1, 2 and 3 refer to the phases of the programme. TIT (i) is the first year, TIT (ii) is Year 2-3 and TIT (iii) is the extension to five years.
Source: Ministry of Justice, 2023.

## Figure 4.8. TITP inflows grew sharply during the 2010s

Initial entries to Japan by TITP workers and SSW workers, 2010-22, in thousands

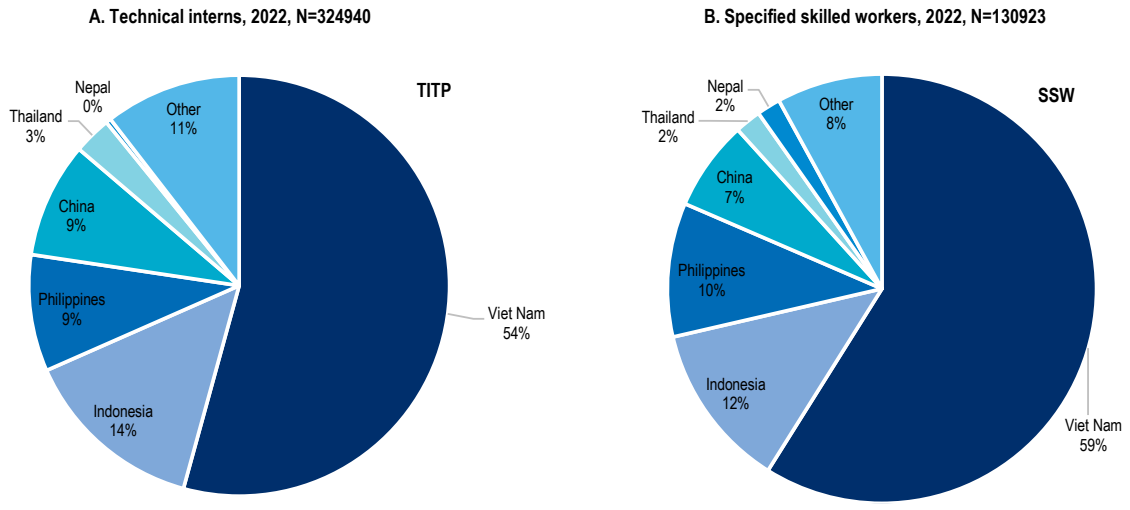



Note: SSW begins in 2019. Excludes "trainees" who constituted the bulk of participants in the TITP prior to 2012.
Source: Ministry of Justice.

For many years, the main nationality of TITP participants was China. It was not until the 2010s that other origin countries appeared in the statistics in large numbers, and it was only in 2016 that China ceded its position to Viet Nam.

The main origin for both TITP and SSW participants is Asia, principally Viet Nam (Figure 4.9). TITP relies on MoCs between the Government of Japan and the government of the origin country. There were 23 countries from which TITP participants came in 2020, but more than 85% came from the top four countries (Viet Nam, Indonesia, Philippines and China). Myanmar rose to fifth place in the 2010s.

## Figure 4.9. Viet Nam and Indonesia are the main origin countries for both Technical Interns and Specified Skilled Workers



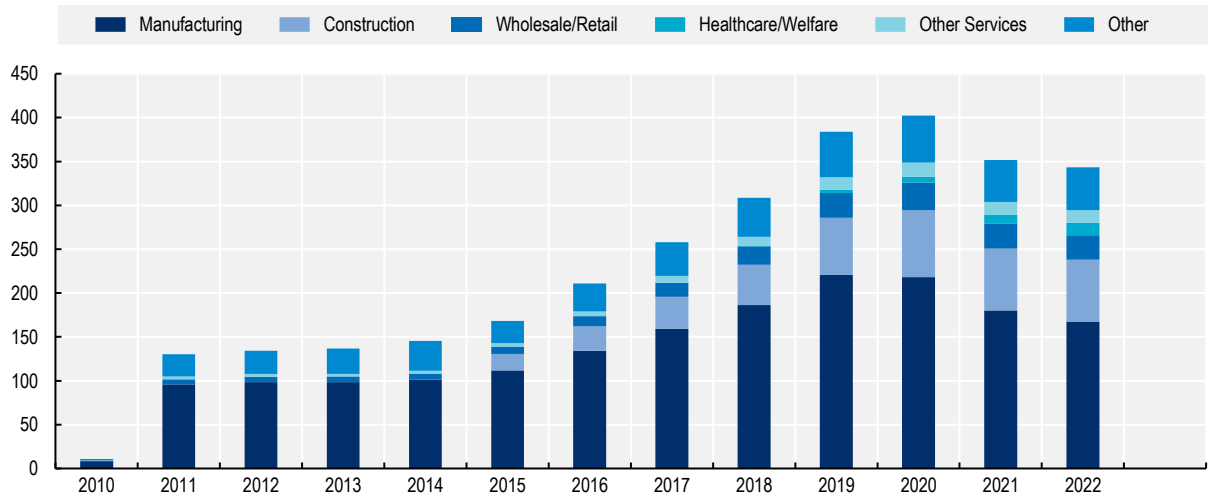

Source: Ministry of Justice, 2023.

### *TITP is concentrated in several sectors*

The main sector of employment of TITP workers is manufacturing (Figure 4.10), although its share of total TITP employment has been falling continuously since reporting began in 2010. In 2022, manufacturing comprised less than half of TITP employment for the first time. Construction has been a growing share of the total and in 2022 comprised 21%. Wholesale and retail accounted for 8%. Healthcare was absent prior to 2018 but in 2022 accounted for 4% of TITP employment.

## Figure 4.10. TITP participants mostly work in manufacturing

Trainees by sector of employment, employer reports, 2010-22, in thousands




Note: Healthcare (Medical care and welfare) was not reported before 2018. HORECA = Lodging and food services.
Source: MHLW.

A more detailed breakdown of TITP activities is provided by the training plans approved by OTIT for each trainee (Table 4.7). Food manufacturing accounts for 19% of the plans approved between 2017 and 2021, while machinery and metal processing is just 17%. Construction is the single largest sector but comprises only 20%. Agriculture accounts for about 10%.

## Table 4.7. TITP training plans indicate a wider distribution of sector job categories

Approved TITP plans by sector, 2017-21

| | Agriculture | Fishery | Construction | Food manufacturing | Textile and clothing | Machinery and metal | Welding | Nursing care | Other | **Total** |
|---|---|---|---|---|---|---|---|---|---|---|
| 2017 | 7 360 | 325 | 8 951 | 12 861 | 5 564 | 12 805 | 4 424 | 0 | 11 337 | **63 627** |
| 2018 | 39 295 | 4 208 | 71 299 | 70 401 | 31 786 | 72 673 | 26 453 | 1 823 | 71 383 | **389 321** |
| 2019 | 32 419 | 3 014 | 76 013 | 68 843 | 24 022 | 58 819 | 21 601 | 8 967 | 72 469 | **366 167** |
| 2020 | 23 417 | 2 343 | 57 767 | 48 795 | 15 043 | 36 362 | 13 003 | 12 068 | 47 610 | **256 408** |
| 2021 | 16 467 | 1 847 | 35 606 | 33 346 | 9 704 | 25 520 | 8 621 | 8 384 | 31 892 | **171 387** |
| Cumulative share | 9.5% | 0.9% | 20.0% | 18.8% | 6.9% | 16.5% | 5.9% | 2.5% | 18.8% | **100.0%** |

Source: OTIT (2023).

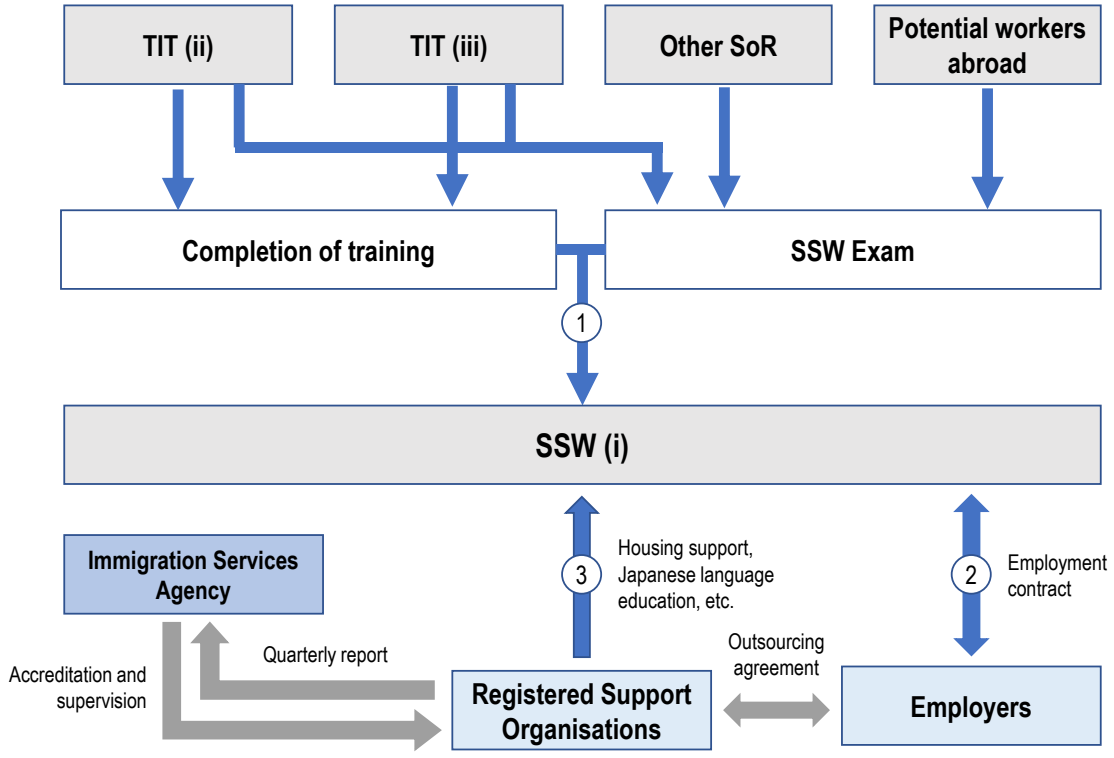
### *The Specified Skilled Worker Programme (SSWP) imposes a skills threshold but offers better residence conditions to workers*

The Specified Skilled Worker Programme was approved in 2018. It has two tiers. The first tier is for workers with considerable knowledge and experience (see Chapter 6). The second tier is for those with high-level technical skills who can supervise other workers as a foreman or other technical supervisory role. Migrants under the new SSWP are eligible to work in 12 industries selected for being industries with acute labour shortages.[11]

There are several pathways into SSWP (Figure 4.11). In contrast to the TITP, candidates must pass an industry-specific skills test and a Japanese language test to qualify for the programme. However, participants who have completed TITP (ii) in the same industries also qualify for the first tier of the SSWP. TITP participants who wish to enter SSWP in another sector must pass the exam for that sector.

**Figure 4.11. There are many routes into SSW from Japan and from abroad**

Pathways into the Specified Skilled Worker Programme




Participants in the first stream of the SSWP may stay in Japan up to five years. Workers may change employers within the same industry during their stay or take the test to change industry. For SSW (i), family reunification is not allowed and there is no pathway for permanent residency unless workers qualify for another SoR such as SSW (ii).

In contrast, participants in the second stream of the SSWP are eligible for family reunification and may apply for permanent residency after ten years in the country, subject to the same conditions as other migrants.

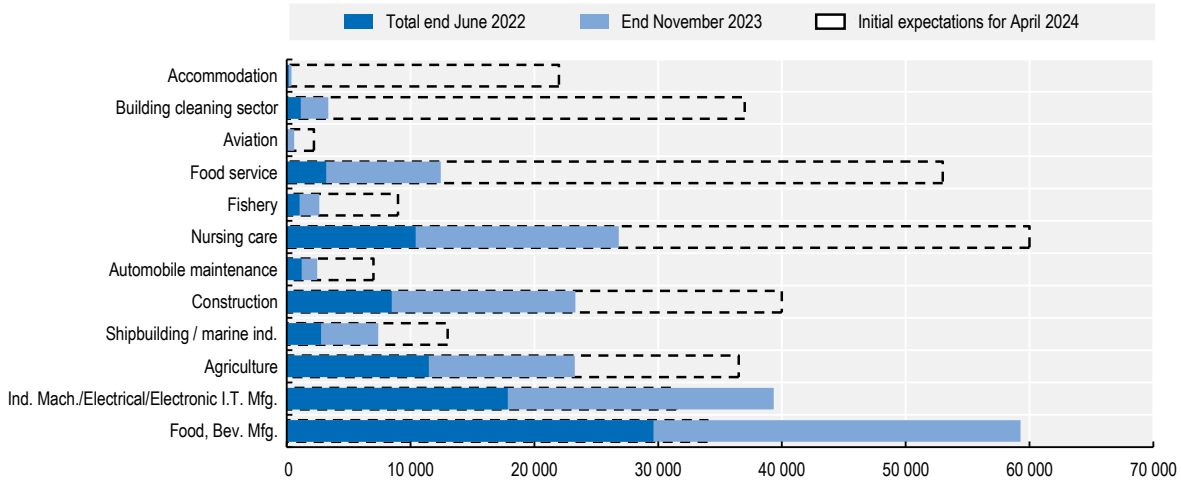
When the SSWP was launched, the government set targets of admissions for each of the 14 industries and a cumulative target of 345 000 participants in the first five years of the programme, with expectations of a certain distribution. The first years of the programme were disrupted by the COVID-19 pandemic.

Testing had to be developed for each sector, adapting existing occupational standards to the needs of the new programme, and organising testing sessions in Japan and abroad. The first tier of SSWP was the first to be developed; the eligibility criteria and related testing for the second tier were more complex to develop and lower priority.

By the end of 2021, fewer than 50 000 specified skilled workers were in Japan, almost all of them transitioning from other statuses of residence rather than admitted from abroad as SSWs. Compared with the initial expectations in 2018 of the distribution of SSWs by sector was quite different; one sector, food and beverage manufacturing, exceeded initial expectations, while others lagged far behind.

### Figure 4.12. The Specified Skilled Worker Programme has been successful in several sectors

Number of SSW workers by sector of employment, December 2022, and initial expectations by sector for April 2024




Note: Initial expectations were announced in 2018.
Source: Ministry of Justice, www.moj.go.jp/isa/policies/ssw/nyuukokukanri07_00215.html.

The SSWP nonetheless grew quickly – to more than 130 000 by the end of 2022 – and revealed itself to be a popular next step for TITP workers who finished their cycle of technical internship training, as well as foreigners completing vocational education in Japan. Vocational training institutions adapted to the new system as well, developing curricula to prepare students for the SSWP exams. VET providers in origin countries have been slower to develop curricula to meet the SSWP standards but have shown increased interest now that SSWP is better known.

## A wealth of niche labour migration programmes

In addition to the main labour migration programmes above, Japan hosts participants in smaller migration programmes. Japan has a programme for nurses and certified care workers under economic partnership agreements (EPA); some programmes that target specific jobs such as housekeepers to diplomats or ski instructors; and several programmes under the National Strategic Special Zones (NSSZ).

Migrants participating in these smaller programmes enter and stay in Japan under the *Designated Activities* SoR (See Box 4.2). However, the *Designated Activities* SoR is not granted to labour migrants alone. Very different categories of migrants are granted this SoR, as for example, some categories of humanitarian migrants, working holiday makers, athletes, trainees, former international students searching for a job in Japan, etc.

## Box 4.2. Designated Activities Status of Residence

The status of residence *Designated Activities* encompasses many small migration programmes, including Economic Partnership Agreements, programmes under the NSSZ, and exceptional migration programmes such as those in preparation for the 2020 Olympics.

Categories under *Designated Activities* are divided into "KOKUJI" (designated) and "non-KOKUJI" (not designated), depending on whether the Minister of Justice assigns a specific number to the activity. As of April 2023, there are 49 sub-categories under KOKUJI (Table 4.8). Many other activities are excluded, such as international students who continue their stay for job-hunting or business start-ups and those who are in the process of refugee recognition.

### Table 4.8. Sub-categories (KOKUJI) of the Designated Activities status of residence

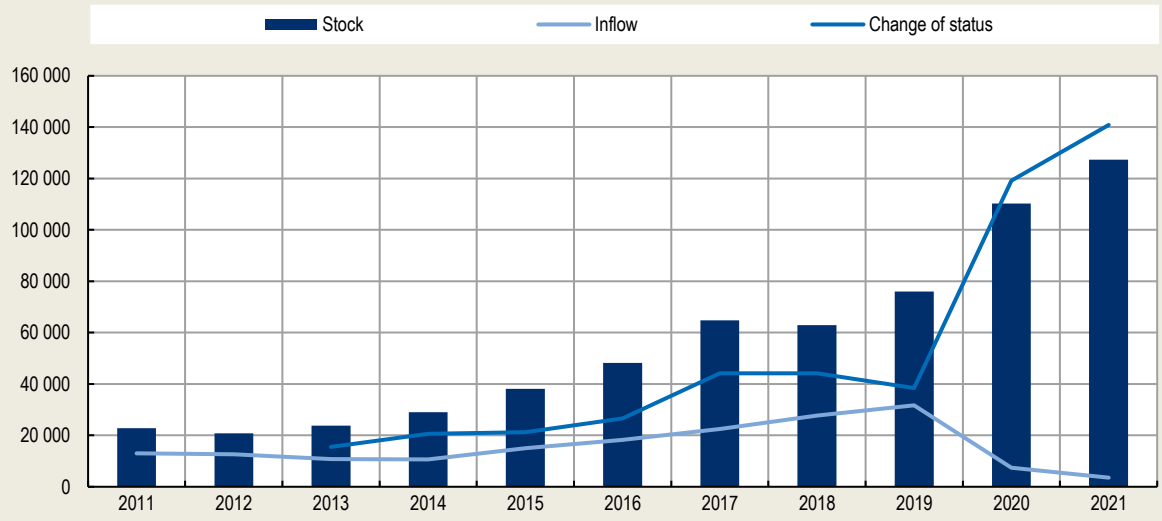
| Number | Activities |
|---|---|
| No. 1, 2-1, 2-2 | Housekeepers of diplomats or consulates |
| No. 3 | Workers of "Taiwan-Japan Relations Association" and their families |
| No. 4 | Workers at General Mission of Palestine and their families |
| No. 5-1, 5-2 | Working holiday |
| No. 6.7 | Amateur sports athlete and their families |
| No. 8 | Foreign attorney working on international arbitration case |
| No. 9 | Internship |
| No. 10 | British volunteers working on welfare activities |
| No. 12 | Students at foreign universities working at Japanese firms for short term paid internship program (so-called Summer Job) |
| No. 15 | University students of foreign countries who are engaged in cultural exchange |
| No. 16~24, 27~31 | EPA candidates of nurses and care workers from Indonesia, Philippines and Viet Nam |
| No. 25, 26 | Patients being treated at Japanese hospitals and their families |
| No. 32 | Foreign construction workers |
| No. 33 | Spouses of "Highly Skilled Professional" SoR to be permitted to work |
| No. 34 | Parents of those under "Highly Skilled Professional" SoR or their spouses |
| No. 35 | Foreign shipbuilding workers |
| No. 36 | Research, education, or business related to those |
| No. 37 | IT engineer |
| No. 38 | Spouses or children of No. 36 and No. 37 |
| No. 39 | Parents of No. 36 and No. 37 or their spouses |
| No. 40, 41 | Long-term sightseeing or vacation and their families |
| No. 42 | Foreign workers in the field of manufacturing |
| No. 43 | Fourth-generation foreign national of Japanese descent |
| No. 44, 45 | Foreign entrepreneurs and their spouses or children |
| No. 46, 47 | Graduates from a university in Japan and their spouses or children |
| No. 48, 49 | Those related to Olympic 2020 and their spouses or children |
| No. 50 | Ski Instructors |
| No. 51, 52 | Future Creation Individuals (J-Find) and their spouses or children |

Note: As of April 2023.
Source: Status of residence "Designated Activities" KOKUJI list, Ministry of Justice, www.moj.go.jp/isa/content/001389019.pdf.

Newly established migration programmes often start under the Designated Activities SoR until a new SoR is created. For example, participants in the TITP were under a Designated Activities SoR until 2011 when the TITP SoR was created. Similarly, participants in the Points-Based system, established in 2012, were under the Designated Activities SoR until 2015 when the SoR Highly skilled Professional was introduced. Part of the dependents of Highly Skilled Professionals continue to be under the Designated Activities SoR.

There are more status changes into *Designated Activities* than new immigrants arriving in Japan under this SoR (Figure 4.13). This was already the case pre-pandemic. However, the number of status changes into *Designated Activities*, as well as the stock of migrants under the status, increased greatly during the pandemic. This was due to the extraordinary measures to extend statuses of migrants who could not depart from Japan due to travel restrictions.

### Figure 4.13. Stocks, inflows, and status changes into Designated Activities, 2011-21




Source: Immigration Services Agency.

There is no available data on all sub-categories of the SoR. Different programmes are managed by different government actors and there is no integration of the data of all categories. In particular, almost two-thirds of migrants entering Japan during the period from 2011 to 2019 under *Designated Activities* are participants in working holiday youth exchange programmes. Japan signed the first working holiday programme with Australia in 1980. Currently, Japan has agreements with 29 countries/regions. Another 10% come to Japan for internships. Migrants coming to Japan under Designated Activities typically stay only for a short period.

There is no detailed information on the subcategory of 82% of migrants in Japan under Designated Activities mid-2022 (60.5% at the end of 2019). The status seems to be used to allow migrants who would not qualify for other SoR to remain in the country (see Chapter 5).

**Table 4.9. Inflows and stocks, Designated Activities, sub-categories**

| | Inflows 2011-19 | Stock 2019 | Stock June 2022 |
|---|---|---|---|
| Amateur sports athletes & Dependents | 0.6 | 0.8 | 0.5 |
| EPA & Dependents | 3.6 | 5.9 | 3.7 |
| Highly-skilled Professionals & Dependents | 2.3 | 4.5 | 1.6 |
| Interns | 10.1 | 4.7 | 0.7 |
| Medical stay | 0.0 | 0.5 | 0.3 |
| Researcher, IT engineer & Dependents | 0.1 | 0.0 | 0.0 |
| Housekeeper | 0.6 | 1.6 | 0.9 |
| Working holiday | 64.3 | 21.4 | 1.3 |
| Refugee status under examination | | | 8.3 |
| Other | 18.5 | 60.5 | 81.8 |

Source: Immigration Services Agency Data.

### *Economic Partnership Agreements for nurses and care workers*

Japan has concluded Economic Partnership Agreements (EPA) with Indonesia (2008), the Philippines (2009), and Viet Nam (2014) for accepting nurses and care workers. Under this framework, EPA candidates are trained in Japan for up to 3 years for nursing, and 4 years for care work, and are then eligible to pass the Japanese national qualifications exams. If successful, they have the option to stay in Japan indefinitely.

The requirements for candidates to participate in the programme differ slightly depending on the partner country (See Figure 4.14). Nevertheless, irrespective of the country of origin, the candidates must have a nursing license or at least two years of work experience for the nurse stream and have completed a relevant educational course for nurses in their country of origin.

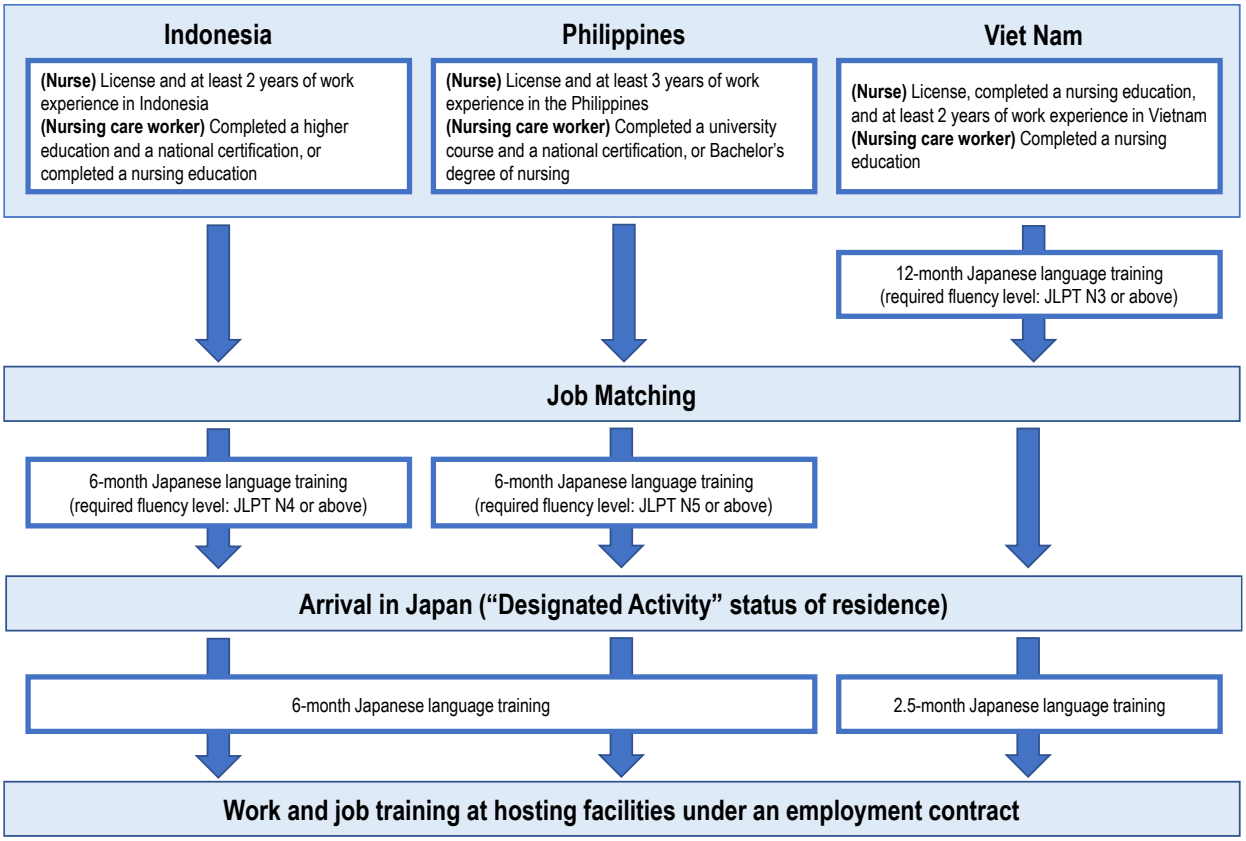
Language training is a key feature of the EPA. Language training is provided partly in the country of origin and partly in Japan. In the initial agreements with Indonesia and the Philippines, six months of language training take place in the country of origin and six months in Japan. However, this proved to be insufficient, and language training has been increased to 12 months in the country of origin in the agreement with Viet Nam, followed by two and a half months of language training in Japan.[12]

EPA candidates are matched to hosting institutions in Japan. Hosting hospitals and care giving facilities post job offers that are then matched to the candidates' preferences, and an employment contract is concluded between both parties. EPA candidates may not change employers during the training.

EPA candidates in the nursing stream may take the Japanese national qualification exam in their first year in the programme. If they fail, they are eligible to re-take the exam annually in the next two years. In the meantime, they work as assistant nurses. EPA candidates in the care stream must do an apprenticeship in a Japanese facility and may only take the test in the fourth year of the programme.

EPA are managed by Japan International Corporation of Welfare Services (JICWELS) together with the governmental organisations of the partner country. EPA stipulate the conditions necessary to be a sending organisation. The sending organisation screens candidates and promotes the programme. In particular, they are responsible for providing accurate information about the programme, such as ensuring that potential candidates understand they need to pass the Japanese national certification exams to remain working in Japan. Sending organisations in the country-of-origin invoice JICWELS for real expenses.

## Figure 4.14. Process of Accepting Candidates under EPA




Source: Employment Security Bureau, Ministry of Health, Labour and Welfare, Japan.

There are strict requirements for participating hosting facilities in Japan. Japanese organisations accepting EPA candidates must be approved in accordance with criteria stipulated by the MHLW. They need to prepare a training plan, provide financial support for the trainees' accommodation, and pay trainees prevailing wages. Employers receive subsidies from the MHLW to participate in the EPA. Tuition for language, a tutor and a computer purchase are provided. Furthermore, EPA mandates that there is a designated staff member of the hosting facility who is responsible for EPA workers. The designated staff also receives a government allowance.

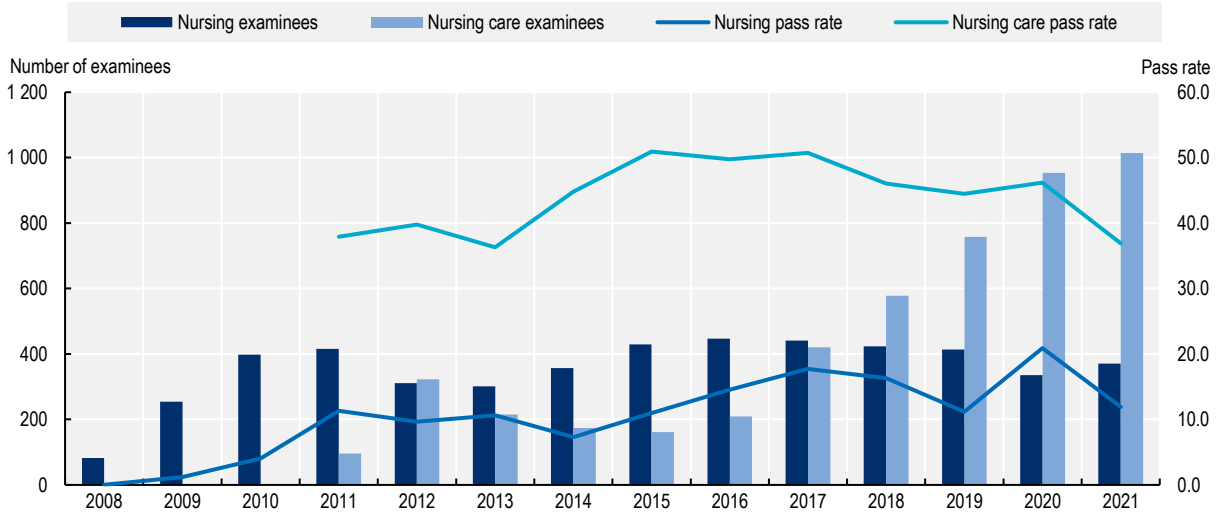
JICWELS provides language training in the country of origin, facilitates the job match between EPA candidates and hosting institutions, and oversees the integration of EPA candidates in Japan. JICWELS checks and visits hosting institutions regularly. JICWELS conducts surveys on working conditions of EPA candidates and reports periodically on their wages.[13] It also offers a hotline for participants and yearly one on one meetings with candidates.

EPA candidates who pass the Japanese national certification exams may remain in Japan indefinitely under the same status of residence (*Designated Activities*) or may change to the SoR *Nursing Care or Medical Services*. Remaining under the initial status allows immigrants to continue using JICWELS support (hotline and individual meetings). Once EPA candidates pass the qualification tests, they have the right to sponsor accompanying family to Japan, irrespective of their SoR.

As of 2021, 1 587 nursing candidates and 6 454 care worker candidates have participated in the EPA, but only 529 and 1 762 candidates have passed the Japanese qualifications (Figure 4.15). Despite the training offered through the EPA, the candidates' pass rates of Japanese national qualifications remain low. In

2021, only 20.9% of EPA candidates obtained the national qualification as nurses (compared with a pass rate of 90.4% for Japanese candidates) and 36.9% as care workers (compare with 72.3% for Japanese candidates).

## Figure 4.15. EPA pass rates

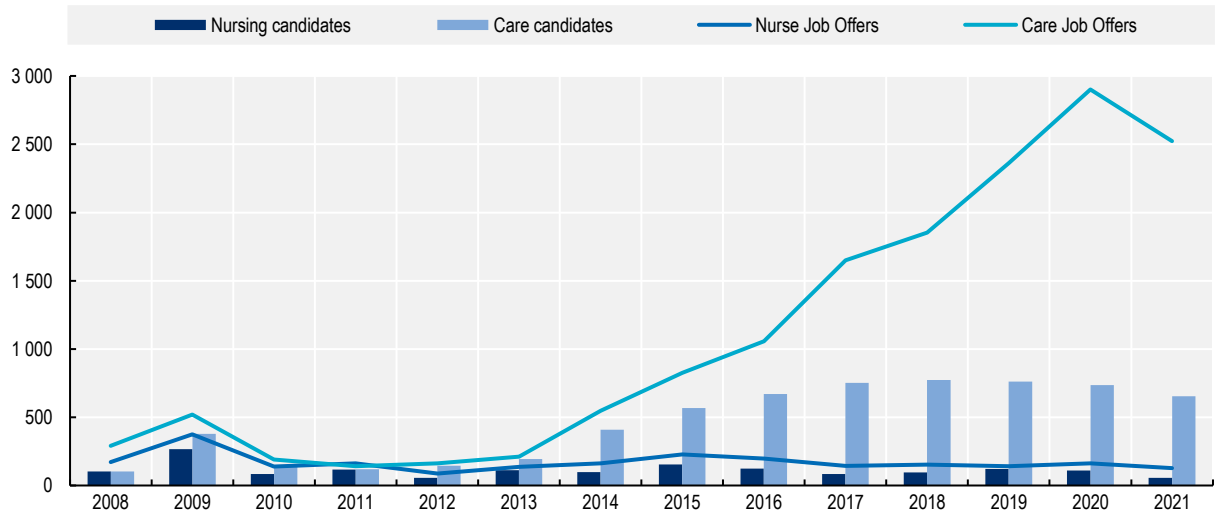



Source: Trends in the number and pass rate of EPA candidates taking the national qualification exams, Ministry of Health, Labour and Welfare, Japan, www.mhlw.go.jp/content/000639886.pdf.

The number of job offers for care worker candidates has been on the rise since 2014 reflecting the increasing interest of employers in foreign care workers. However, EPA aim to enhance bilateral partnerships in economic activities, not to address labour shortages in Japan. Furthermore, the cost of the programmes is high, estimated at approximately JPY 600 000 per candidate regardless of the stream. The official guidelines provide the cost breakdown of the amount that hosting facilities need to pay JICWELS to hire an EPA candidate from each country of origin, including intermediary commission fees of job offers, accommodation expenses and language training costs. Cost estimations are also available from hosting facilities and municipalities. For example, Funabashi City reports that hosting two Viet Namese EPA candidates for two years costs JPY 1.2 million on top of their wages.

Hence, these programmes have no vocation to be scaled up; especially as alternatives have emerged. Among immigrants under a nursing care SoR at the end of 2022, only 14% had entered Japan through the EPA.

## Figure 4.16. EPA supply and demand




Source: Trends in the job offers and accepted EPA candidates, Ministry of Health, Labour and Welfare, Japan National Strategic Special Zones.

Prior to strong market interest in recruiting care workers from abroad, it was necessary to subsidise the care worker channel to contribute to the broader success of the EPA. The question of cost sharing in developing channels for migration by healthcare workers – nurses and care workers, especially – is one faced by a number of OECD countries. Cost sharing is particularly important when destination-country-specific human-capital, such as language skills or certification for a regulated profession, is required. Candidates may not have the resources to invest in this specific destination-country capital, especially when migration channels are new and untested and outcomes uncertain or unknown. One approach to this is to implement partnerships with origin countries to train in both origin and destination and place in firms. Germany's "Triple Win" recruitment of nurses is one example (Box 4.3). Private sector actors can perform similar roles, and indeed the introduction of the SSWP has led to some initiatives in Japan (see Chapter 6, Box 6.11).

### Box 4.3. Public-Private International Co-operation on training and placement of nurses

**Germany's Triple Win initiative**

Since 2013, Germany's development co-operation agency, GIZ, has worked with the International Placement Services (ZAV) of the German public employment service and public employment agencies in partner countries to train and place nurses in German healthcare facilities. The programme operates in the Philippines, Indonesia, Viet Nam and India, among other origin countries. The public employment service in the origin countries identifies candidates trained as nurses. They receive German language training and bridging courses to prepare for the national examination in Germany. Upon arrival in Germany, they receive initial integration support and assistance in obtaining recognition. Employers cover the cost of GIZ services (about EUR 8 000) as well as the travel costs and cost of language and professional certification. More than 5 000 nurses have participated in the programme through 2023.

Source: Bundesagentur für Arbeit, http://www.arbeitsagentur.de/vor-ort/zav/projects-programs/health-and-care/triple-win.

### *Migration Programmes in National Strategic Special Zones.*

Within the National Strategic Special Zones (NSSZ) (see Box 4.4), nine programmes currently target migration in three different ways: creating new migration channels; easing or simplifying migration procedures; and offering immigration advice to employers and migrants (see Table 4.10).

The NSSZs offer three migration channels for specific occupations: domestic workers (see Box 5.4), agricultural workers, and domestically trained hairdressers. The ISA does not publish the intake numbers for each of these channels. The programmes are small and represent an experimental phase for potentially larger programmes nationwide.

Several existing projects simplify migration procedures under the existing status of residence Business/Manager for entrepreneurs. The initiatives relax the requirement to have office space already secured upon arrival in Japan and make it easier for international students to transition to the Business/Manager SoR.

An additional programme offers bonus points in the PBS to migrants selected by firms sponsored by local governments.

#### Box 4.4. National Strategic Special Zones

The National Strategic Special Zones (NSSZ) are special designated regions in which regulatory reforms and other measures, such as tax incentives, are implemented through projects carried out jointly by the central government, local governments, and the private sector. The aim is to strengthen Japan's economic competitiveness and foster economic growth.

NSSZs were established in 2013 as part of the third arrow – a growth strategy – of Abenomics. There are currently 10 NSSZs, encompassing 17 municipalities, and covering over 50% of GDP and 45% of the population. As of April 2020, over 100 reforms had been realised and over 350 projects were ongoing.

The establishment of a new special measure is done in several steps. First, anyone – local government or private actor – may file a proposal. A Special Zone Working Group, led by private-sector experts, studies the proposal, and issues an opinion. The Special Zone Advisory Council, led by the Prime-Minister, deliberates as necessary and obtains the consent of each competent minister. The special measure is then realised through a revision to the Special Zones Act and related laws and regulations.

NSSZs act as regional laboratories for regulatory change. Some reforms target strategic sectors (agriculture, education, health, tourism, etc.) and others are cross-sectoral, such as projects to reform employment practices or urban planning. Programmes are systematically evaluated and potentially scaled up nationwide.

Source: The website The National Strategic Special Zones (chisou.go.jp) provides an overview of the NSSZ projects in place.

## Table 4.10. Labour migration in NSSZ projects

As of end of 2022

| Programme name in English | Programme name in Japanese | Description | Municipalities |
|---|---|---|---|
| Foreign Talent for Household Support | 家事支援外国人材 | **Labour migration channel** for domestic workers hired by 7 authorised agencies. The list of agencies is provided at The National Strategic Special Zones (chisou.go.jp) | Tokyo, Kanagawa, Chiba City, Osaka (some areas), Hyogo, Aichi |
| Foreign Talent for Business Start-up | 創業外国人材 | **Relaxation of the requirement** to have office space secured with two full time employees or 5 million yen stated capital upon arrival to six months after arrival, for migrants arriving under the Business/Manager status of residence | Tokyo, Kanagawa, Kyoto, Hyogo, Niigata, Fukuoka, Kitakyushu, Sendai, Aichi, Hiroshima, Imabari |
| Cool Japan Foreign Talent | クールジャパン外国人材 | **Immigration support** for migrants related to Cool Japan initiatives, with eventual exemption to the existing statuses of residence | |
| Employment Consultation | 外国人雇用相談 | **Immigration support** to employers wishing to hire migrants, including the analysis of specific cases related to the approval and denial of status of residence | |
| Highly skilled professionals – Points Based System | 高度人材ポイント制 | **10 bonus points** for migrants hired by companies eligible for projects approved by the local government | Tokyo, Kyoto, Fukuoka, Kitakyushu, Sendai, Hiroshima, Aichi |
| Foreign Talent for Business Start-up (Special Provisions for Securing Business Offices) | 創業外国人材（事業所確保の特例） | **Relaxation of requirements** under Business/Manager status of residence, co-working spaces certified by local governments will be allowed for the first year of residence | Tokyo, Kyoto, Hyogo, Fukuoka, Kitakyushu, Sendai, Aichi, |
| Foreign Talent for Business Start-up (Change of Status of Residence from Student) | 創業外国人材（在留資格「留学」からの資格変更） | **Simplified change of status** to Business/Manager status of residence for international students starting a company | |
| Foreign beauticians/hairdressers | 外国人美容師 | **Labour migration channel** for international students who have graduated from a hairdresser training facility in Japan, obtained a beautician license, and will work in Japan as a hairdresser | Tokyo |

Source: National Strategic Special Zones Regulatory Reform Menu List, www.chisou.go.jp/tiiki/kokusentoc/menu/gaikokujinzai.html.

### *Recent labour migration policy developments led to overlapping migration channels*

The labour migration policy developments of the last decade led to some overlap between migration channels. The creation of the SSWP introduced a clear overlap with the existing TITP. Despite the differences between the two programmes (in terms of skill requirements, eligible occupations and industries, conditions in the labour market), migrants from the TITP and SSWP are in many cases filling the same labour market needs. (See Chapter 6 for an in-depth review of the TITP and SSWP).

Beyond the SSWP, the recent multiplication of migration programmes has led to the overlap of migration channels and complexification of migration paths. Three indicative examples, described below, are the current migration channels for care workers, agricultural workers, and start-up founders.

*Labour migration channels for care workers*

There are four different statuses of residence for foreign care workers. The first channel is the Economic Partnership Agreement (EPA) for nurses and caregivers that Japan has with Indonesia, Philippines and Viet Nam. EPA candidates from these countries study and/or work in Japan while preparing to pass the national exams for certified care worker and a Japanese language exam (see section above).

The second channel is the Nursing Care status of residence created in 2016. This status of residence is meant for foreigners who have graduated from training facilities for certified care workers and would like to remain working in Japan after passing the national exams for certified care worker. Lastly, both the TITP and SSWP have a nursing care stream.[14]

These four different streams differ in the requirements in terms of certification, both of care giving skills and Japanese language, conditions of employment, and allowed duration of stay in Japan. A detailed comparison of the different streams is provided in Table 4.11.

## Table 4.11. Labour migration channels for care givers

| | Economic Partnership Agreements (EPA) | Nursing Care Status of Residence | Technical Intern Trainee Programme | Specified Skilled Worker Programme |
|---|---|---|---|---|
| Year Introduced | 2008 | 2016 | 2017 | 2019 |
| Stated Policy Objective | To facilitate, promote and liberalise trade in goods and services between the signatory countries | To attract/retain highly skilled human resources | Transfer technology to developing countries | Alleviate labour shortages |
| Participation requirements for migrants Education/Skills | Graduate of nursing schools (Indonesia, Philippines, Viet Nam) or 4-year university with any major, and obtained an accredited caregiver license (Philippines) | Passed Nursing Care National Examination | None | SSWP skills test for careworkers<br>Or<br>Completed TITP as a careworker |
| Participation requirements for migrants Japanese Language | 1-year Japanese language training provided by EPA<br>For Viet Nam, JLPT Level 3 is required. | None, although national exam is in Japanese | NA<br>For Nursing Care occupation, JLPT Level 4 | JLPT N4 or (JFT-Basic) and Nursing Care Japanese Language Test |
| Institutional framework | Government and JICWELSin the sending and receiving countries oversee recruitment, training, and placement | Direct hiring by Japanese employers<br>Migrants may change employers within the same sector | Privately licensed agencies in the sending countries and Japan oversee recruitment, training, and matching. | Direct hiring by Japanese employers<br>Migrants may change employers within the same sector |
| Programme managed by | JICWELS conducts selection, provides training, placement and post-placement support and monitoring | No management | OTIT oversees monitoring and support of supervising organisations and receiving organisations (employers). | Registered Support Organization |
| Length of stay in Japan | 4-year training to pass Nursing Care National Examination (+1 extra year to retry exam in case failed first attempt)<br>Once passed Nursing Care National Examination may stay indefinitely. Eligible for permanent residence after 10 years.<br>If failed examination, may transfer to SSWP or return to country of origin. | Indefinitely renewable.<br>Eligible for permanent residence after 10 years. | Maximum 5 years<br>May transfer to SSWP | Maximum 5 years in SSW(i) |

Source: Adapted from Ogawa (2022[3]), "The State and The Market: Acceptance of Migrant Care Workers Through Multiple Channels", in Reiko Ogawa, Agents of Care Technology Transfer: Trends and Challenges of Migration Care Workers Across Borders, ERIA Research Project.

An important difference between these streams lies in who bears the cost of training. Most immigrants who work in Japan as care workers first studied in Japan to qualify for the national qualification exams. In this case, the cost is borne by the migrants themselves. Similarly, participants in the SSWP also need to have passed the qualification exams before being eligible for the programme and hence have no training support. They may be trained in origin countries at their own cost or by placement agencies who recover the costs from the employer. In contrast, the training cost of participants in the TITP is shifted to the employers in Japan, and even more so in the EPA, the costs are borne by Japanese employers and the Japanese Government.

### *Labour migration channels for agricultural workers*

Another case of multiple channels is that of foreign agricultural workers. These may migrate to Japan under the TITP or the SSWP. Table 4 compares the two programmes.

## Table 4.12. Labour migration channels for agricultural workers

| | Technical Intern Trainee Programme | Specified Skilled Worker Programme |
|---|---|---|
| Stated Policy Objective | Transfer technology to developing countries | Alleviate labour shortages |
| Participation requirements for migrants Education/Skills | | SSWP skills test for agricultural workers<br>Or<br>Completed TITP as agricultural worker (SSW 1) |
| Participation requirements for migrants Japanese Language | | JLPT N4 |
| Institutional framework | Privately licensed agencies in the sending and receiving countries oversee recruitment, training, and matching.<br>OTIT oversees monitoring and support.<br>Job must be in one of the 2 eligible occupations (from year 2 onwards)<br>Food processing allowed for half the training time or less | Direct hiring or worker dispatching by Japanese employers<br>Migrants may change employers within the same sector<br>Registered Support Organization oversees employers |
| Length of stay in Japan | Maximum 5 years<br>May transfer to SSWP | Maximum 5 years SSW (i)<br>Indefinite SSW(ii) |

Source: Ministry of Agriculture, Forestry and Fisheries.

### *Channels for start-up founders*

Like other OECD countries, Japan has recently introduced several pathways to support start-ups (see section above). There are three different programmes: the “Foreign Entrepreneurship Activity Promotion Program”, the “Projects for Encouraging Foreign Entrepreneurs to Start Business” and measures introduced to help international students who graduate from a Japanese university to launch their start-up.

The first two programmes are very similar. The “Foreign Entrepreneurship Activity Promotion Program” was created in 2015 in the context of the NSSZs, and as such is overseen by the Cabinet. The “Projects for Encouraging Foreign Entrepreneurs to Start Business” was introduced in 2018 by the Ministry of Economy, Trade and Industry (METI) and the Ministry of Justice (MOJ). Migrants under the first programme stay in Japan under the *Business Manager* SoR for up to 6 months, whereas those under the second are eligible for *Designated Activities* for up to one year. In both cases, candidates are supported by local governments and expected to transition to the *Business Manager* SoR.

The measures to encourage the creation of start-ups by international graduates were introduced in 2020 by the Ministry of Education, Culture, Sports, Science and Technology (MEXT). International students having graduated from selected universities are eligible for a *Designated Activities* SoR for 2 years to launch their

business. Furthermore, international students are also eligible for the other programmes. An international student after graduating in Japan may benefit from the "Foreign Entrepreneurship Activity Promotion Program" and then from the special measures for international students for a total duration of two years.

### Table 4.13. Labour migration channels for start-up founders

| | Foreign Entrepreneurship Activity Promotion Program | Projects for Encouraging Foreign Entrepreneurs to Start Business, Start-up visa | Measures related to entrepreneurial activities by international students who graduated from Japanese universities |
|---|---|---|---|
| Date introduced | July 2015 | December 2018 | July 2020 |
| Description | Under the special measures of the NSSZs, relaxed conditions to obtain "Business Manager" SoR under supervision of the implementing organisation (local government). | Preparatory entrepreneurial activities, under supervision of the implementing organisation (local government). | Preparatory entrepreneurial activities, under supervision of the university |
| Requirements | - Obtain approval of the founding activity plan to the implementing organisation (local government) | - Obtain approval of the founding activity plan to the implementing organisation (local government) | - Graduated from a school participating in the "International Student Employment Promotion Programme" or the "Top Global University Japan"<br>- The applicant has been engaged in entrepreneurial activities while enrolled in the university.<br>- Recommendation and support from the university |
| Relevant government body | Cabinet Office (NSSZ) | Ministry of Economy, Trade and Industry (METI) | Ministry of Education, Culture, Sports, Science and Technology (MEXT) |
| SoR | Business/Manager | Designated Activities #44 | Designated Activities |
| Duration of SoR | 6 months; After 6 months must meet conditions of SoR *Business Manager* | 1 year (6 months + 6 months renewal); After 6 months must meet conditions of SoR *Business Manager* | 2 years |
| Municipalities | 11 municipalities (Tokyo, Kanagawa, Kyoto, Hyogo, Niigata, Fukuoka, Kitakyushu, Sendai, Aichi, Hiroshima, Imabari) | 16 prefectures/cities/wards (Shibuya, Yokohama, Kyoto, Niigata, Fukuoka, Sendai, Aichi, Hyogo, Hamamatsu, Gifu, Kobe, Osaka, Ibaraki, Hokkaido, Mie, Oita) | Nationwide |

Source: Promotion of acceptance of foreign talents, The Japan External Trade Organization, www.jetro.go.jp/invest/setting_up/section2/page12.html; Measures related to entrepreneurial activities by international students who graduated from Japanese universities, ISA, www.moj.go.jp/isa/publications/materials/nyuukokukanri07_00001.html.

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OECD (2022), *What are the risks and rewards of start-up visas?*. [2]

# Annex 4.A. Additional tables

## Annex Table 4.A.1. High skilled statuses of residence

| Status of Residence | Authorised activities | Examples | Period of stay |
|---|---|---|---|
| Professor | Activities for research, research guidance or education at a university, an equivalent educational institutions or colleges of technology ("Kotosenmongakko"). | College professor | 5 years, 3 years, 1 year or 3 months |
| Highly-skilled professional | (i)<br>(a) Activities for research, research guidance or education based on a contract with a public or private organisation in Japan designated by the Minister of Justice.<br>(b) Activities for work requiring specialised knowledge or skills in the field of natural sciences or humanities based on a contract with a public or private organisation in Japan designated by the Minister of Justice.<br>(c) Activities for the operation of international trade or other business at a public or private organisation in Japan designated by the Minister of Justice.<br>(ii)<br>In addition to (a), (b), (c) above,<br>(d) Activities corresponding to the "Professor", "Artist", "Religious Activities", "Journalist, "Legal/Accounting Services", "Medical Services", "Instructor", "Engineer/Specialist in Humanities/ International Services", "Nursing Care", "Entertainer", "Skilled Labour" or "Specified Skilled Worker( ii )" statuses of residence. | Those who have earned at least 70 points under the Point-Based System for each of the items of "academic background," "professional career" and "annual salary", etc. | 5 years for Highly-skilled professional (i) and unlimited for Highly-skilled professional (ii) |
| Business MANAGER | Activities for the operation of international trade or other business | Manager or operator of a company, etc. | 5 years, 3 years, 1 year, 6 months, 4 months or 3 months |
| Legal/ Accounting services | Activities for legal or accounting business which may lawfully only be carried out by registered foreign lawyers (gaikokuhou-jimubengoshi), or certified public accountants (gaikoku-koninkaikeishi) or those with other legal qualifications. | Attorney or certified public accountant | 5 years, 3 years, 1 year or 3 months |
| Medical services | Activities for medical treatment services which may lawfully only be undertaken by physicians, dentists or those with other legal qualifications. | Physician, dentist or registered nurse | 5 years, 3 years, 1 year or 3 months |
| Researcher | Activities for research based on a contract with a public or private organisation (except for the activities listed in the "Professor" status of residence). | Researcher at a government-related institution or company | 5 years, 3 years, 1 year or 3 months |
| Instructor | Activities for language instruction or other education at a pre-higher educational institutions. | Language instructor at a high school or junior high school | 5 years, 3 years, 1 year or 3 months |
| Engineer/ Specialist in humanities/ International services | Activities for services which require specialised skills or knowledge on the field of physical science, engineering, jurisprudence, economics, sociology or other humanities fields or for services which require specific ways of thinking or sensitivity acquired through experience with a foreign culture based on a contract entered into with a public or private organisation. | Engineers, interpreters, designers, language teachers of private companies, and employees engaged in the marketing field, etc. | 5 years, 3 years, 1 year or 3 months |
| Intra- company transferee | Activities on the part of personnel who is transferred to a business office in Japan for a limited period of time from a business office established in a foreign country, and who engages in the activities listed in the "Engineer/Specialist in humanities/International services" status of residence at the business office. | Transferee from an office abroad | 5 years, 3 years, 1 year or 3 months |
| Nursing care | Activities of a person qualified as a certified care worker to engage in nursing care or the instructions of nursing care based on a contract with a public or private organisation. | Certified Care Worker | 5 years, 3 years, 1 year or 3 months |
| Skilled labour | Activities for services which require industrial techniques or skills belonging to special fields based on a contract with a public or private organisation. | Chef of foreign cuisine, sports instructor, aircraft pilot, or craftsman of precious metals | 5 years, 3 years, 1 year or 3 months |

Note: Statuses of residence considered under highly skilled statuses of residence.
Source: Immigration Services Agency.

## Annex Table 4.A.2. The points-based system

| | (a) Researcher | | (b) Engineer | | (c) Business Manager | |
|---|---|---|---|---|---|---|
| Education | PhD | | | 30 | PhD or master's degree | 20 |
| | Master's degree | | | 20 | | |
| | Bachelor's degree or equivalent | | | | | 10 |
| | PhD, master's or professional degrees in multiple disciplines | | | | | 5 |
| Work experience | | | 10 years or more | 20 | 10 years or more | 25 |
| | 7 years or more | | | 15 | 7 years or more | 20 |
| | 5 years or more | | | 10 | 5 years or more | 15 |
| | 3 years or more | | | 5 | 3 years or more | 10 |
| Annual income[1] | The threshold of annual income for which points are awarded differs depending on the age group.[2] | | | 10~40 | JPY 30 million or more | 50 |
| | | | | | JPY 25 million or more | 40 |
| | | | | | JPY 20 million or more | 30 |
| | | | | | JPY 15 million or more | 20 |
| | | | | | JPY 10 million or more | 10 |
| Age | Younger than 29 | | | 15 | | |
| | Younger than 34 | | | 10 | | |
| | Younger than 39 | | | 5 | | |
| Bonus 1: Research experience | Patent invention | 20 | Patent invention | 15 | | |
| | At least 3 research projects funded by grants from public institutions | 20 | At least 3 research projects funded by grants from public institutions | 15 | | |
| | Authored at least 3 papers published in academic journals listed in the database in Japan | 20 | Authored at least 3 papers published in academic journals listed in the database in Japan | 15 | | |
| | Other equivalent research experience | 20 | Other equivalent research experience | 15 | | |
| Bonus 2: Position | | | | | Representative Director or Executive Officer | 10 |
| | | | | | Director or Executive Officer | 5 |
| Bonus 3 | | | Japanese national qualifications relevant to the job (5 points for each) | 10 | | |
| Bonus 4 | Expected to work at an organisation receiving support measures to promote innovation (as specified by the Minister of Justice) | | | | | 10 |
| Bonus 5 | Expected to work at a SME with a ratio of R&D expenses exceeding 3% | | | | | 5 |
| Bonus 6 | Foreign qualifications relevant to the job | | | | | 5 |
| Bonus 7 | Degree of Japanese higher educational institutions | | | | | 10 |
| Bonus 8 | JLPT N1 or graduated from a foreign university majoring in Japanese language | | | | | 15 |
| Bonus 9 | JLPT N2 | | | | | 10 |
| Bonus 10 | Expected to engage in cutting-edge businesses in growth areas (as specified by the Minister of Justice) | | | | | 10 |
| Bonus 11 | Graduated from a university as specified by the Minister of Justice | | | | | 10 |
| Bonus 12 | Completed a training course as specified by the Minister of Justice | | | | | 5 |
| Bonus 13 | | | | | Invested JPY 100 million or more in the business they manage | 5 |
| Bonus 14 | | | Expected to engage in investment operations | | | 10 |
| Bonus 15 | Work for an organisation which receives support as a target organisation(approved by the Minister of Justice) or promoting the acceptance of highly skilled foreign workers in local governments in order to strengthen the international competitiveness of industry and form a base for international economic activities | | | | | 10 |
| | Pass mark: 70 | | | | | |

1. For the categories of engineers and business managers, it is required that their annual income must be at least JPY 3 million.
2. Points allocation based on the age group:

| | ~29 | ~34 | ~39 | 40~ |
|---|---|---|---|---|
| JPY 10 million or more | 40 | 40 | 40 | 40 |
| JPY 9 million or more | 35 | 35 | 35 | 35 |
| JPY 8 million or more | 30 | 30 | 30 | 30 |
| JPY 7 million or more | 25 | 25 | 25 | - |
| JPY 6 million or more | 20 | 20 | 20 | - |
| JPY 5 million or more | 15 | 15 | - | - |
| JPY 4 million or more | 10 | - | - | - |

Source: Immigration Services Agency, How does the scoring work? | Immigration Services Agency of Japan, www.isa.go.jp/en/publications/materials/newimmiact_3_evaluate_index.html.

## Annex Table 4.A.3. Occupations eligible for each high-skilled status of residence, as listed in the certificate of eligibility

| Status of residence | Occupations |
|---|---|
| Professor | Research, research guidance, Education (university, etc.) |
| Highly-skilled professional (i) (a) | Executive |
| Highly-skilled professional (i) (b) | Executive |
| Highly-skilled professional (i) (c) | Executive, management work (excluding executives) |
| Business manager | Executive, management work (excluding executives) |
| Legal/Accounting services | Accounting business, lawyer, judicial scrivener, patent attorney, land and building investigator, registered foreign-qualified lawyer, public accountant, foreign-qualified certified public accountant, certified tax accountant, public consultant on social and labour insurance, certified administrative procedures legal specialist, maritime procedure agent |
| Medical services | Doctor, dentist, pharmacist, nurse, midwife, assistant nurse, dental hygienist, radiology technician, physical therapist, occupational therapist, orthoptist, clinical engineer, prosthetist |
| Researcher | Research, research guidance, Education (university, etc.) |
| Instructor | Education (education taught by a person with a teaching license at pre-higher educational institutions) |
| Engineer/Specialist in humanities/International services | Management work (excluding executives), research, technology development, production management, architecture/civil engineering/surveying techniques, information processing/communications technology, legal business, finance/insurance, copywriting, journalism, editing, design, education (excluding educational institutions), translation/interpretation, overseas trading business, planning administration work, accounting business, corporate sales, CAD operation, service, product manufacturing |
| Intra-company transferee | Management work (excluding executives), research, technology development, production management, architecture/civil engineering/surveying techniques, information processing/communications technology, legal business, finance/insurance, copywriting, journalism, editing, design, education (excluding educational institutions), translation/interpretation, overseas trading business, planning administration work, accounting business, corporate sales, CAD operation |
| Nursing care | Certified care worker |
| Skilled labour | Cooking, foreign country-specific construction technology, foreign country-specific product manufacturing, jewels/precious metal/fur processing, animal training, drilling survey for oil, geothermal energy, pilot, sports instruction, sommelier |

Note: List of occupations stated in each Certificate of Eligibility as eligible for each status of residence.
Source: Immigration Services Agency.

## Notes

[1] The SoR considered under high skilled labour migration in this review do not match exactly the SoR Japan classifies as *Specialized and Technical Fields*. First, this chapter includes the SoR *Professor*, which is the status of residence given to college professors but is not classified under *Specialized and Technical Fields*. Conversely, the chapter excludes the SoR *Entertainers*, which is the status of residence of actors, singers, dancers, or professional athletes. This SoR accounts for a large share of new entries under the *Specialized and Technical Fields* (41% in 2019) but is negligeable in the stock of migrants under this category in Japan (0.6% in 2019). Migrants typically stay in Japan only for short periods under this SoR. Moreover, the SoR corresponding to the new Specified Skilled Worker Programme (SSWP) is also excluded since this programme is covered in the next section as part of programmes for low-skill and medium-skill trades jobs.

[2] Immigration Services Agency, 2021 Immigration Control and Residency Management.

[3] Estimation for the 2017 entry cohort only.

[4] Citizens of India are now also eligible to teach English and teaching of Chinese is also part of the visa.

[5] Immigration Services Agency data.

[6] Immigration Services Agency data.

[7] Since applicants may be unfamiliar with occupation codes for their jobs, the Home Office links to the Office for National Statistics on-line tool, available for anyone, where candidates may input their job title and find the matching occupational code.

[8] An exception is for migrants under a start-up visa, see section Like most OECD countries, Japan has specific migration tracks for researchers/professors and entrepreneurs.

[9] A domestic worker may accompany the principal applicant under the PBS if he/she has been in employment for at least one year before arrival in Japan. The annual household income must be of at least 10 million yen and the worker must be paid at least 200 000 yen per month. The requirement for the one-year minimum employment relationship may be waved under some conditions (e.g. the household has a child under 13 years of age). Furthermore, principal applicants under the PBS Business Management stream may sponsor two domestic workers if their annual household income exceeds 30 million yen.

[10] For Business Managers, the duration may also be 4 or 6 months.

[11] Initially 14 industries; reorganised into 12 industries in April 2022 with the merging of the three manufacturing industries (Machine Parts, Tooling, Industrial Machinery, Electric, Electronics, and Information Industries).

[12] Furthermore, Indonesian and the Philippino candiates are screened after six months and are required to reach Japanese language level equivalent to N4/N5 of JLPT to continue in the programme. Pre-screening appears important to identify candidates who are less adaptable or motivated.

[13] 令和３年度 外国人看護師候補者受入れ施設巡回訪問実施結果について

[14] The nursing care stream was added to the TITP in 2017.

# 5 Attracting and retaining high-skilled migrants and international students

This chapter reviews the changing profile of high-skilled labour migrants to Japan over the last 15 years, how they fare in the Japanese labour market, and their likelihood to remain in Japan for the longer term. It then highlights the main challenges Japan faces in attracting and retaining high-skilled immigrants. The chapter then focusses on the role of international students in Japan's overall strategy to attract and retain talent. Attracting and retaining international students has been a long-standing policy objective of Japan and international students are an important feeder to high-skilled labour migration.

Attracting and retaining high-skilled workers is a common goal of OECD countries. High-skilled migrants have been shown to contribute to innovation in the host country as well as its public finances. While Japan has had well established labour migration channels for high-skilled migrants for over half a century, the number of incoming migrants remains modest.

This chapter reviews the changing profile of high-skilled labour migrants to Japan over the last 15 years, how they fare in the Japanese labour market, as well as their likelihood to remain in Japan for the longer term. It then highlights the main challenges Japan faces in attracting and retaining high-skilled immigrants.

While the first part of this chapter covers high-skilled workers who are recruited by employers in Japan; the second part focusses on international students. In many OECD countries, and in Japan in particular, international students who remain in the host country after graduation are an important feeder to high-skilled labour migration.

## High-skilled labour migrants

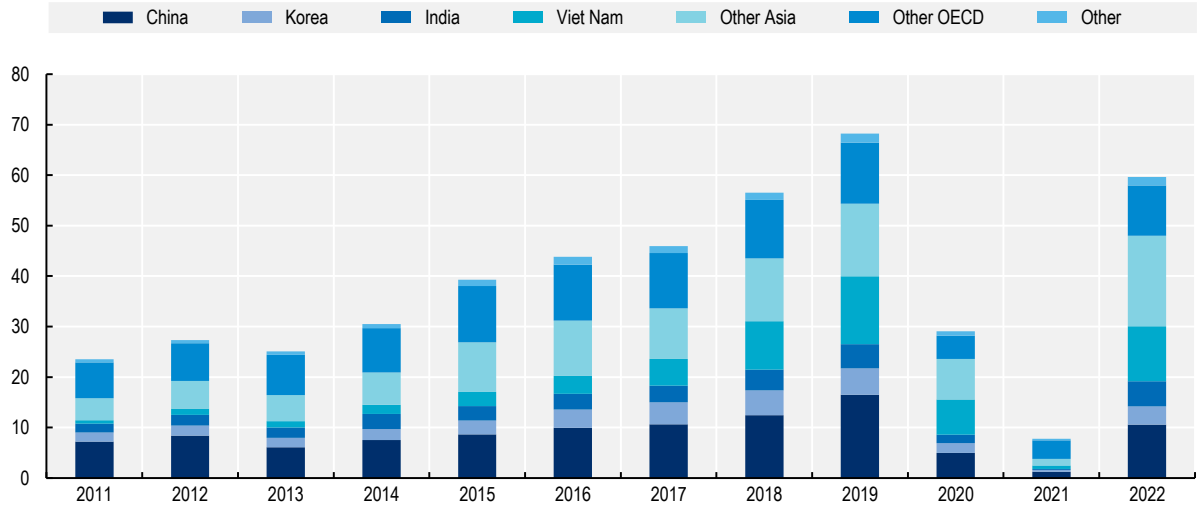
### *High-skilled labour migrants in Japan: Characteristics, channels of migration used, and situation in the labour market*

*Most high-skilled labour migrants to Japan are prime-aged Asian men*

High-skilled labour migration to Japan increased significantly in the last 10 to 15 years.[1] In 2019, 682 000 new skilled labour migrants entered Japan, almost three times the number in 2011 (236 000). Despite a large drop in 2020 and 2021 due to the COVID-19 pandemic, the inflows in 2022 were at 596 000, 87.5% of the 2019 level.

The composition of the inflows by country of origin has changed over this period (Figure 5.1). More high-skilled labour migrants come from Asia in 2019 (80%) than in 2011 (67%). The share of immigrants arriving from China (the top origin country) decreased from 29.5% in 2011 to 23.6% in 2019, whereas the share of immigrants coming from Viet Nam increased rapidly from 3% to 19.2%.

**Figure 5.1. Inflow of highly skilled labour migrants by nationality, in thousands, 2011-22**




Source: Immigration Services Agency.

Two-thirds of new high-skilled immigrants arrive in Japan under the Engineers/Specialists in Humanities/ International Services (EHI) status of residence (SoR) (see Chapter 4 for a detailed description of the different SoR in Japan). The increase in the inflows of high-skilled migration and the change in the country-of-origin mix were driven by inflows into this SoR. The number of migrants arriving in Japan under the EHI SoR increased five-fold from 8 000 in 2011 to 43 800 in 2019. Viet Nam was the top country of origin in 2019 with 12 200 new immigrants, a spectacular 24.5-fold increase, from approximately 500 in 2011.

Inflows under the other high-skilled labour SoR increased more moderately. The number of new immigrants under the *Business Manager* SoR tripled (2 200 in 2019); the number of *Intra-company transferees* doubled (9 900 in 2019); the number of *Professors* and *Instructors* increased by 30 to 40% (3 200 and 3 500 in 2019); the number of new migrants under the *Skilled Labour* SoR was at an average of 4 000 per year.

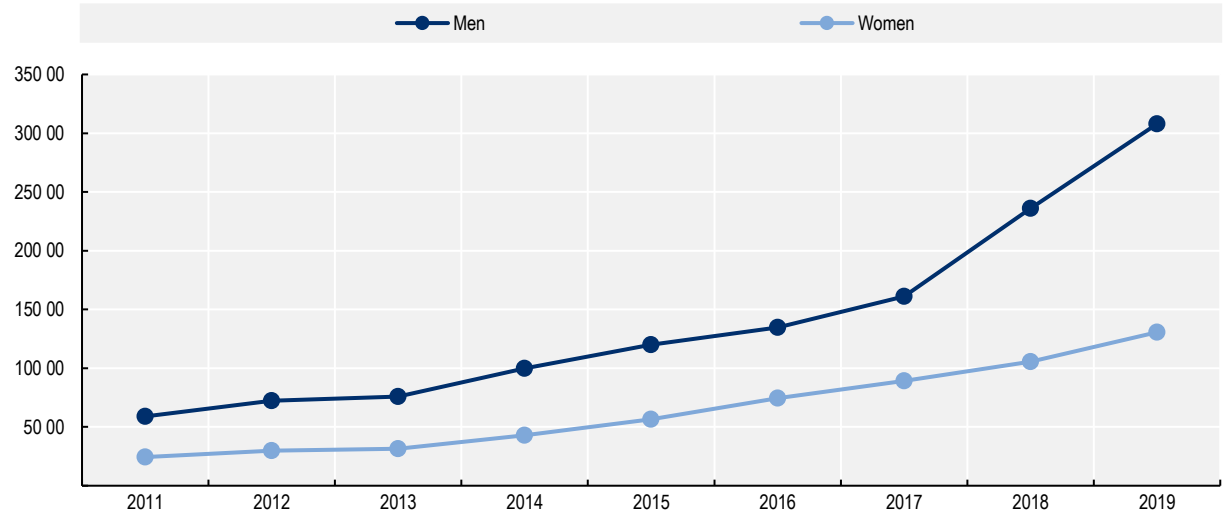
High-skilled labour migrants arriving in Japan, as elsewhere, are typically prime aged. Given the required education and/or experience to be admitted in Japan as a high-skilled migrant, they tend to be older than incoming low to medium skilled migrants. The average high-skilled migrant arrived in Japan between 2011 and 2019 was 32 years old.[2]

Unsurprisingly, EHI migrants are highly educated. In 2021, three-quarters of EHI migrants in Japan who had completed their schooling in the country of origin had completed an undergraduate university degree, and a further 13% had completed a graduate degree (Basic Survey on Foreign Citizens in Japan, 2021).

Most high-skilled migrants to Japan are men. Men represent over two-thirds of high-skilled labour migrants (71%) arriving in Japan in 2011-19.[3] The share of men is as high as 90% among immigrants under the *Skilled Labour* SoR. The only SoR in which there is a gender balance is *Instructor,* the SoR for language (mainly English language) instructors.

Among *EHI* migrants, the inflows of migrant women increased similarly to those of men, albeit not as sharply in the two years leading to the COVID-19 pandemic (Figure 5.2). Over the 2011-19 period, a larger share of female, than male, *EHI* migrants came from China (30 vs. 20.5%). This share was stable throughout the years. The increase in the number of female *EHI* migrants from Viet Nam was similar to that of men in proportional terms (x 23), but from a smaller base. Women from Viet Nam account for 13% of all female *EHI* in 2019 (34% for men).

## Figure 5.2. Inflows of *EHI* migrants by gender, 2011-19




Source: Immigration Services Agency.

High-skilled labour migrants have the right to bring accompanying family to Japan (see Chapter 4 for accompanying family rights for the different SoR). Accompanying members are in most cases the spouse and children of the principal applicant. Eighty-four percent of adult *Dependents* (aged 18 and over) are women.

In 2019, 32 000 new dependents arrived in Japan, 44% of which were children. A minority of high-skilled migrants is accompanied by family members. There were 0.47 dependents (0.26 adult dependents) per high-skilled labour migrant.[4] Among *EHI* immigrants, one-third declare living with a spouse in 2021 (Basic Survey on Foreign Residents in FY2021).

There is likely some heterogeneity in the likelihood of being accompanied by dependents across immigrants with different characteristics (age, gender, nationality, etc.). Unfortunately, there is no available data that links individual principal applicants and their dependents. Furthermore, like in several other countries, there is a unique SoR for all dependents. Hence, even in more aggregate statistics, it is not possible to distinguish dependents of principal applicants under the different SoR.

Relative to high-skilled labour migrants, dependents are more likely to come from China (34.6%) and Nepal (16.7%). High-skilled labour migrants from Nepal account for only 3% of all high-skilled labour migrants arriving in Japan between 2011 and 2019. Ninety percent of which are under the *Skilled Labor* SoR, often working as chefs in Nepalese cuisine restaurants.[5]

### Table 5.1. Top 5 nationalities of high-skilled labour migrants and dependents, 2011-19 inflows

In percentage

| | High-skilled labour migrants | | Dependents |
|---|---|---|---|
| China | 24.3 | China | 34.6 |
| Viet Nam | 11.1 | Nepal | 16.7 |
| United States | 10.1 | Viet Nam | 9.2 |
| Korea | 7.9 | India | 7.5 |
| India | 7.5 | Korea | 5.2 |
| Other OECD | 14.4 | Other OECD | 8.3 |
| Other Asia | 21.9 | Other Asia | 15.0 |
| Other | 2.8 | Other | 3.5 |

Note: The rows add to 100%.
Source: Immigration Services Agency.

Spouses of high-skilled labour migrants tend to be also highly educated, due to assortative matching in the marriage market. Japan is no exception. Sixty-nine percent of adult *dependents* living in Japan in 2021 completed their education in the country of origin. Over half of these attended university (42% an undergraduate and 13% a graduate degree) and 19% vocational education. Furthermore, over one-quarter of all adult dependents completed their education in Japan. Fourteen percent attended university (undergraduate or graduate degree) and 13% a vocational school (Basic Survey on Foreign Residents in FY2021).

#### *Most high-skilled labour migrants arrived in Japan to study, not through labour migration channels*

Most immigrants residing in Japan under a high-skilled SoR initially migrated to Japan as international students. Fifty-two percent of foreigners who arrived in Japan between 2011 and 2019 and were in Japan under a highly skilled SoR at the end of 2022, did so to study. The share of migrants who first studied in

Japan is large among migrants under the *EHI* SoR (59%), the Points-Based System (PBS) (51%), as well as *Researcher* and *Professor* (53 and 58%) (Table 5.2).

The share of migrants who studied in Japan is largest for high-skilled migrants under SoR for regulated professions (*Nursing care* and *Medical Services*). Over three-quarters studied in Japan. The others migrated to the country under a designated channel, such as under an Economic Partnership Agreement (EPA) (see Chapter 4 on Japan's EPA for nurses and nursing care givers).

The share of previous international students is smaller (37%) among *Business Managers*. Their pathways are more diversified. While one-third migrate to Japan already under this SoR, others initially enter the country through specific channels for start-up founders (with less restrictive conditions) or under other high-skilled SoR.

Immigrants under the *Skilled Labor* SoR always migrate to Japan, and remain, under this SoR. This is because the requirements for this SoR are quite specific and different from the other high-skilled statuses. The recruitment emphasis is on experience on a specific trade. Intra-company transferees are by design hired from abroad, and almost never remain in Japan under another status at the end of their assignment in Japan.

### Table 5.2. Current SoR vs. SoR at arrival, at the end of 2022, 2011-19 entry cohorts

In percentage

| | | SoR at arrival in Japan | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | EHI | Skilled | Bus/Man. | PBS | Instructor | ICT | Research | Professor | Student | Other | Share of Total |
| SoR at the end of 2022 | EHI | 35 | 0 | 0 | 0 | 1 | 1 | 0 | 0 | 59 | 5 | 76.3 |
| | Skilled | 0 | 100 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 7.3 |
| | Bus/Man. | 12 | 3 | 34 | 0 | 0 | 1 | 0 | 0 | 37 | 13 | 4.9 |
| | PBS | 32 | 0 | 1 | 5 | 0 | 4 | 1 | 3 | 51 | 4 | 4.0 |
| | Instructor | 11 | 0 | 0 | 0 | 68 | 0 | 0 | 0 | 13 | 7 | 2.0 |
| | ICT | 0 | 0 | 0 | 0 | 0 | 100 | 0 | 0 | 0 | 0 | 1.2 |
| | Research | 0 | 0 | 0 | 0 | 0 | 0 | 33 | 8 | 53 | 7 | 0.2 |
| | Professor | 3 | 0 | 0 | 0 | 3 | 0 | 1 | 30 | 58 | 6 | 1.2 |
| | Nursing care | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 85 | 15 | 2.1 |
| | Medical care | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 78 | 21 | 0.7 |

Note: The shares in the rows of the last column add up to 100%. The columns of the SoR at arrival add up to 100% in each row. High-skilled SoR at the end of 2022 only. Immigrants arrived in Japan in 2011-19 who have left the country by the end of 2022 or are under a SoR that is not a high-skilled labour migration status, are not included in the calculation. The *Legal and Accounting Services* SoR is excluded given its small number of cases.
Source: Immigration Services Agency.

The importance of the study path differs by country of origin. Among immigrants of the 2011-19 entry cohorts, 59% of Chinese *EHI* immigrants first entered Japan as international students.[6] The role of the study path is similar for migrants from Viet Nam (54%). The study route is practically the sole route for immigrants from Nepal: 98% were initially international students. In contrast, *EHI* migrants from other OECD countries, as well as India, are more likely to complete their studies abroad. Only 28% of Korean *EHI* (9% of American and 8% of Indian *EHI*) studied in Japan.

Women are more likely than men to study in Japan prior to working as high-skilled labour migrants. Fifty-five percent of women first studied before changing status to *EHI* compared with 45% of men. This difference holds irrespective of the country of origin. For example, 65% of female *EHI* migrants from China,

75% from Viet Nam and 31% from Korea, were first international students, compared with 55%, 46% and 26% of male.

### *The Points-Based System has so far attracted very few immigrants from abroad*

The PBS was introduced in 2012 as a way of attracting and retaining foreign talent. It was the main labour migration policy innovation on the high-skilled side. The PBS offers better conditions to eligible high-skilled migrants and their families than the other pre-existing SoR. Immigrants under the PBS are issued a up to 5-year permit in Japan (the longest duration issued to labour migrants) and importantly have faster access to permanent residence (currently three years of residence, instead of the usual ten, or even one year for professionals with particularly high skills (where the total number of points is 80 points or more)). In any case, like for other labour migration channels in Japan, immigrants require a job offer from an employer in Japan to be admitted under the PBS (see Chapter 4 for details on the programme).

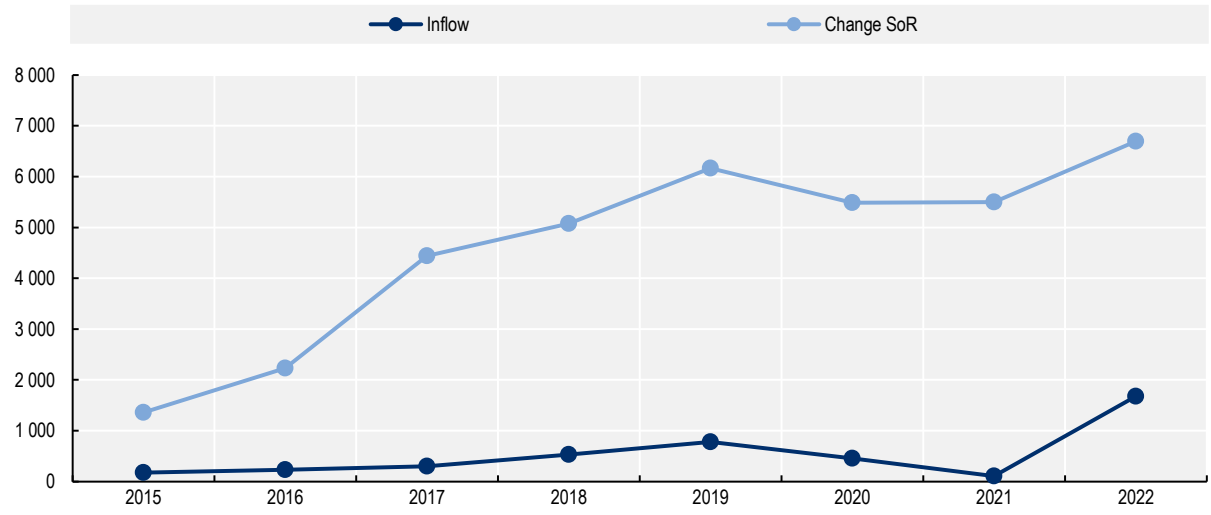
The PBS has so far attracted few high-skilled migrants from abroad. Despite an increase over time, the intake from abroad remained under the 2000 yearly target. An evaluation of the programme shows how the increase in the uptake of the programme over time, and the changes in the characteristics of new immigrants, followed successive changes in the programme rules (for example: increased weight in the PBS scale for Japanese language knowledge) (Ministry of Internal Affairs and Communication, 2019[1]).

Almost all immigrants under the PBS in Japan first entered the country under another SoR. Among the 2011-19 entry cohorts, only 5% of immigrants under the PBS at the end of 2022 first arrived in Japan under the system (Table 5.2). Half were previous international students and one-third were under the *EHI* SoR.

Despite the increase in the uptake of the PBS both from abroad and from inside Japan, the PBS intake remains small relative to the *EHI* intake. The number of immigrants issued the *Highly Skilled* (PBS) SoR represents only 9% of the number of immigrants issued the *EHI* SoR in 2015-22. Considering only immigrants newly arriving in Japan, the share is even smaller at 2%.

Immigrants eligible to the PBS are usually also eligible to other SoR, mainly the *EHI* SoR, which do not offer the same conditions than the PBS. However, it is not clear what is the share of *EHI* migrants who would also be eligible to the PBS. If *EHI* migrants who are eligible to the PBS are not applying to be granted the status, then there are inefficiencies in the migration system that should be overcome. There could be, for example, a need to provide more information on the migration channels to foreigners. To evaluate what share of foreigners in Japan under the various SoR would be eligible to the PBS, one would need detailed information on the characteristics and histories of migrants. These data do not currently exist.

**Figure 5.3. Immigration to Japan under the PBS vs. in-country change of status, 2015-22**




Source: Immigration Services Agency.

*High-skilled labour migrants do relatively well in the Japanese labour market*

Research on the integration in the labour market of high-skilled labour immigrants is only emerging in Japan. The Basic Survey on Wage Structure (BSWS) conducted yearly by the Ministry of Health Labour and Welfare (MHLW) introduced information on the Status of Residence in 2019 which opened the path for a better understanding of how labour immigrants fare relative to the Japanese. (Korekawa, 2023[2]) presents detailed descriptives on EHI immigrants in the Japanese labour market. The main findings are summarised below.

Approximately 40% of *EHI* immigrants, both men and women, work in "professional and technical occupations", compared with 22% of Japanese men and 28% of Japanese women (Table 5.3). An additional 29% of immigrant men work as "production process workers", compared with 21% of Japanese men. Immigrant women are more likely to work as "clerical workers" (32%), similar to Japanese women (31%). Immigrants are under-represented in managing positions. While 9% of Japanese men work as "managerial professionals", only 2% of *EHI* migrant men do, a similar share than *EHI* migrant women (1%) or Japanese (2%) women.

Within "professional and technical occupations", immigrants tend to cluster in some occupations. Although both foreign and Japanese men work predominantly in the different areas of engineering, foreign men are over-represented among "software engineers" (21% vs. 12% software developers), "other information processing and communications engineers" (12.1%), and "electrical, electronics, and telecommunications engineers (excluding communications network engineers)" (8.9%).

The specific occupations of immigrant women differ more markedly from those of Japanese women. In fact, they are more comparable to those of men. Japanese women in "professional and technical occupations" work predominantly in care-related occupations. Most are "nurses" (31%), followed by "nursery childcare workers" (9.2%), "kindergarten teachers, nursery-school teachers" (6.4%), "other social welfare professionals" (4.6%), and "assistant nurses" (4.5%). Foreign women, work mostly as engineers ("other information processing and communications engineers" (24.2%), "construction engineers" (22.4%)), as well as "software developers" (14.7%) and "designers" (9.3%).

### Table 5.3. Occupational distribution of EHI migrants relative to the Japanese, by gender

2019-22

| | Men | | Women | |
|---|---|---|---|---|
| | Japanese | EHI | Japanese | EHI |
| Managerial professional | 9.3 | 2.0 | 1.6 | 1 |
| Professional and technical occupations | 21.6 | 40.9 | 28.4 | 40.0 |
| Clerical worker | 13.0 | 11.6 | 32.5 | 31.0 |
| Sales person | 11.3 | 6.6 | 10.9 | 8.4 |
| Service occupation | 5.8 | 5.7 | 13.9 | 10.9 |
| Security worker | 1.0 | 0.0 | 0,2 | 0,1 |
| Agricultural, forestry and fishing industry worker | 0.2 | 0.0 | 0,1 | 0,0 |
| Production process worker | 21.4 | 28.9 | 9.5 | 7.5 |
| Transportation and machine operators | 7.9 | 0.2 | 0.6 | 0.0 |
| Construction and mining workers | 3.9 | 2.8 | 0.1 | 0.1 |
| Transportation, cleaning, packaging, etc. | 4.6 | 1.2 | 2.1 | 1.1 |

Source: MHLW (2019-22), Basic Survey on Wage Structure.

The Japanese labour market is often characterised as a dual labour market, in which the share of non-regular workers, that is workers who are not in long-term employment, has increased in the past decades (see Chapter 2). *EHI* immigrants are less likely to be regular workers than the Japanese. While 92% of Japanese men are regular workers, this is only the case of 76% of *EHI* men. The share of regular workers is similar among immigrant and Japanese women (77 and 78%).

High-skilled immigrants suffer a wage penalty in the labour market. The hourly wage of *EHI* immigrants is 35% lower than that of the average male Japanese worker. Most of this difference is due to their lower number of years of experience in the Japanese labour market and lower tenure (years spent with the same employer).[7] Taking into account these differences, the wage gap is estimated at 10%, and is similar for both male and female *EHI* relative to Japanese men. An analysis of the wages of *EHI* immigrants is presented in Annex 5.A.

Immigrants currently under the *EHI* SoR in Japan may have been international students before or have been hired directly from abroad. It would be important to understand the labour market performance of these two immigration routes for high-skilled workers. Given the specificities of the Japanese traditional employment system, it seems difficult for immigrants who arrive in Japan mid-career to obtain “regular employment”. The career paths for non-regular employees differ markedly from those of regular employees. In particular, the wage-experience profile of non-regular employees has been shown to be flat (OECD, 2024[3]).

The Basic Survey on the Structure of Wages does not have information on whether foreigners were previous international students in Japan. Hence, it is impossible to compare the career paths of former international students and other high-skilled migrants. However, for employees hired in the survey year, there is information on whether they are “new graduates”, that is whether they were hired through the mass hiring of graduates. Foreigners hired as “new graduates” have most likely graduated from a Japanese educational institution. The results from the survey indicate that among new hires, immigrant “new graduates” have similar initial wages than the Japanese.

The accompanying spouses of high-skilled migrants are also highly educated (see above). Their access to the labour market is in most cases restricted to part-time employment. According to the Basic Survey on Foreign Residents in fiscal year 2021, 53% of adult dependents were currently working in 2021, and an additional 24.4% had worked in Japan at some point in the past. Only 22.6% declared never having worked in Japan.

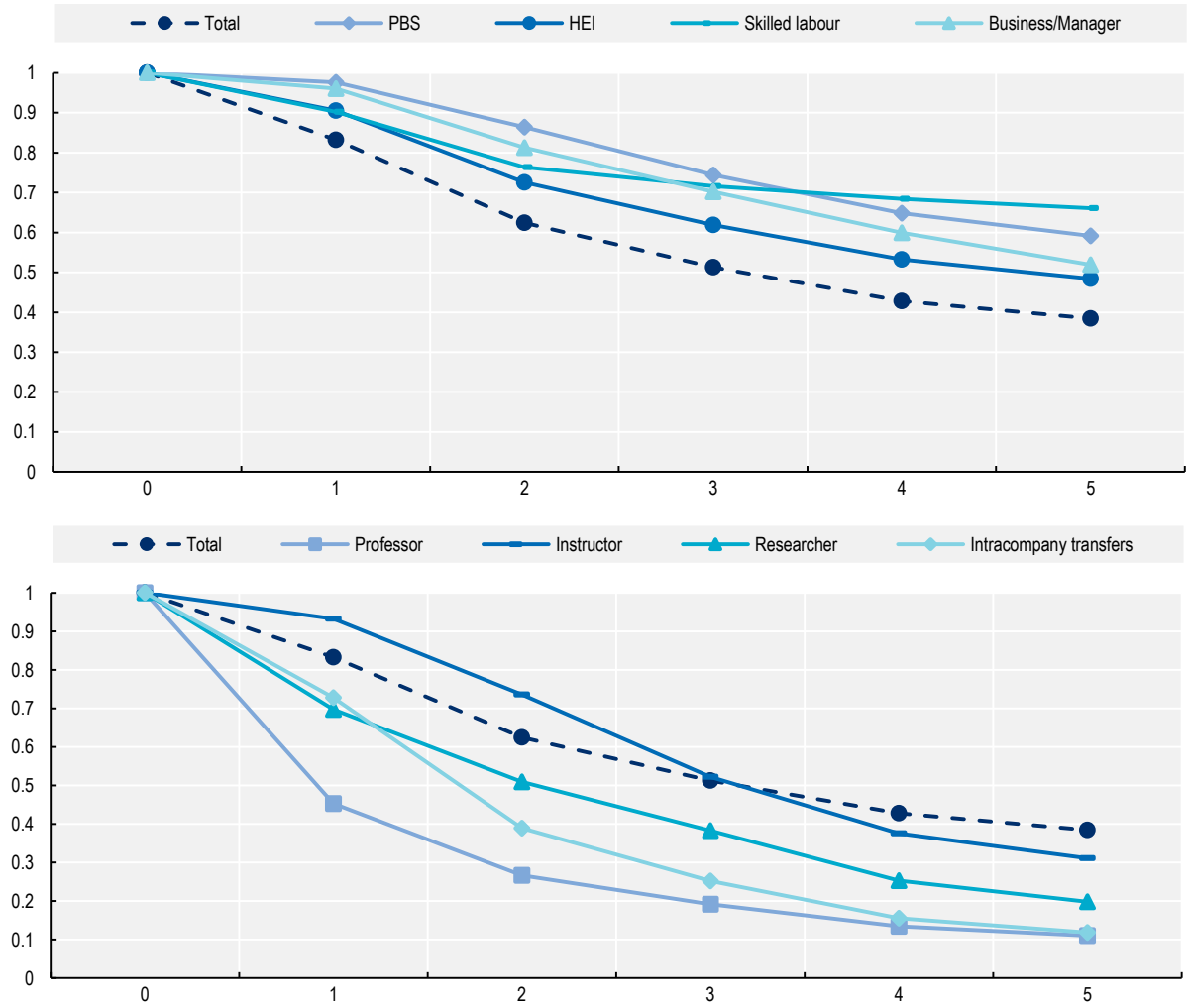
Unfortunately, there is little data available on the labour market integration of dependents. According to the MHLW Declarations of Employment, in October 2022, 29% of *dependents* worked in "other services", 24% in "accommodation and food services", and 17% in "wholesale and retail trade". This differs markedly from the industry distribution for *EHI* migrants. Only 6% work in "accommodation and food services", and 16% work in IT (1% for dependents).[8] Given the high educational attainment of dependents, there is a risk they are over-qualified for the jobs they hold in Japan.

### *The retention of highly skilled migrants*

*High-skilled migrants who choose Japan tend to stay in the country*

Approximately 40% of high-skilled labour migrants of the 2011-17 entry cohorts were still in Japan five years later. The retention rate is higher among migrants arrived under the *EHI* or *Business/Manager* SoR. Approximately half were still in Japan after five years Figure 5.4. The retention rate was the largest among the few immigrants arrived in Japan under the PBS (59%) or under the *Skilled Labour* SoR (66%).

**Figure 5.4. Retention rates (%) of highly skilled immigrants by SoR, 2011-17 entry cohorts**




Notes: For PBS, 2015-17 cohorts only.
Source: Immigration Services Agency.

The duration of stay in Japan of immigrants under the several high-skilled SoR differs markedly, despite all permits being indefinitely renewable. Over half of *Professors* stay one year or less in Japan. These are mainly visiting or exchange scholars. Intra-company transferees also have relatively short stays. Sixty percent stay in Japan for 2 years or less and only 10% stay in Japan for 5 years or more. In contrast, *Instructors* have longer stays. Half stay three years or more in Japan, and 30% stay more than five years.

The retention rate of *EHI* migrants (50%) compares favourably with those of high-skilled migrants in European OECD countries. For example, the 5-year retention rate of high-skilled migrants arrived in the early 2000s was estimated at 35% for migrants in the Netherlands (OECD, 2016[4]), 22% in Norway (OECD, 2014[5]) and 25% in Germany (OECD, 2013[6]). In settlement countries, such as Australia, Canada or New Zealand, the retention rates of high-skilled migrants, who are accepted immediately as permanent residents, tend to be higher. The 5-year retention rate was estimated at 80% in New Zealand for the 2004-11 cohorts (OECD, 2014[7]). In the largest provinces of Canada, the three-year retention rates of economic migrants were above 80% for the 2005-15 entry cohorts (OECD, 2019[8]).

The intention of *EHI* immigrants to remain in Japan is confirmed by the Basic Survey on Foreign Residents in FY2021. Most (62%) *EHI* immigrants in Japan declare wanting to stay in the country for the rest of their lives, and a further 15% would like to stay in Japan for an additional 10 years.

Given that the PBS offers a fast track to permanent residence, one would expect the retention rate of the few immigrants arrived under this programme to be higher. The access to permanent residence after 3 years in the country has been possible since 2017, however there has been no clear increase in the retention rate of the latest entry cohorts after 5 or 3 years in the country. The intake of migrants through the PBS has increased in the last years. It will be important to monitor the stay rates of the new entry cohorts, to evaluate also whether with improved conditions of stay, the retention rate increases.

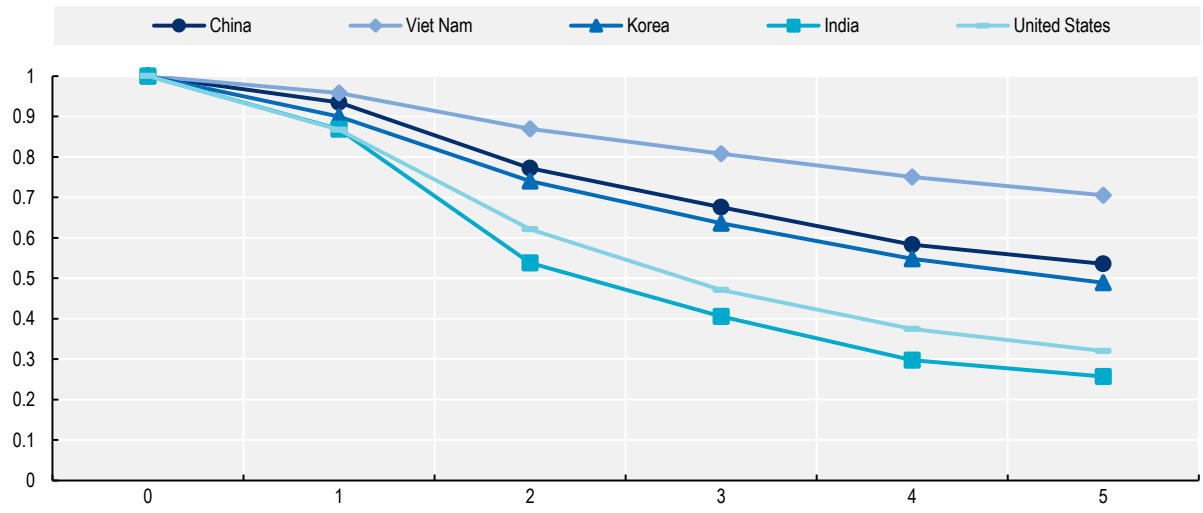
### *Retention rates crucially depend on country of origin*

The retention rates differ across immigrants' countries of origin (Figure 5.5). Among Chinese *EHI* immigrants, the largest nationality group, 54% remained in Japan 5 years after entry. Among Viet Namese immigrants, the fastest growing group, this rate is significantly larger at 71%. Among immigrants from the United States and India (the 4$^{th}$ and 5$^{th}$ top nationalities of *EHI* migrants) only 32% and 27% were in Japan after 5 years.

The differences in retention rates across nationalities exacerbate the change in country-of-origin composition of recent high-skilled immigration to Japan. The share of immigrants from other Asian countries, mainly Viet Nam, increased in the most recent entry cohorts. Immigrants from Viet Nam are also more likely to remain in Japan for longer. This further increases their contribution to the high-skilled labour force of Japan.

## Figure 5.5. Retention rates (%) by nationality, 2011-17 entry cohorts

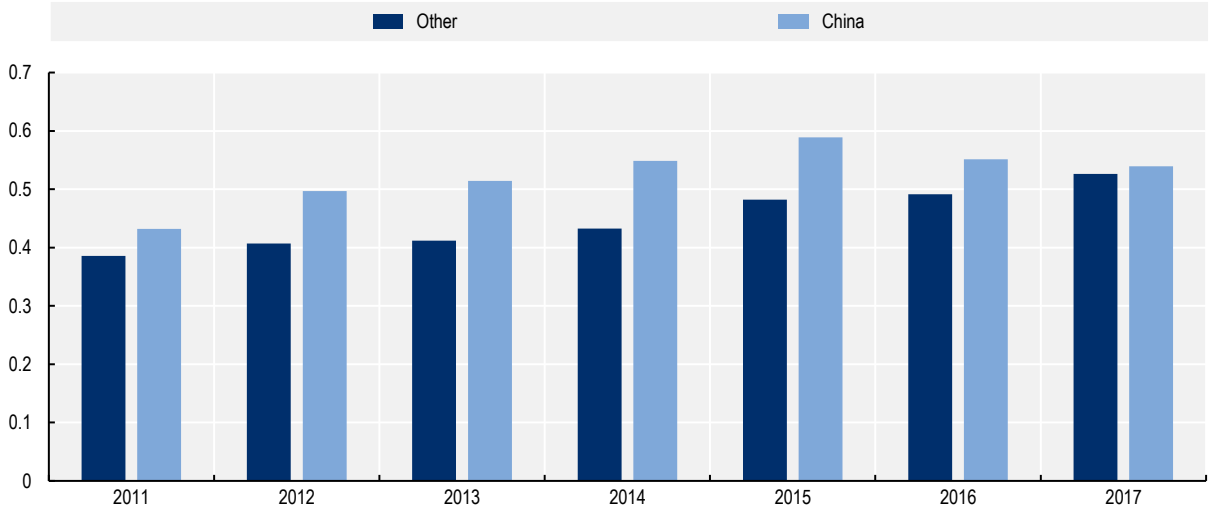
Skilled workers who migrated to Japan under the EHI SoR




Source: Immigration Services Agency.

## Figure 5.6. 5-year retention rates by entry cohort, by nationality, 2011-17 entry cohorts

High-skilled workers who migrated to Japan under the EHI SoR




Source: Immigration Services Agency.

The retention rate of *EHI* immigrants has increased over time for migrants of most countries of origin. Excluding immigrants from China, the 5-year retention rate increased from under 40% for the 2011 entry cohort to a little over 50% for the 2017 cohort. For Viet Namese immigrants in particular the 5-year retention rate increased in the latest entry cohorts. The 5-year retention rate of Vietnamese EHI immigrants was 77.6% for the 2017 entry cohort compared with 65.3% for the 2011 entry-cohort. For Chinese *EHI* immigrants, the retention rate decreased among the latest entry cohorts. It will be important to monitor whether the retention rate of the largest group of high-skilled migrants to Japan continues to decrease.

High-skilled immigrant men tend to stay in Japan longer than women. Men are 15% more likely than women to stay in Japan 5 years or longer. Among *EHI* immigrants, the gender gap is slightly lower at 10.6%. The 5-year retention rate for *EHI* women is 45.2%, compared with 50% for men. *EHI* women are also less likely to state they would like to remain in Japan for the rest of their lives (58% compared with 65.4% of *EHI* men), according to the Survey on Foreigners in Japan (2021). Differences between immigrant men and women in terms of entry cohort, status of residence, country of nationality do not explain this gender gap in retention rates.[9]

While the gender gap in retention rates is large among immigrants from Viet Nam (12.5 percentage points), India (12.4 percentage points) and the United States (13.4 percentage points), it is smaller among immigrants from Korea (7.1 percentage points) and inexistent among immigrants from China.

### *Challenges in attracting high-skilled migrants*

The framework for high-skilled labour migration to Japan is favourable in international comparison. Chapter 4 reviews the migration framework in detail. Nevertheless, Japan faces challenges in attracting and retaining high skilled foreigners that are not directly related to migration policy. This section reviews challenges faced by immigrants and their families in integrating into the labour market and in society.

#### *Fluency in Japanese remains a pre-requisite in most of the labour market*

Fluency in the host country language is a main challenge for attractiveness of all non-English speaking countries in the OECD. Lack of fluency in the host country language hinders high-skilled migrants prospects in the labour market and their integration in society. In Japan, the expectations from employers with respect to language skills are high. According to a survey of almost 500 companies with experience or interest in hiring foreign workers, over three-quarters of employers would expect international students to have “native level” or “advanced business level” Japanese when joining the company. In contrast, less than 1% would be satisfied with “everyday conversational level” (Disco Calitus Research Co., 2020[9]) .

Japanese larger companies and multinationals have started introducing English as a second, or in some cases as a first, working language as a means to attract talent and expand their activities abroad. An example which has attracted public attention was that of the decision in 2010 of the Japanese conglomerate Rakuten Group, Inc. to request that all their staff learn English within two years (Neeley, 2017[10]). Since then, many large Japanese companies have introduced requirements to promote the use of easy Japanese and/or English among staff and in official communications. Additional measures taken by large companies to attract foreign talent are presented further in this section.

#### *Early career wages are low, and the traditional employment system hinders mid-career hires from abroad*

Wages in Japan are low relative to other OECD countries and the gap has increased in the past decade. In 2021, the average yearly wage, adjusted for purchasing power parity, for a full-time worker in Japan was 77% of the OECD average, and 53% of that in the United States, the country with the highest average wage. In 2010, Japan’s average wage represented 83% of the OECD average and 61% of the average wage in the United States. Currently, Japan ranks 24 out of the 36 OECD countries, with a similar average wage to Italy or Spain.

Japan’s attractiveness to high-skilled labour migrants is hindered by low wages relative to the main OECD destination countries. This is particularly important for young labour migrants who would not intend to spend their whole life in Japan. Wages in Japan increase steeply with tenure, mainly so for high educated men in regular positions (see also Chapter 2). Hence, even more so than average wages, wages upon entry in the labour market are low in international comparison.

Furthermore, wages in Japan have decreased relative to the main countries of origin of current high-skilled migrants to Japan. The share of incoming high-skilled immigrants from China and Korea has already started to decrease in the past decade.

Concurrently, the main self-reported problem of *EHI* migrants in the Japanese labour market is low wages. According to the Basic Survey on Foreign Residents in FY2021, 38% of *EHI* immigrants reported low wages as being an issue, compared with 16% who reported difficulties with long working hours or in being able to take leave.

Wages are just one of the factors of attraction for high-skilled migrants. While career concerns dominate the main reason for *EHI* migrants to have migrated to Japan, interest in Japan's culture and society also rank high. In the Basic Survey on Foreign Residents inFY2021, 39% of *EHI* migrants declare the main reason to migrate to Japan was to "acquire skills and improve [their] future career", and for a further 17% the main reason for migration was study. For 26% of respondents, the main reason was because they "like Japan".

A distinctive feature of the Japanese labour market is the bulk hiring of recent graduates. Companies typically recruit students before they finish their studies. The academic year in Japan goes from April to March and new graduates are expected to start their first job in April following graduation (see also Chapter 2). Immigrants arriving after completing their studies abroad will have missed the main recruitment cycle.

Job mobility and mid-career recruitment remain low in Japan in international comparison (Kambayashi and Kato, 2016[11]), which makes the integration of high-skilled workers from abroad difficult.

Recent policies aiming to change employment practices may improve Japan's attractiveness to high skilled migrants. Employment practices are changing, especially in larger companies. The Japanese Government has adopted a series of measures since 2018 to reform the labour market. There are measures targeted at increasing job mobility and ensuring wages reflect productivity rather than tenure.

### *Rethinking the role of the spouses of high-skilled immigrants in the labour market*

The accompanying spouses of high skilled migrants may apply for an authorisation to work part-time (up to 28 hours per week). Spouses of immigrants under the PBS may apply to a *Designated Activities* SoR and work full time in a set of high-skilled occupations. Additionally, spouses may apply for their own high skilled SoR if they have secured a qualifying job with a Japanese employer (See Chapter 4 for a detailed description of the migration framework).

Unfortunately, there is no available data at this stage that would allow studying immigrant families. The data on immigrant status processed by ISA does not link the principal applicant with their spouse. It is not possible to know whether *Dependents* change their status to a high-skilled migrant status, for example *EHI,* in Japan. There is also no information on the characteristics of *Dependents* (nor on the corresponding principal applicant) who apply for an Authorization to Work. For dependents of immigrants under the PBS, we do not know the share who apply for a Designated Activities visa, nor their characteristics.

As documented in the section above, over half of *Dependents* do work in Japan. Despite the relatively high educational attainment of spouses, these tend to work in Accommodation and food services, Retail and trade, and other services (see section above) which indicates they may be overqualified for the jobs they find in Japan.

Many OECD countries are trying to support dual careers of high-skilled migrants to attract skilled migrants, but also to reap the potential of Dependents, who tend to be highly skilled. In this context, it would be important to better understand the labour supply and career choices of high-skilled immigrants to ensure Japan is not missing out on an already available pool of talent.

Dependents also face challenges in integrating in the Japanese labour market that are not driven by the restrictions imposed by immigration policy. First, Japanese language proficiency is likely to be a difficulty. According to the Basic Survey on Foreign Residents in FY2021, the language skills of foreigners under the *Dependent* SoR are significantly lower than those of *EHI* immigrants. Thirty-seven percent of *Dependents* can only use basic greetings in Japanese or speak no Japanese at all. Only 7% can use Japanese effectively (Table 5.4). The lack of Japanese proficiency is likely to lead to spouses accepting jobs that do not match their educational qualifications.

### Table 5.4. Self-declared language proficiency, Dependents vs. EHI

In percentage, 2021

| | Dependents | *EHI* |
|---|---|---|
| I can barely speak any Japanese | 6.7 | 1.6 |
| I can use basic greetings | 30.2 | 6.3 |
| I can speak at a conversational level | 26.6 | 16.6 |
| I can talk about familiar topics | 14.9 | 14.4 |
| I can participate in long conversations | 5.0 | 14.6 |
| I can use Japanese effectively | 7.3 | 17.0 |
| I can talk about a variety of topics freely | 9.3 | 29.4 |

Note: The rows may not add to 100% due to rounding.
Source: Basic Survey on Foreign Residents in Fiscal Year 2021.

Furthermore, as documented above, most *Dependents* are women. Immigrant women also face the challenges encountered by Japanese women in the labour market. The gender wage gap in Japan is the fourth larger in the OECD (OECD Labour Force Statistics database). Most of this wage gap is due to the high share of women who work as non-regular employees. Two-thirds of non-regular workers are women and the wages of non-regular workers have been shown not to increase with experience in the labour market.[10] Furthermore, non-regular workers are more likely to work part-time. Japan has a high share of women employed part-time (39%) compared with 24% on average across the OECD in 2021 (OECD Labour Force Statistics database).

One of the reasons for Japanese married women's choice of working part-time in non-regular jobs is the high effective marginal tax rates on labour income of second earners. There are several incentives for second earners to keep their earnings below JPY 1.5 million (USD 10 021), or even JPY 1.3 million (USD 8 685). First, there is a spousal deduction from the income tax of the main earner. It is currently at JPY 1.5 million.[11] Some employers also pay a spousal allowance conditional on low earnings of the spouse. Moreover, employees' spouses whose earnings are below JPY1.3 million do not need to pay social security contributions. All these disincentives to female full participation in the labour market apply also to the spouses of high-skilled immigrant workers.

#### *Integration into Japanese society is challenging*

Integrating into Japanese society remains a challenge for migrants. As discussed in Chapter 4, despite some improvement, the residence requirements to obtain permanent residence are stricter than in other OECD countries. Acquiring permanent residence and even more so acquiring citizenship are an important vehicle of immigrant integration.

Given that the stock of immigrants in Japan is low and not very diversified, it may be particularly difficult for immigrants of new or under-represented countries of origin to settle. A case study of Indian IT professionals abroad highlighted the difficulties they had integrating in Japan that go beyond migration policy, as well as some of the recent improvements (OECD/ADBI/ILO, 2018[12]). For example, the

establishment of an international school with India's Central Board of Secondary Education curriculum, the creation of places of worship, and the settlement of an Indian community in greater Tokyo have helped with the integration of Indian IT professionals.

Japan has only recently started developing integration policy. In 2019, the government formulated the Comprehensive Measures for Acceptance and Coexistence of Foreign Nationals. These include a package of integration measures, such as increased options to learn Japanese, the promotion of the use of plain Japanese in information dissemination and consultation services, or increased support for foreign children in schools. Japan is currently the only OECD country in which schooling is not compulsory for foreign children. Furthermore, in 2022, the government formulated the Roadmap for the Realization of a Society of Harmonious Coexistence with Foreign Nationals, which shows the visions of a society of coexistence to aim for, and the medium-to long-term issues that should be addressed. The implementation status of the Roadmap is to be assessed annually to confirm its progress and review the measures as needed.

According to the Basic Survey on Foreign Residents in FY2021, immigrants in Japan feel discriminated against in several social and economic contexts. This is not specific to Japan but may contribute to hinder the country's attractiveness to high-skilled workers. For example, a third of *EHI* immigrants have felt discriminated against when searching for a home. The housing market is the context in which a higher share of foreigners declares feeling discriminated against (21% of all foreigners in the survey). Furthermore, approximately one-fifth of *EHI* immigrants feel discriminated against also in the labour market when looking for work (23%), at work (23%), or in the financial market, when opening a bank account (18%) or when applying for a credit card (22%).

### *From accepting to attracting high-skilled migrants*

While there are few barriers to high-skilled migration, Japan has not developed an overall strategy to attract high-skilled immigrants. Consequently, Japan does not have a unique web platform that centralises all information on labour migration to Japan.

Currently, there are scattered sources of information on labour migration to Japan. A website targeted at highly skilled professionals, "Open for Professionals" was created by JETRO in December 2018 following the government's "Growth Strategy 2018". The site contains information on living and working in Japan, in Japanese and English, including a series of video interviews with highly-skilled talents working in different fields in Japan. The site contains also links to relevant news and documents from other government agencies, such as METI, ISA, MOFA and JASSO.

ISA's website also contains information on the different statuses of residence, immigration policies, reports, and statistics. Furthermore, it hosts the recently launched "A Daily Life Support Portal for Foreign Nationals" with practical information, including the "Life and Work Guidebook" in 16 languages.

Building on these websites, Japan could consider creating a whole of government portal for labour migration to Japan. Examples of such government run platforms in other OECD countries are *Make it in Germany, Work in Estonia, Working in Sweden*, among others (Box 5.1).

A job offer from a Japanese employer is a pre-requisite to work in Japan as a high-skilled migrant. However, it is currently difficult for foreigners to apply for jobs from abroad or even have a sense of what jobs are open to high-skilled migrants in Japan. JETRO's website features a list of Japanese companies (named OFP list) interested in hiring foreign professionals. The listing indicates the sector of activity of the company, the broad expertise required (for ex. Sales/Marketing or Engineering) whether the company has an internship programme and whether English proficiency is sufficient for the job. The listing of companies does not show real time vacancies. The website is not linked to the public employment services, Hello Work. A number of OECD countries have integrated vacancies into information portals for potential immigrants, such as *Make It in Germany*, or collect profiles of interested candidates, such as *New Zealand Now* and *Skill Finder* (Box 5.1).

### Box 5.1. OECD examples of web-portals for migrants and employers

**Make it in Germany**

The web-portal *Make it in Germany* is a joint initiative of the Federal Ministry of Economic Affairs, the Federal Ministry of Labour and Social Affairs, and the Federal Employment Agency. It provides labour migration and international matching information tailored to qualified professionals and employers.

The website section dedicated to prospective migrants contains multilingual information on occupations in demand (including available job listings from the Federal Employment Agency), labour migration and social security regulations, opportunities for family members as well as life in Germany. It also links to another government run website, *Recognition in Germany*, which provides a search engine for foreign professionals to access tailored information on the recognition procedures that they would need to apply for, depending on their prospective occupation and work location.

The employer section features detailed information on migration regulations, as well as diversity management and integration. Best practices in these areas are also presented. To enhance interactivity and accessibility the portal has a mobile application version and includes email, chat and hotline services.

**New Zealand Now and Skill Finder**

Since 2012, New Zealand's Ministry of Business, Innovation & Employment (MBIE) has run a platform allowing foreign candidates to submit their profiles and New Zealand employers with eligible vacancies to contact potential matches. The platform uses the *New Zealand Now* immigration portal to direct candidates to register, and an interface – *Skill Finder* – for employers. *Skill Finder* is unrelated to the immigration process and the visa for which the candidate will apply.

Through its promotional site, *New Zealand Now*, foreigners can register their interest and provide basic information on occupation, experience and education. There is no guarantee that candidates will be contacted. There were more than 1 million "e-mailable prospects" in 2021. New Zealand actively promotes *New Zealand Now*, through social media, search engine advertisement and job fairs. People registering with *New Zealand Now* also receive a wider range of immigration-related information.

Employers or recruiters can query *Skill Finder* to see how many *New Zealand Now* profiles match their requirements. Employers and recruiters may search the database by occupation, academic qualifications, residence and work experience. If they wish to contact registered profiles, they must submit specific vacancy details to MBIE, which reviews them. Vacancies must be for skilled positions or meet Accredited Employer requirements. MBIE then sends an e-mail inviting candidates to apply for the position.

Source: OECD (2019[13]), *Building an EU Talent Pool: A New Approach to Migration Management for Europe*, www.doi.org/10.1787/6ea982a0-en; OECD (2022[14]), Feasibility Study on the EU Talent Pool.

JETRO offers also the possibility for companies to apply for hiring support from a dedicated co-ordinator. If the company is selected, it benefits from a follow up for the entire recruitment process. The maximum number of participating companies is capped at 300. In 2021, 184 foreign highly skilled professionals were hired in 140 companies that benefited from this support.

The role of hiring Japanese companies in attracting and integrating high-skilled workers is key. Keidanren (Japanese Business Federation) recently surveyed its members on measures used at the company level to attract and integrate foreign high-skilled workers. The results show that large Japanese companies are introducing a range of measures to integrate foreign highly skilled professionals, including allocating

mentors for new arrivals within the company who also help with administrative procedures outside of work; improvement of in-house environment (training programmes for cross-cultural understanding, promoting the use of Easy Japanese, and English learning for Japanese staff); revision of personnel systems (offering more job-based positions, and more options for leave); support for acquisition of Japanese skills (in-house but also financing external language training); building a link with the local community by for example creating opportunities for immigrants to join local festivals, clean ups, etc. in co-operation with local governments.

## International students

International students have increasingly become key players of OECD countries' strategies to attract global talent. International students who choose to remain in the host country after graduation typically integrate more easily in the labour market. In contrast to labour migrants arriving in the host country with foreign qualifications, international students have the same formal qualifications than the native-born, readily accepted by employers. Furthermore, international students may have a better knowledge of the language and culture of the host country acquired during their studies.

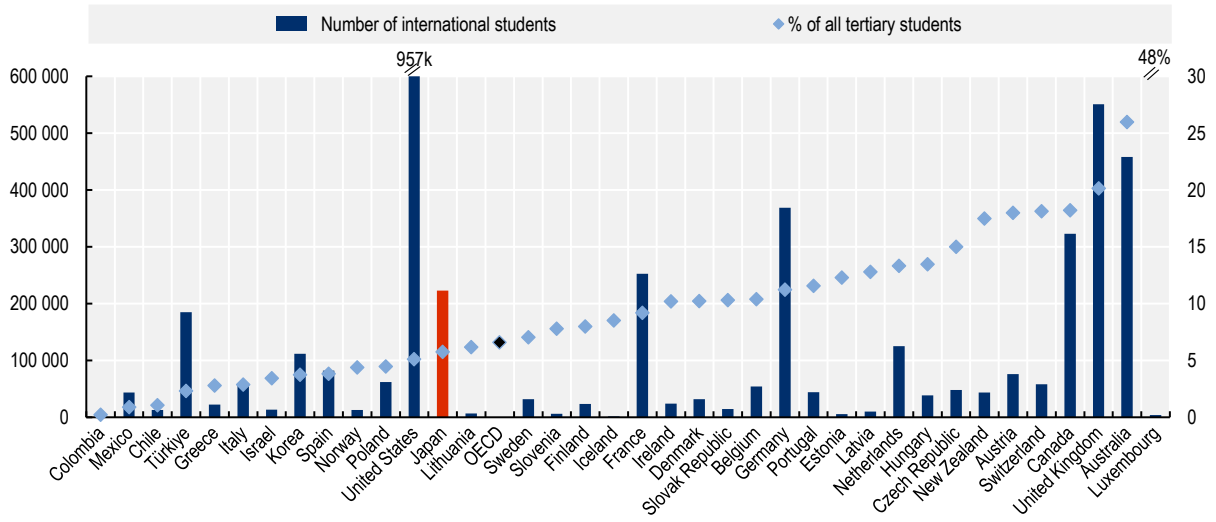
The hedge of international students, relative to labour migrants, is particularly important in the case of Japan. Japan, like many other non-English speaking countries, does not have a large pool of potential labour migrant who already speak the language, which makes talent attraction harder. Second, the traditional Japanese Employment System is difficult to navigate for immigrants and much easier to integrate right after graduation (see Chapter 2 for a discussion on the specificities of the Japanese labour market).

### *A portrait of international students in Japan*

Japan hosts approximately 5% of all international students in the OECD. It ranks 7th as destination country behind the largest English-speaking countries (United States, the United Kingdom, Australia, Canada) and the two largest European destinations (Germany and France) (OECD, 2022[15]). The share of international students enrolled in Japan as a share of all tertiary students was at 6% in 2020, slightly under the OECD average (Figure 5.7).

## Figure 5.7. The number and share of international students among all tertiary students

International students total (left) and as a share of all tertiary students (in percentage right), 2020



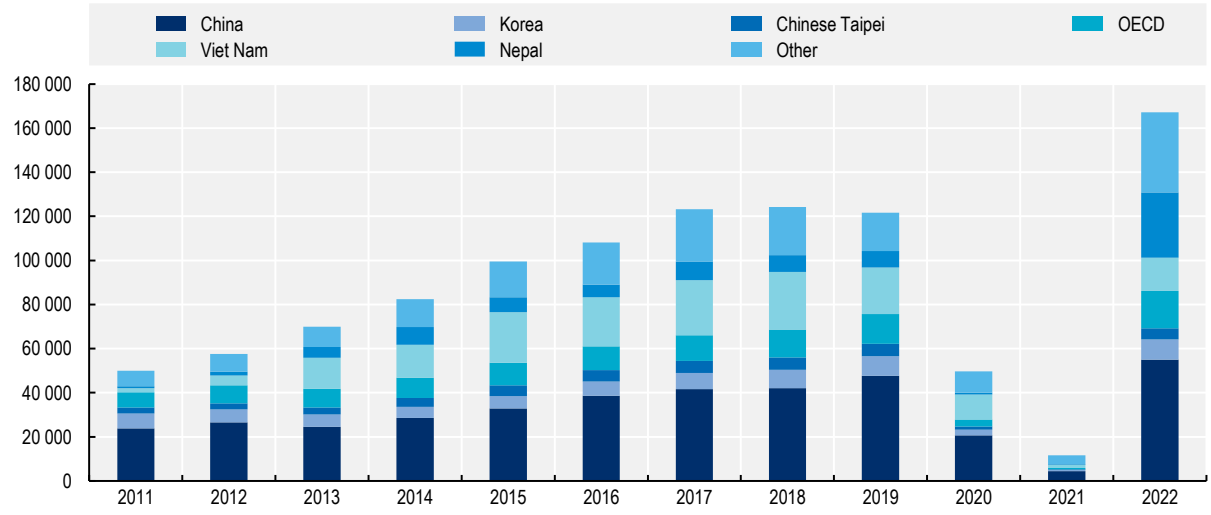

Note: Divergence in data sources and definitions can lead to shares different from those reported by national sources. 2020 data typically refer to the academic year 2019/20 and thus the impact of COVID-19 is most visible in countries where the data refer to 2020, notably Australia and New Zealand.
Source: OECD Education at a Glance Database 2020, accessed 2023.

### *The inflows of international students have increased sharply*

The number of international students has increased sharply since the early 2010s. The number of international students living in Japan almost doubled from 2012 to 2019, from 181 000 to 346 000. Despite the sharp drop in student inflows during the COVID-19 pandemic, the stock of students in Japan at the end of 2022 was back at 300 600, or 12% lower than at the end of 2019.

Annual inflows of international students to Japan increased from under 50 000 a year in the early 2010s to 122 000 in 2019, and 167 000 in 2022, after two years of very low inflows due to the COVID-19 pandemic Figure 5.8.[12]

## Figure 5.8. Inflows of international students by nationality, 2011-22




Source: Immigration Services Agency.

Most international students in Japan come from Asia. In 2021, 86% of international students arriving in Japan were citizens of another Asian country, and this share has been relatively stable over the period. The countries of origin of international students have changed over time. Among international students arriving in Japan in 2011, 48% were from China and 14% from Korea. Among those arriving in 2019 only 39% and 7% were from these two countries. Conversely, the number of international students arriving from Viet Nam increased 11-fold from 2011 to 2019, and that from Nepal over 7-fold. By 2019, these two countries together represented almost one-quarter of the total yearly inflow of international students.

### *Many international students attend Japanese language schools in Japan before enrolling in post-secondary education in the country*

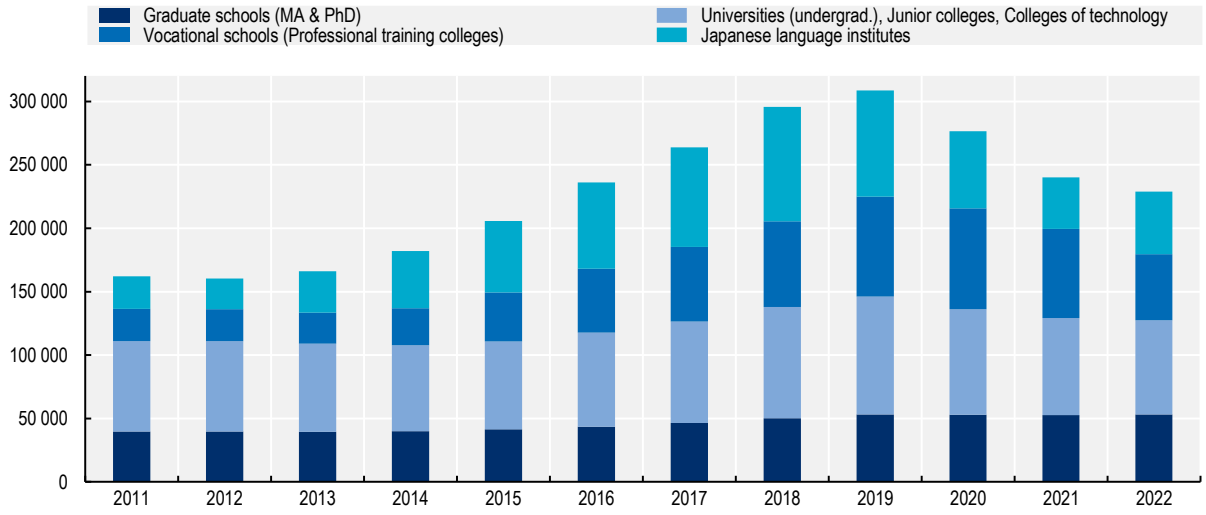
In Japan, higher education starts upon the completion of 12 years of education at the age of 18. The Japanese higher educational institution (HEI) system consists of universities (including undergraduate and graduate schools), junior colleges (typically 2-3 years of undergraduate degrees) as well as vocational oriented schools (professional/specialised training colleges as well as colleges of technology called KOSEN).

International students in Japan may attend any Japanese university, graduate school, junior college, college of technology, professional training college, university preparatory courses or Japanese language schools. International students may be either degree-seeking or non-degree seeking students. Virtually all international students stay in Japan under a *Student* SoR.[13]

There are also University Preparatory Courses designed by Japan's Ministry of Education, Culture, Sports, Science and Technology (MEXT) for international students whose country's secondary education curriculum lasts less than 12 years. These courses are a pre-condition to enrol in Japanese post-secondary education. In the preparatory course, students study not only the Japanese language but also the basic subjects required for university entrance.

Many international students attend Japanese Language Institutes (JLI) in Japan before enrolling into tertiary education. Approximately half of international students enrolling in an undergraduate degree or in vocational school in Japan attended a JLI beforehand (JASSO, 2022[16]) International students in JLIs account for a large share of the overall international student population. In 2022, one-fifth of international students in Japan were enrolled in a JLI (Figure 5.9). This share was even larger before the COVID-19 pandemic, over one-quarter in 2019.

## Figure 5.9. Stock of international students by educational institution type, 2011-22




Note: As of 1 May, each year. International students attending University Preparatory courses are not included. Their number has also increased over time but remains small. There were 1 619 students attending such courses in 2011, 3 518 in 2019 and 2 351 in 2021.
Source: JASSO (2023[17]), Result of International Student Survey in Japan, www.studyinjapan.go.jp/en/statistics/zaiseki/.

*The number of international students enrolled in vocational schools increased by more than that in universities*

The number of international students in JLIs and in vocational schools has increased significantly in the last decade. From 2011 to 2019, the number of international students in JLIs and that in vocational schools more than tripled. The number of international students attending undergraduate degrees at university, junior colleges or graduate programmes increased only by 30% in the same years (Figure 5.9).[14]

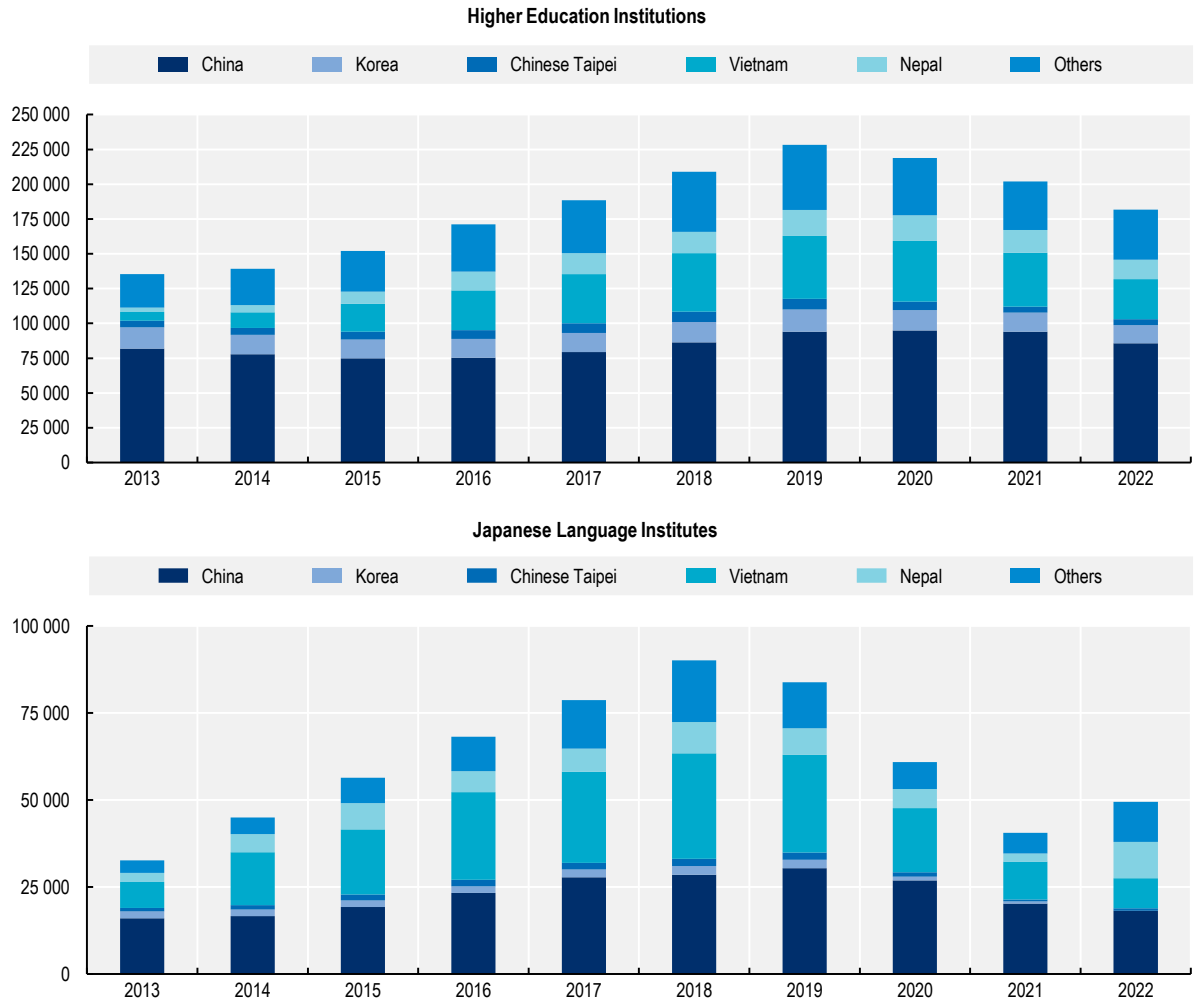
The change in the countries of origin of international students over the last decade is visible both in JLIs and HEIs (Figure 5.10). In 2013, international students from China (Korea) account for 49% (6%) of all international students in JLIs, whereas by 2019, they account only for 36% (3%). The decrease is also striking, perhaps even more so, among international students in HEIs. In 2013, international students from China (Korea) account for 60% (11%) of all international students in HEIs, whereas by 2019, they account only for 41% (7%).

International students from Viet Nam already accounted for 23% of international students in JLIs in 2013, and their share increased to 34% until 2019. However, Viet Namese students accounted for only 5% of international students in higher education institutions in Japan in 2013. By 2019 they accounted for 20%.

The rise of Vietnamese students in higher education institutions in Japan coincides with the increase in the number of international students in vocational educational institutions. Unfortunately, there is no data available on the breakdown by nationality of international students for the different types of higher education institutions separately.

Figure 5.9 and Figure 5.10 do not take into account international students who stay in Japan for less than one-year, “short-term international students”. These are typically non-degree seeking students. However, there are no separate statistics on non-degree seeking students, only on short-term international students. The country of origin mix of short-term international students differs from that of the overall international student population. In 2019, pre COVID-pandemic, one-third of incoming short-term international students came from China, 10% from Korea, 8.5% from Chinese Taipei, and 18% from the United States, France and Germany (9.3%, 5% and 3.5% respectively).[15] Only 2.5% came from Viet Nam.

## Figure 5.10. Main countries of origin of international students in HEIs and JLIs, 2013-22




Note: As of 1 May, each year.
Source: JASSO (2023[17]), Result of International Student Survey in Japan, www.studyinjapan.go.jp/en/statistics/zaiseki/.

### *International students in Japan are over-represented in the Social Sciences and Humanities*

In Japan, most international students in higher education are enrolled in the social sciences, followed by humanities, and engineering (Table 5.5).

Across the OECD, international students are more likely than domestic students (32% vs. 24%) to study Science, Technology, Engineering, and Mathematics (STEM subjects), including Information and Communication Technologies (ICT) (Education at a Glance Database, 2020).

## Table 5.5. Distribution of international students in higher education institutions in Japan across fields of study, 2014-22

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|---|
| Humanities | 22.9 | 24.8 | 25.2 | 24.2 | 24.0 | 21.6 | 18.3 | 16.0 | 17.0 |
| Social science | 37.0 | 36.2 | 35.6 | 35.9 | 35.4 | 37.1 | 37.5 | 37.8 | 34.7 |
| Science | 1.7 | 1.8 | 1.7 | 1.8 | 1.9 | 1.9 | 1.9 | 2.2 | 2.4 |
| Engineering | 16.9 | 16.2 | 16.2 | 16.4 | 17.0 | 17.6 | 19.1 | 20.3 | 20.6 |
| Agriculture | 2.2 | 2.2 | 2.1 | 2.0 | 1.9 | 1.8 | 1.9 | 2.4 | 2.3 |
| Health care | 2.3 | 2.2 | 2.2 | 2.3 | 2.4 | 2.4 | 2.7 | 3.0 | 3.2 |
| Home economics | 1.9 | 2.2 | 2.3 | 2.5 | 2.4 | 2.4 | 2.7 | 2.1 | 2.2 |
| Education | 2.2 | 2.1 | 1.8 | 1.7 | 1.7 | 1.5 | 1.4 | 1.5 | 1.6 |
| Arts | 3.6 | 3.7 | 4.1 | 4.5 | 4.9 | 5.2 | 6.0 | 6.6 | 6.0 |
| Others | 9.1 | 8.5 | 8.7 | 8.6 | 8.4 | 8.6 | 8.5 | 8.5 | 10.0 |

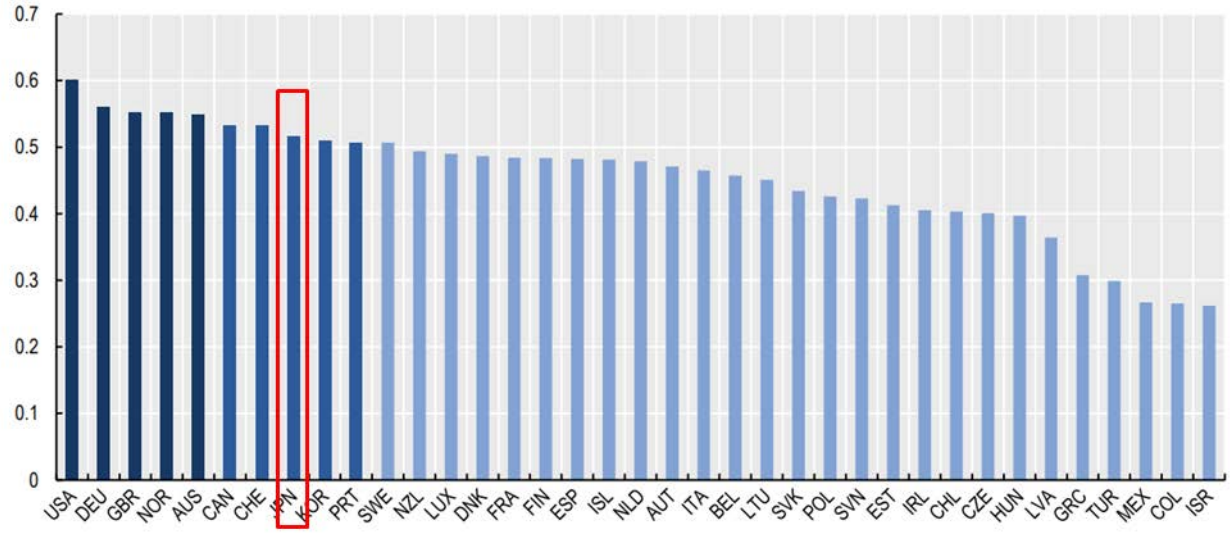
Note: The shares across the fields of study add to 100%.
Source: Jassp (2023[17]), Result of International Student Survey in Japan, www.studyinjapan.go.jp/en/statistics/zaiseki/index.html.

### *How attractive is Japan for international students?*

A country's attractiveness for international students depends on many different criteria: the quality of the educational institutions, the cost of studies, the quality of life, the possibilities to work in the host country after graduation, the recognition of the educational degrees in the country of origin, etc.

The OECD Indicators of Talent Attractiveness compare countries along seven dimensions of attractiveness for international students, including quality of opportunity, income and tax, future prospects, or skills environment. In the latest edition, Japan ranks 8th out of 38 OECD countries. This section reviews some factors and challenges of Japan's attractiveness for international students.

## Figure 5.11. Attractiveness of OECD countries for potential migrants: University students




Note: Values closer to 1(0) represent higher (lower) attractiveness. The ranking is based on default equal weights across dimensions and does not include the health system performance dimension. Costa Rica is not included in the ranking due to missing data for the visa and admission policy dimension. Top-ten countries are highlighted to facilitate comparison.
Source: OECD (2023[18]), "What is the best country for global talents in the OECD?".

*Migrating to Japan to study*

To enrol in higher education in Japan, international students are typically required to submit two test results. The two most referenced tests are the general admission tests known as Examination for Japanese University Admission for International Students (EJU) and the Japanese Language Proficiency Test (JLPT) (see Box 5.2). However, required tests may depend on the origin country and on the educational institution and programme in Japan.

In addition to these two tests, applicants to a higher educational institution in Japan whose country's secondary education curriculum lasts less than 12 years need to take the "university preparatory course" of Japan's Ministry of Education, Culture, Sports, Science and Technology to become eligible to apply for university in Japan. In the preparatory course, students study not only the Japanese language but also the basic subjects required for university entrance.

Finally, while most Japanese students take the Unified/Common University Entrance Examination when applying for national universities and some private universities (undergraduate level), most universities do not require international students to take this examination, however, it may be required for some programmes (such as medicine and dentistry).

### Box 5.2. General admission and language tests: the EJU and the JLPT

**Examination for Japanese University Admission for International Students**

The EJU evaluates general ability to study at a Japanese higher educational institution. It tests four broad subjects: Japanese as a Foreign Language, Science (Physics, Chemistry and Biology), Japan and the World, and Mathematics. The examination is available in Japanese or English, but most aspiring international students take the test in Japanese (around 96% in 2019). The EJU does not have a pass/fail mark, but rather provides individuals with a score per subject. Test results remain valid for 2 years. More than 60% of Japanese universities, including most national universities require the submission of EJU scores as part of the application.

**Japanese Language Proficiency Test**

The JLPT is the most known and most administered test to assess the proficiency of Japanese language learners. It is administered twice a year from inside and outside of Japan and in 2018, the number of applicants to take the JLPT was over 1 million.

The government sponsored JLPT has five levels: N5 (the lowest), N4, N3, N2 and N1 (the highest proficiency level). N2 or above is generally required to enrol in any study programme which is offered at least partly in Japanese. Some institutions accept the scores from the EJU in Japanese as a Foreign Language as proof of Japanese language skills. The JLPT results do not expire or become invalid over time. Learners of Japanese take the JLPT for various reasons. Data from oversea applicants of the December 2018 test round shows that only about 10% took the test because it was required to gain admission into university or graduate schools in Japan.

In addition to the JLPT, there are multiple tests available, testing different skills and levels, administered at different times throughout the year and for varying fees. Japan's Immigration Service Agency, for example, lists nine tests that can replace the most common JLPT.

Source: Data of the test in 2019 (December), JLPT Japanese-Language Proficiency Test, https://www.jlpt.jp/e/statistics/archive/201902.html; JLPT in Charts, JLPT Japanese-Language Proficiency Test https://www.jlpt.jp/e/statistics/index.html.

The immigration process for international students is simple. Once international students are accepted in a JLI or HEI, the educational institution applies for the Certificate of Eligibility (CoE) to the local Immigration Bureau. When candidates receive the CoE, they may apply for a visa in the country of origin. The process is the same than for high skilled migrants (see also Chapter 4).

### *Learning Japanese*

A main difficulty for international students in Japan is learning the language. This is a main challenge for attractiveness of all non-English speaking countries in the OECD. Learning Japanese was the most reported difficulty before coming to Japan among international students. In 2021, 57% of respondents to JASSO's annual Survey of Living Conditions of Privately Financed International Students (JASSO, 2021[19]) reported language learning as a main challenge. More international students reported it as a difficulty than "collecting information" (47%) or "preparing funds to study abroad" (41%).

In Japan, JLIs are not considered a higher educational institution. They are accredited by MoJ, after consultation of MEXT. JLIs remain largely independent in terms of structure and teaching content and lack common curricular standards. MoJ conducts inspections of JLIs and there are student attendance requirements. However, there is little oversight regarding the quality of teaching. Most language institutes are private and for-profit entities that recruit prospective students in their country of origin. There are no statistics available on test results of students of JLIs. Nevertheless, at least among international students who graduate from a JLI, 73% continue their studies in Japan (JASSO, 2022[16]).[16]

Attending a language course prior to study is common in other OECD countries. In fact, international students typically need to demonstrate study language knowledge before enrolment. Examples include the Australian English Language Intensive Courses for Overseas Students (ELICOS) courses or preparatory studies for language learning in Germany for individuals who have not yet attained the required German competence level required at the university.

A difference to the Japanese set-up is that these courses are closely monitored with reporting obligations on outcomes. In Australia providers need to demonstrate that outcomes of participants are comparable to other English language criteria used for admission to tertiary education. Furthermore, minimum requirements relating to content, contact hours and staff-student ratios are also applied. In Germany, it is mostly the higher education institutions themselves that offer language and preparatory courses of up to two years prior to the start of the programmes (DAAD, 2020[20]).

Japan is currently considering reforming the JLI framework. In December 2022, the Agency for Cultural Affairs presented the draft report of the *Expert Committee on Mechanisms for Maintaining and Improving the Quality of Japanese Language Education.* The report suggests reforming the certification system for JLIs and introduce national qualifications for Japanese language teachers. If the changes are enacted, JLIs will no longer be approved by notification of the Minister of Justice but will instead be accredited by MEXT based on the quality of the education provided. As an additional step, Japan is introducing a national qualification for JLI teachers to work at certified JLIs. To qualify, candidates must pass a written test on knowledge and skills and undergo teaching practice. According to the suggested changes the national government will be responsible for administering the examinations of teachers.[17]

The importance of the quality of language teaching has increased over the last decade in Japan. Not only has the number of international students enrolled in JLIs increased, but their composition by country-of-origin countries has also changed. While in 2011, most students (over 80%) in JLIs came from the so-called Kanji zone (China, Korea and Chinese Taipei), in 2019 only 42% of students enrolled in JLIs were from these three countries. As the Kanji zone shares some linguistic characteristics, it is easier for individuals from these countries to learn Japanese.

### *There are few degrees offered in English*

English as the medium of instruction (EMI) in higher education has become a theme of discussion, both in academic literature and the policy sphere. Offering academic degrees fully in English potentially attracts a larger and wider range of international students and contributes to the internationalisation of universities. There are however growing concerns about teaching quality in English courses and perhaps more importantly the impact of English education on the retention rate of international students. While international students may be able to study in English, they will require local language fluency to integrate into the labour market, and in the host country society.

In Japan, English as Medium of Instruction also aims at attracting international students and is part of Universities' globalisation strategies. However, in 2023, only 9% of programmes are fully in English according to the JASSO listing of programmes open for international students.[18] In 2020, only about 6% of universities offered a full degree programme in English, according to the latest government survey among HEI. This share has nevertheless grown over the last decade from just 1% in 2009.

In OECD countries international students are strongly self-select into English-course programmes. In Denmark for example, in 2020, international students accounted for 40% of enrolment in English-language programmes compared to just 2% in programmes taught in Danish. Similarly in Poland, in the academic year 2020/21, foreign students accounted for 65% of students in English-language courses and 4% in Polish ones. Hungary offers higher education programmes in English, French, Hungarian and German. Data on enrolment rates from the 2021/22 winter semester show that only 4% of students studying in Hungarian-language higher education are international students. In contrast, 95% of those studying in German are international students, and about four in five among those in English and French programmes.

Unfortunately, comparable data is not available for Japan. There is no information on the share of international students in undergraduate and graduate degrees who attend English-language degrees. Similarly, there is no information on the share of students in English-language degrees who are international students.

The main concern with EMI is that international students will not be able to integrate into the local labour market. In Japan, this concern is particularly relevant. According to the 2020 round of the "Survey on Recruitment of International Students", the main challenge for employers in hiring foreigners are inadequate Japanese language skills (43%).

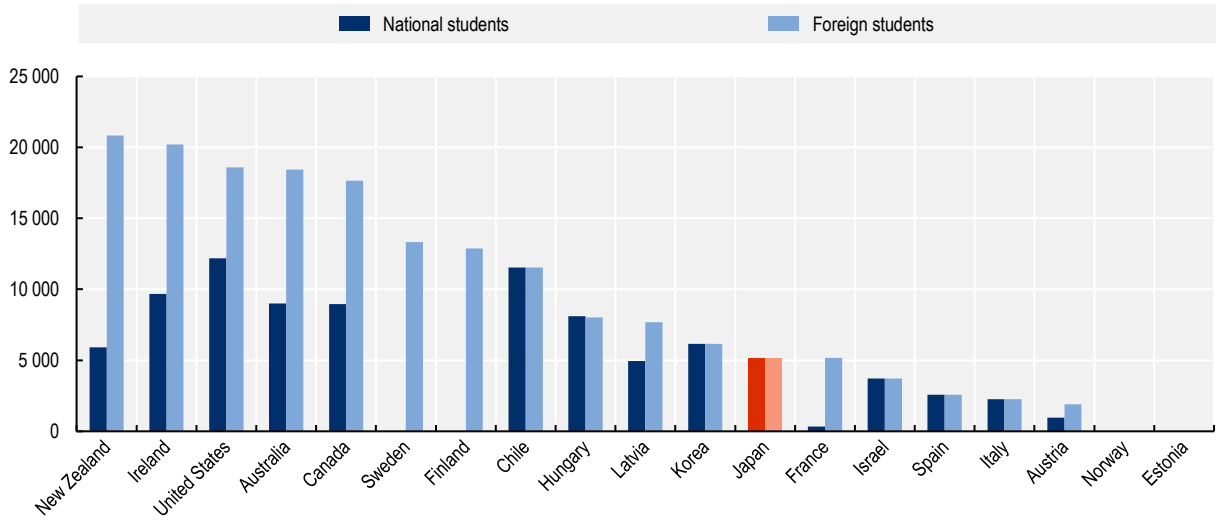
### *Tuition fees are low, but the cost of living is high*

Japan has internationally low tuition fees (Figure 5.12). The role tuition fees play in attracting international students is not clear-cut. Student fees can act as a signal of the quality of education, in particular in those countries with a positive educational reputation. Nevertheless, the low fees act as a support policy for international students.

In Japan, tuition fees are the same for international students and nationals. HEIs in Japan are not allowed to differentiate their tuition fees based on nationality. This contrasts with most OECD countries, which charge higher fees to international students.

### Figure 5.12. Japan has internationally low tuition fees for foreign students

Annual average (or most common) tuition fees in equivalent USD converted using PPPs, for full-time students, charged by public tertiary institutions to national and foreign students (ISCED 7), 2019/20




Note: See Annex 3 of Education at a Glance 2021 for notes.
Source: Adjusted from OECD Education at a Glance, 2021.

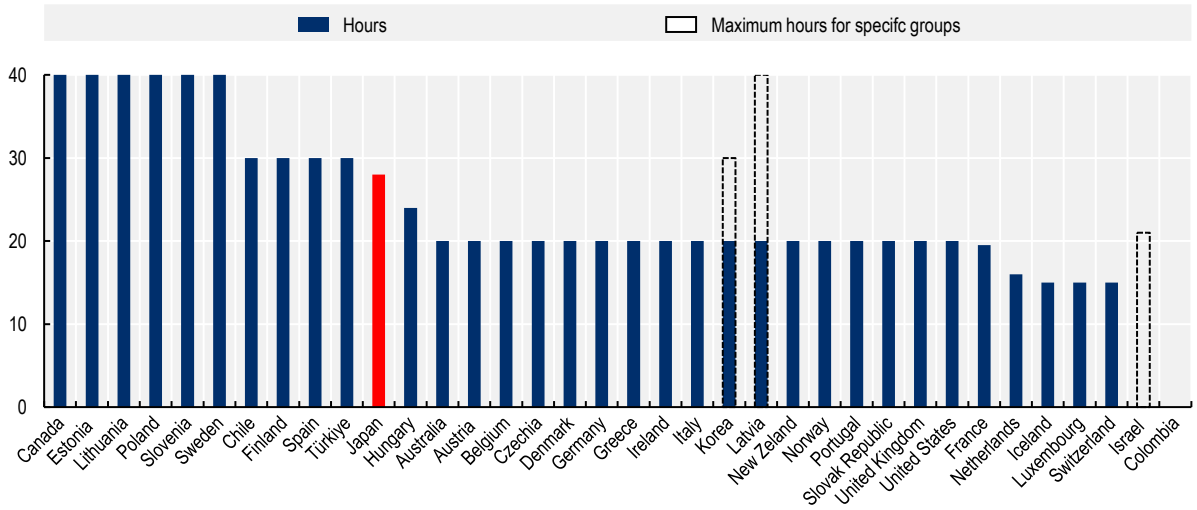
Despite low tuition fees, the cost of studying in Japan is relatively high due to the high cost of living. According to the latest OECD comparative price levels index, Japan ranks 16 out of 38. In fact, three-quarters of former students in Japan report the high cost of living was a hardship faced during their studies (Survey of Living Conditions of Privately Financed International Students (JASSO, 2021[19])).

*The labour market access during study is generous and many students work*

A key policy for international students is the possibility s to work during studies. Most OECD countries offer international students this option to help them defray the costs of their education and to get a first foothold into the labour market. This is also the case in Japan, where international students are allowed to work up to 28 hours per week during term-time and potentially full-time during school holidays. Access to the labour market is not automatic. International students need to apply for a Permission to Engage in Activities other than those Permitted by the SoR. In practice, the process is simple and the rejection rate very low. International students' access to the labour market compares favourably with other OECD countries (Figure 5.13).

## Figure 5.13. Students can work part-time in Japan

Maximum working hours per week allowed in selected OECD countries (during the semester), 2022




Note: The figure includes OECD countries for which data are available. In Australia, international students can work 40 hours per fortnight. In. In Denmark, the limit is 20h/week for BA/MA students and full time for PhD students. In Israel, only international students in High-Tech related fields of study can request part-time employment in relevant companies during their studies. In the United States, employment is only allowed on-campus or in an off-campus worksite affiliated with the institution. In Latvia, the limit is 20h/week for BA students and 40h/week for master's/PhD students. In Luxembourg, the limit is 10h/week for BA students and 15h/week for master's/PhD students. In Korea, the limit is 20h/week for bachelor's students and 30h/week for master's/PhD students. Canada refers to a temporary measure in place till the end of 2023. The data for Denmark, Portugal and Spain refer to non-EU students, whereas there is no limit on maximum number of working hours alongside studies for EU and domestic students. Estonia, Lithuania, Poland, Slovenia and Sweden set no limits on the maximum hours of working alongside studies.
Source: Adjusted from OECD (2022[15]), *International Migration Outlook 2022*, https://doi.org/10.1787/30fe16d2-en.

Over half of international students work in Japan but this depends on the type of higher educational institution and has fluctuated over time (Table 5.6). In particular, the share of international students working while studying at university has decreased from 71% in 2017 to 60% in 2021.

## Table 5.6. Over half of students work part time during studies

Share of students reporting to work part-time during studies by type of educational institution, 2017, 2019, 2021

| | | 2017 | 2019 | 2021 |
|---|---|---|---|---|
| Higher educational institutions | University | 70.9 | 66.4 | 59.7 |
| | Junior college | 87.5 | 86.8 | 84.3 |
| | Vocational school | 87.3 | 84.9 | 84.1 |
| Japanese language institutes | | 76.4 | 67.5 | 59.2 |

Note: Selected categories.
Source: JASSO (2021[19]), Survey of Living Conditions of Privately Financed International Students.

More international students work in Japan than in most other OECD countries. About a third of all students in the EU are employed, with similar levels among foreign-born (34%) and native-born (35%). Approximately one-third of international students in the United States work (35%), and in France and the United Kingdom, one-quarter do so.[19] In Australia,[20] like in Japan, half of international students were in employment, mostly working part-time. Switzerland and Denmark are the countries with the highest share of international students in employment, approximately 60%.

JLI students since 2010 are considered under the same student visa category (ryūgaku) category as those entering HEIs, while previously they formed a different category semi-student (shūgaku) (Sato, Breaden and Funai, 2020[21]). As a result, students in JLI have the same access to the Japanese labour market as students enrolled in HEIs. Given the lack of oversight of JLIs in terms of quality of language education, there are worries that labour market access is a major pull factor especially for some international students, who can attend a language school and at the same time work up to 28 hours per week. However, despite incomplete data, the evidence shows that most JLI students do go on to HEI.

## *Policies to attract and retain international students*

### *Policies to attract international students*

#### 40 years of International Student Plans

Over the last decades, international student policy has been shaped by several large-scale plans and initiatives.

In 1983, Japan set out the "International Student 100 000 Plan" – referred to as the Nakasone Plan after then Prime Minister Nakasone – with the goal to host 100 000 international students by the year 2000. Key policies implemented following the plan included the expansion of scholarships, the establishment of international students housing and the ability for students to work off-campus for 28 hours a week. By 2003, the number of international students passed the 100 000 mark, three years behind schedule.

As part of a broader global strategy in 2008, the Japanese Government introduced a new plan with the aim to increase the competitiveness of Japanese universities, help Japanese industries attract international talent, as well as facilitate the admission, retention, and employment of international students. The plan had a numerical target of hosting 300 000 international students by 2020.

As part of this strategy, two programmes to attract highly skilled students were launched in the following years. In 2009, Japan launched the Global 30 Program, under which 13 universities were selected to foster international teaching and research as well as asked to provide English-medium degree programmes. In 2014, the government launched the Top Global University project, again with an expectation to increase the number of international students and to provide English-taught degree programmes (Huang, 2022[22]).

In 2019, one year ahead of schedule, the goal of hosting 300 000 international students was reached. As noted above, the increase in the number of international students up to 2019 was mainly driven by enrolment into JLIs and vocational education. The number of international students in universities increased only slowly (Figure 5.9).

In 2022, following the strong decline of international students to Japan in the context of the COVID-19 pandemic the government announced a new numerical target: regaining the pre-COVID levels of 300 000 international students by 2027 (MEXT, 2022[23]).

Other OECD countries have numerical targets in their international student policy. For instance, like Japan, France targets an absolute number, 500 000 of incoming international students by 2027, and Korea has a similar target to host 200 000 international students by 2023. The United Kingdom had a numeric target, 600 000 by 2030, but achieved this level already in 2020/21, ten years ahead of schedule.

However, targeting policy efforts for attraction of international students towards an absolute number has become less common in the OECD. For instance, Canada had an absolute number in the previous international education strategy, but now focuses on other elements, such as increasing the diversity of international students and their retention in its current international education strategy. Likewise, Germany had a numerical target, 350 000 until 2020, in its previous strategy but no number in its latest coalition agreement.

### Japan's international student policy targets mainly Asian countries

Almost all international students in Japan come from other Asian countries, and the main five countries of origin account for three-quarters of incoming international students (Figure 5.8). In Japan, as in other OECD countries, a priority of internationalisation strategies is to attract international students from different regions of origin. However, this remains a challenge for Japan and many OECD countries.

Most attraction efforts of Japan focus on Asian countries. Japan's student organisation JASSO runs 55 information centres across Asia and offers consultant services in five international offices in Thailand, Korea, Indonesia, Malaysia and Viet Nam (see Box 5.3).[21] In recent years JASSO also organised fairs (in part virtually) in 18 countries, though none in Europe nor North America.

Other OECD countries similarly use local offices of their international student's agency in their national outreach and attraction policy. In fact, most major OECD destination countries have established national promotion offices abroad, either as part of their international student organisations, such as Campus France and the German Academic Exchange Service, or as part of their wider immigrant recruitment offices, as in the case of Canada.

Many OECD countries target international students from certain countries or regions. The British Council has, for example, run specific campaigns targeting China, promoting the United Kingdom as a destination to learn English to prepare for an international job market. New Zealand has a list of 13 countries on which the marketing activity is focused, and Israel targets four countries: Canada, China, India and the United States. Spain targets students from countries of Latin America, the Mediterranean basin and North Africa.

Recently, the Japanese Government has launched initiatives targeting international students from more diverse countries, in particular from Africa, to strengthen global competitiveness. At the fifth Tokyo International Conference on African Development (TICAD 5), then-Prime Minister Abe declared the introduction of the ABE Initiative, a five-year programme to provide 1 000 African youths full scholarships and internship opportunities in Japanese companies. Japan's MOFA noted that the aim of the programme was to develop highly skilled African workers to promote the expansion of Japanese enterprises operating in Africa. The target was increased to 3 000 in 2019 (JICA, 2021[24]).

#### Box 5.3. JASSO

Established in 2004, Japan's international student agency the Japan Student Services Organization (JASSO) operates under the jurisdiction of the Ministry of Education, Culture, Sports, Science and Technology (MEXT). JASSO provides support to both Japanese and international students.

JASSO runs a variety of activities to specifically support international students. The major communication and outreach channel is its "Study in Japan" website which offers extensive information in 12 languages about planning to study abroad, living in Japan, job-hunting and alumni networks. For prospective international students, JASSO organises the Examination for Japanese University Admission for International Students (EJU) in the countries of origin. This examination evaluates Japanese language skills as well as academic abilities and is required by many Japanese universities. In Japan, JASSO offers three scholarship programmes and accommodation support for international students. It has also established Japanese Language Education Centres in Tokyo and Osaka mainly for government scholarship students who wish to enrol in Japanese higher educational institutions.

Furthermore, JASSO conducts several regular surveys on international students. The annual "International Student Survey in Japan" provides detailed information on international students in Japan and is a key input for policy development on international students.

Source: Japan Student Services Organization, www.jasso.go.jp/en/.

### *Policies to retain international students*

OECD countries are increasingly providing facilitated pathways to residence. International students are potential highly skilled migrants who are already in the host country and in many cases already speak the language and are familiar with the local labour market and society. Moreover, the post-graduation prospects are an important attractiveness factor for international students. According to an Emerging Futures 3 survey of prospective and current students from over 100 countries, 63% of students globally state that post-study work is the main influencing factor for where they would like to study.

Japan's Revitalization Strategy of 2016 stated the explicit goal to raise the proportion of international students staying on to work in Japan after graduation from 30% to 50% (Cabinet Office, 2016[25]). Similarly, one of the metrics Australia uses to evaluate its Strategy for International Education is the growth in proportion of international students employed or enrolled in further study after graduation (Australian Government - Department of Education, 2021[26]). Estonia also has a policy target of 30% of international master's and doctoral students remaining and working in Estonia after graduation, and in Latvia this target is 10%.

Japan's goal for the retention of international students has been translated into the "International Student Employment Promotion Programme" organised by the MEXT since 2017. This initiative aims to support universities, in co-operation with local governments and industries, along three axes of support for international students: "Japanese business language skills", "practical career education" and "month-long internships". Hello Work, the Japanese public employment services, is also involved in this programme providing career advice and facilitating job matches. As of April 2023, 15 universities participated in the initiative and were granted subsidies from the MEXT to develop a unique programme. For example, Kansai University developed a programme for international students, named the Specialised University Curriculum for Career Empowerment and Societal Supports (SUCCESS). It offers e-learning contents and career seminars with partner companies and Japanese Language Institutions.

Despite these initiatives, there is still scope for improvement. In 2020, the MEXT conducted a survey of 450 universities accepting international students to evaluate the employment support provided to international students. The results showed that a vast majority of universities provided career counselling (information seminars and feedback on applications) (88%), as well as support for internships (81%) for all students, Japanese and international alike. However, much fewer had specific support for international students (53% and 28% respectively). Sixty-one percent of the universities surveyed offered Japanese business language classes. The survey results highlighted two bottlenecks to be addressed: the lack of staff in charge of support for international students; the lack of understanding by international students themselves of the importance of career guidance to integrate into the Japanese labour market.

To retain international students after graduation, OECD countries are increasingly providing pathways to residence for international students. In most countries, international graduates can remain in the country to look for a job for a period between 12 and 24 months. In most cases they are allowed to work full-time during this period.

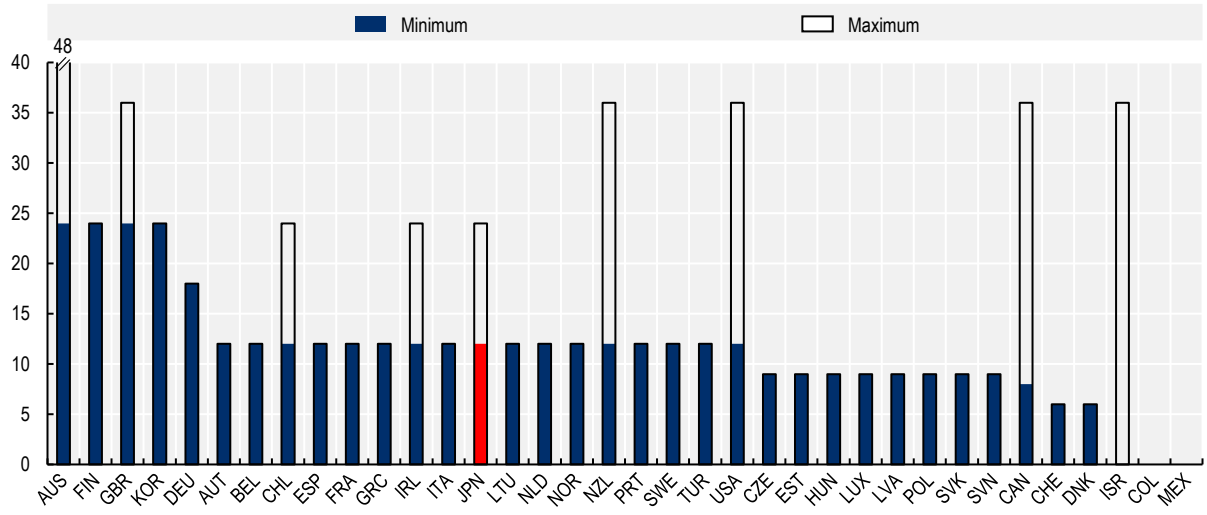
In Japan, international graduates may remain in Japan for 6 months under a *Designated Activities* SoR to continue their job search. However, given the Japanese Employment System, international students are encouraged to find a job before graduation should they wish to stay and work in Japan. The period of stay may be renewed once, granting the new graduate one year in Japan to look for work. This period to search for employment is in line with that offered in most OECD countries (Figure 5.14).

Furthermore, Japan has developed additional pathways for international graduates. Those who wish to further extend their stay may be able to continue their job search through a municipality-led internship programme. Each municipality designs job descriptions and selects hosting companies based on relevance to the applicant's field of study. Their internship performance and employment status would be regularly monitored by local governments during this period. Upon completion of the programme, the

participants are expected to change their SoR to those with full-time work permits such as the "Engineer/Specialist in Humanities/International Services". In addition, there is another programme targeting international graduates who prepare for their business start-up (see Chapter 4). In either case, the Designated Activities SoR is granted for up to two years.

## Figure 5.14. Graduates may look for a job in Japan for one year after graduation

Minimum and maximum duration of stay, typically to search for a job following graduation, in months, 2022




Note: AUS: Graduate Work stream, usually up to 18 months (increased to 24 months as a COVID-19 concession); Post-Study Work stream two years for bachelor's and up to four years for PhD graduates. GBR: two years for bachelor's and master's, three years for PhD. NZL: one to three years depending on level and duration of prior programme. CAN: equal to the prior duration of studies. USA: refers to post-completion Optional Practical Training (OPT), can be extended by additional 24 months for graduates in STEM subjects. IRL: Graduates with an award at Level 8 or above can apply for 12 months, those with Level 9 or above can renew for additional 12 months. EST: 270 days. ISR: only for graduates in High Tech related fields of study. Spain is planning to increase the postgraduate extension to two years.
Source: Adjusted from OECD (2022[15]), *International Migration Outlook 2022*, https://doi.org/10.1787/30fe16d2-en.

To remain in Japan, foreign graduates of Japanese HEIs need to find a job in an occupation that is related to their field of study, and eligible in most cases to the *EHI* SoR. The match between the field of study and the content of the newfound job has usually been assessed more leniently for graduates of universities than for graduates of vocational schools.[22]However, in July 2023, the government announced this no longer would be the case, and that the Ministry of Justice will significantly expand the number of employment opportunities for international students attending vocational schools. This policy change acknowledges that graduates of vocational schools are valuable human resources who are familiar with the language and culture. The aim is to retain an additional estimated 3 000 graduates per year who leave Japan because they do not find employment in their area of study.

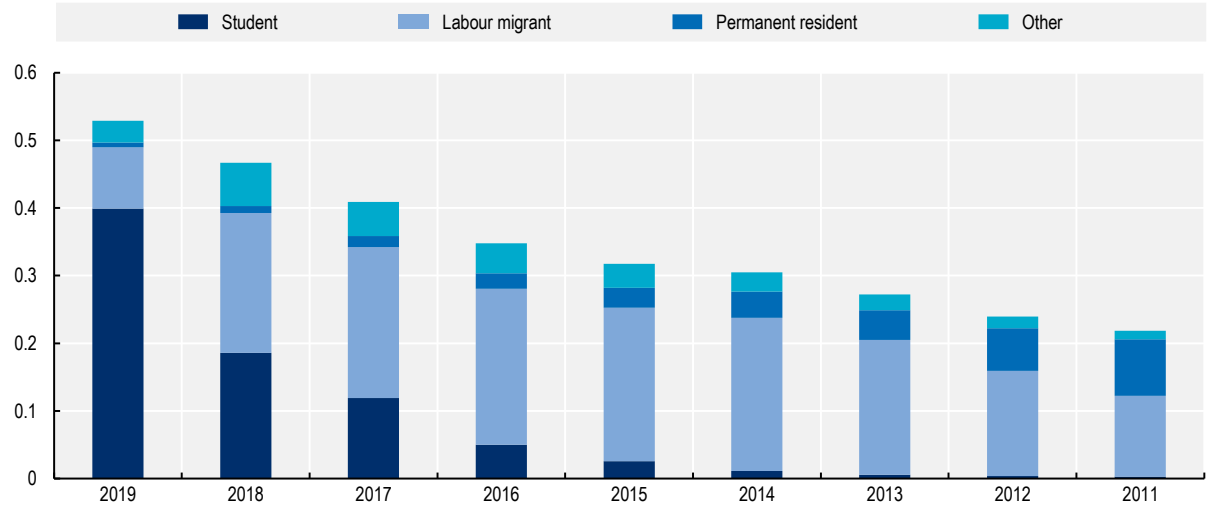
### *Do international students stay in Japan?*

This section investigates to which extent international students remain in Japan after graduation, how the retention rates vary across groups of international students and how they have changed over time.

*The retention rate of international students compares favourably with that of other OECD countries*

Among international students who arrived in Japan in 2019, 53% are still in Japan at the end of 2022, that is over three years later: 40% are still studying, 9% have transitioned to a labour migration SoR (Figure 5.15). The number of international students remaining in Japan decreases with time since arrival in the country. Among international students arrived in Japan in 2011, only 22% remain in Japan 11 years after arrival, at the end of 2022: 12% live in Japan under a labour migration SoR, 8% have been granted permanent residency, and a little over 1% have another SoR, including family of Japanese citizen.

**Figure 5.15. Share of International students (%) in Japan at the end of 2022 by entry cohort 2011-19**

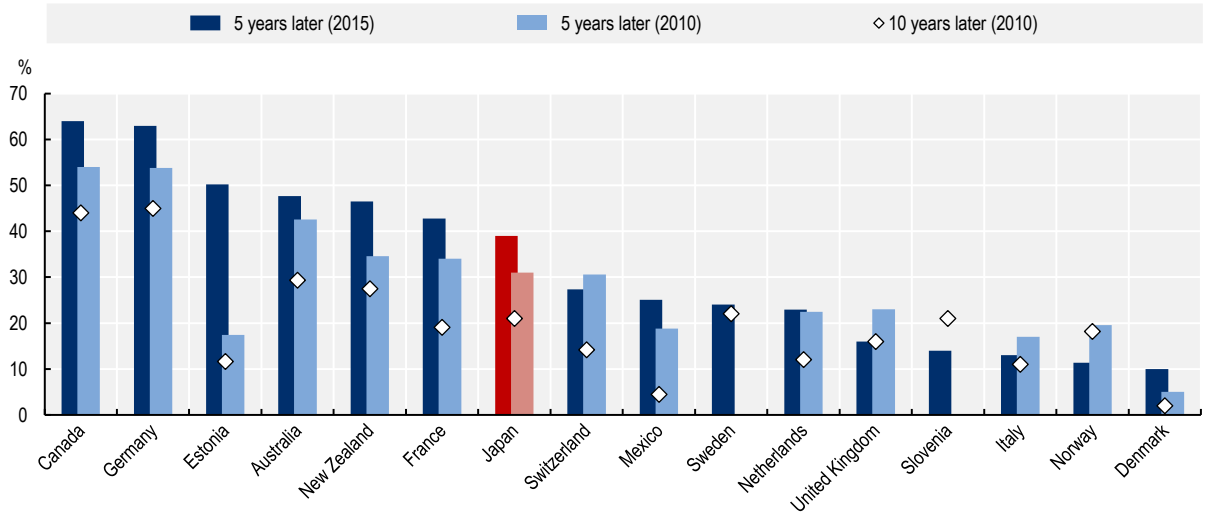



Source: Immigration Services Agency.

The stay rates of international students in Japan compares relatively favourably with other OECD countries (Figure 5.16). Approximately 40% of international students arrived in Japan in 2015 remain in the country 5 years later. Among international students arrived in 2010, 30% remain in the country 5 years later and a little over 20% 10 years later. Although the retention rates of international students in Japan are larger than those of many European countries – including Switzerland, the Netherlands and the United Kingdom – they lag behind those in Canada and Germany. In these countries over 40% of international students arrived in 2010 are still in the country 10 years later.

## Figure 5.16. About one in three international students remains in Japan five years after admission

Share of first study permit receivers in 2010 and 2015, recorded with valid permit in 2015 and 2020



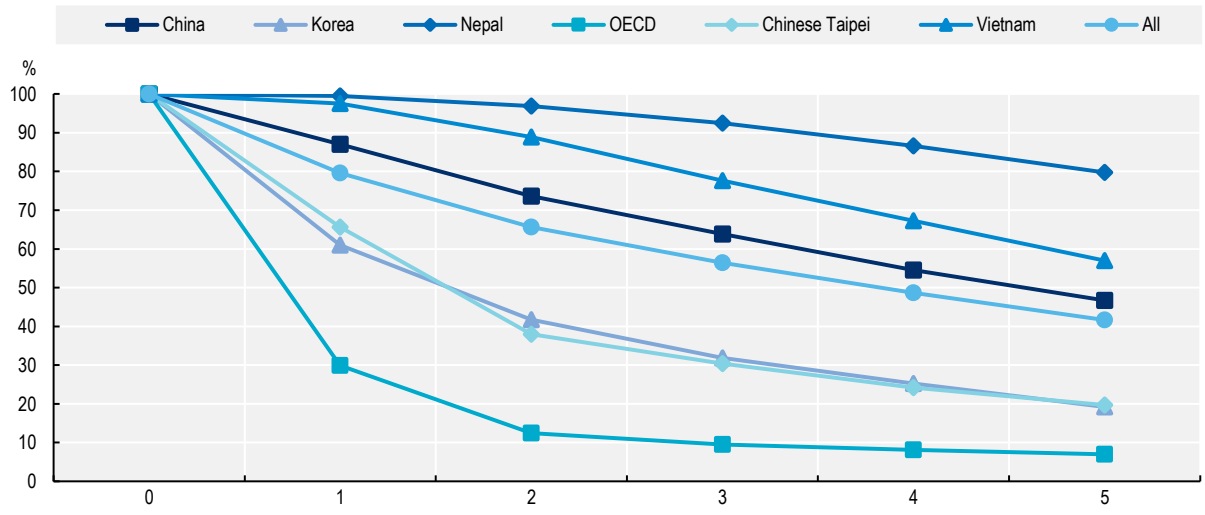

Note: Data include individuals on a valid permit, including those with an education permit. Data from Denmark, Sweden and Switzerland include returning individuals. Data for Germany includes persons already resident who obtained a first-time education permit. Data from Italy and Mexico refer to the 2011 cohort instead of 2010, and thus to 4 years after admission in the year 2015 and 9 years later in 2020. Data do not include individuals who have become citizens in France, New Zealand and the Netherlands. Data from the United Kingdom refer to out-of-country visa grants with no valid leave in the prior 12 months, are based on nationality and include a small number of minors arriving for secondary education. This graph refers to permit statistics and does not include individuals benefiting from free mobility.
Source: Data from OECD (2022[15]), *International Migration Outlook 2022*, https://doi.org/10.1787/30fe16d2-en.

### *International students from Viet Nam and Nepal are the most likely to remain in Japan*

In Japan, the retention rate of international students varies markedly across countries of origin (Figure 5.17). Among international students arrived in Japan between 2011 and 2017, 47% of international students from China are still in Japan 5 year later, 57% of those from Viet Nam and 80% of those from Nepal. In contrast, only 20% of international students from Korea and Chinese Taipei remain in Japan after 5 years, and 7% of students from other OECD countries. The sharp decrease in the number of international students from Chinese Taipei, Korea and other OECD countries is due to the fact that international students from these countries tend to be non-degree seeking or graduate students.

## Figure 5.17. Retention rates differ strongly by origin

Cohorts 2011-17



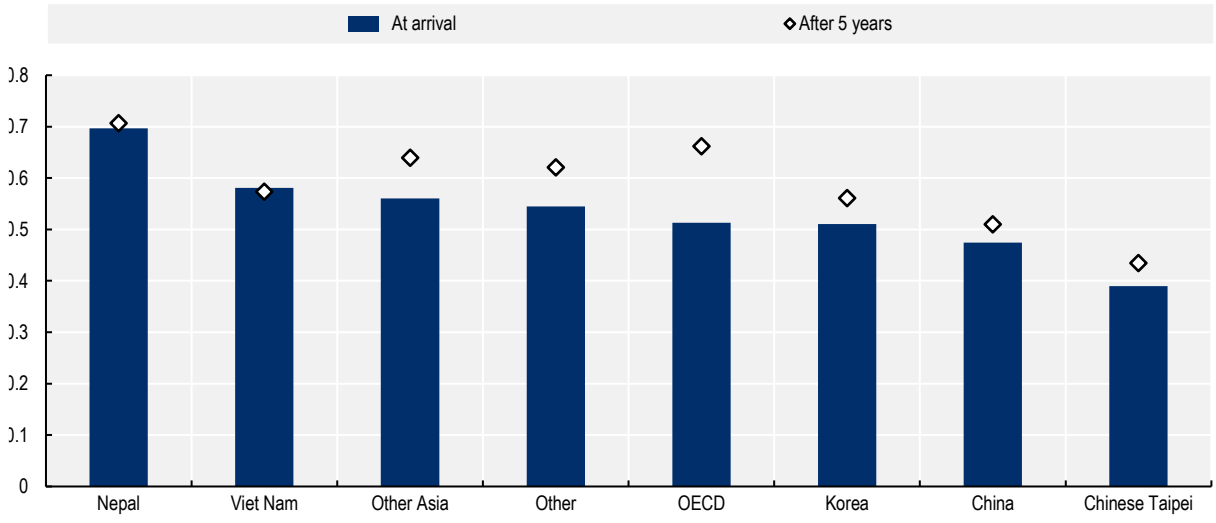

Source: Immigration Services Agency.

Approximately half of all international students arriving in Japan are men. The genders are much more balanced than among incoming labour migrants, where over 70% of incoming migrants are men.[23] There is significant variation across countries of origin of international students Figure 5.18. Among international students from Korea and other OECD countries, there are as many men as women students; among Chinese and students from Chinese Taipei more international students are women; among students from Nepal, Viet Nam and other Asian countries, most international students are men.

Female international students are less likely to remain in Japan after graduation. After 5 years since arrival, women are 8 percentage points less likely to remain in Japan: 37.5% compared with 45.5%. This difference decreases to 4.7 percentage points after accounting for differences in entry cohort and country of origin but remains significant. Men and women from Nepal and Viet Nam arriving in Japan to study are equally likely to remain in the country 5 years later. Chinese female international students, and even more so Korean and students from Chinese Taipei, are less likely to remain in Japan. The largest difference is however for international students from other OECD countries. Only 6.6% of male international students stay in Japan for 5 years or more, and 3.5% of female students.

## Figure 5.18. Share of men among international students by region of origin, 2011-17 cohorts

All international students and among those remaining in Japan 5 years after arrival




Source: Immigration Services Agency.

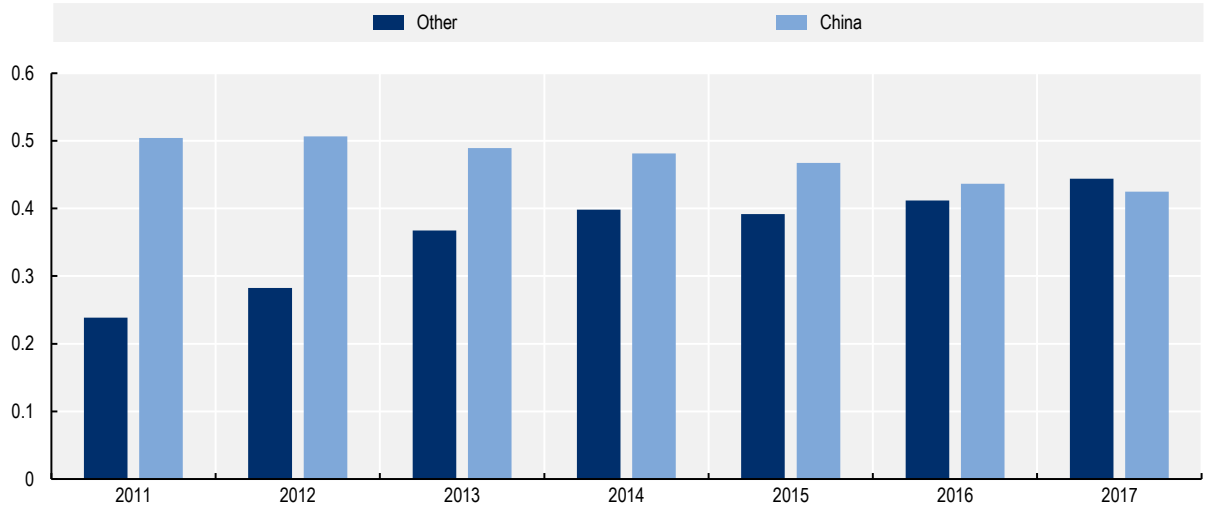
*The retention rate of international students has increased over time due to the change in their country-of-origin mix*

The 5-year retention rate of international students has increased over time. The retention rate increased by 6.5 percentage points from 37.3% to 43.7% from the 2011 to the 2017 entry cohort. However, this increase is completely explained by the change in the country of origin mix of international students arriving in Japan in those years.[24]

The 5-year retention rate of international students from China has decreased over time (Figure 5.19). Half of international students from China who first arrived in Japan in 2011 were still in the country five years later, whereas this was the case for only 42% of those arrived in 2017. In other OECD countries, international students from China are among those who are the least likely to remain in the country of study (OECD, 2022[15]). While this is not the case in Japan, the likelihood that international students from China remain in Japan has decreased.

## Figure 5.19. 5-year retention rates of international students by entry cohort 2011-17

International students from China and from other countries




Source: Immigration Services Agency.

Most international students who stay in Japan transition to a high skilled SoR (72%), in most cases EHI (61%) (see Table 5.7). Some are granted permanent residence, or transition to family SoR, such as Dependent, spouse of Permanent Resident, or spouse of a Japanese citizen (See also Figure 5.15).

## Table 5.7. Status in Japan of international students arrived 2011-19, as of end of 2022

| | All | China | Viet Nam | Nepal | Korea | Chinese Taipei | Other OECD | Other Asia | Other |
|---|---|---|---|---|---|---|---|---|---|
| EHI | 0.61 | 0.58 | 0.59 | 0.78 | 0.64 | 0.68 | 0.52 | 0.58 | 0.49 |
| Designated Activities | 0.08 | 0.05 | 0.13 | 0.05 | 0.03 | 0.03 | 0.03 | 0.14 | 0.06 |
| Other high skilled labor SoR | 0.10 | 0.14 | 0.07 | 0.03 | 0.09 | 0.08 | 0.12 | 0.12 | 0.15 |
| SSWP | 0.03 | 0.01 | 0.06 | 0.04 | 0.01 | 0.02 | 0.01 | 0.04 | 0.00 |
| Permanent Resident | 0.07 | 0.14 | 0.02 | 0.01 | 0.10 | 0.10 | 0.10 | 0.03 | 0.12 |
| Spouse of Japanese | 0.04 | 0.03 | 0.03 | 0.02 | 0.10 | 0.08 | 0.19 | 0.05 | 0.13 |
| Other | 0.07 | 0.06 | 0.11 | 0.07 | 0.02 | 0.02 | 0.03 | 0.04 | 0.04 |
| Total | 212 300 | 71 600 | 58 000 | 29 100 | 6 600 | 4 800 | 5 000 | 34 000 | 3 400 |

Note: Excludes migrants still under the *Student* SoR. "Permanent Resident" includes spouses of permanent residents and long-term residents. Other includes Dependents.
Source: Immigration Services Agency.

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# Annex 5.A. An analysis of the wages of *EHI* migrants using the Basic Survey on Wage Structure

## Estimation

This annex estimates a model based on a Mincer-type wage function.[25] The dependent variable is the hourly wage rate for individual $i$ (transformed by the natural logarithm). The explanatory variables are education, potential years of experience at a previous job and its square, years of tenure at a current job and its square, and the other control variables are the survey years. In estimating the model, we consider pooling all data and using Ordinary Least Squares.

$$w_{i,t} = \alpha + \sum_{e=1}^{3} \beta_{1,e} Edu_{i,e} + \beta_2 tenure_{i,t} + \beta_3 tenure_{i,t}^2 + \sum_{e=1}^{3} \beta_{4,e} tenure_{i,t}^2 Edu_{i,e} + \beta_5 \exp_{i,t} + \beta_6 \exp_{i,t}^2 + \beta_7 SOR_i + \beta_8 SOR_i Gender_i + \delta_t + \epsilon_{i,t}$$

Where:

$w_{it}$ is the log wage rate of person $i$

$Edu_i$ is the educational attainment of person $i$ (compulsory, junior college, university), the reference being high-school.

$tenure_i$ is the number of years in the workplace of person $i$

$exp_i$ is the potential working experience in years of person $i$ at the start of the current job, that is (age- years of schooling – tenure).

$SOR_i$ is the status of residence of person $i$, the reference being Japanese citizens.

$Gender_i$ is the gender of person $i$, the reference being men. All Japanese workers in the sample are men. (only set for foreign workers).

$\alpha$ is a constant; $\delta_t$ are the survey years; $\epsilon_{i,t}$ is an error term.

This estimation adds a SoR dummy to the Chiswick (1978) model. This allows to estimate the coefficient of the SoR as the wage gap that is not explained by differences in observable attributes such as education, years of experience up to the start of the current job, and length of service.

In order to examine the impact of sorting by industry and region, a model is estimated in which the prefecture where the business establishment is located, industry (large category), and company size are added to the above model. Furthermore, to clarify the nature of wage determination at the establishment level, taking into account unobserved heterogeneity at the firm and establishment level, a multilevel model is estimated with establishments as the first layer and individual workers as the second layer. This allows us to control for the effects of sorting.

The interactions of SoR with the squared term of years of previous experience and years of tenure and education are used to determine where the transferability of human capital is constrained. These interaction terms reveal how informal/formal human capital acquired abroad is valued respectively. The interaction term with the years of tenure also reveals differences in the pace of salary increases between Japanese and non-Japanese workers. By further adding the employment status (“regular” or “non-regular”)

to the model, we will clarify how the evaluation of human capital is positioned in terms of employment management.

By comparing the magnitude of the coefficients of SoR between these models, the wage gap between Japanese and foreign workers can be divided into the part due to differences in the distribution of attributes (attribute effect), the part due to the bias of the acceptance process (sorting), and the difference in the effect of specific attributes such as incomplete human capital transferability (coefficient effect). It is possible to separate them into these three categories.

$$w_{i,t} = \alpha + \sum_{e=1}^{3} \beta_{1,e} Edu_{i,e} + \beta_2 tenure_{i,t} + \beta_3 tenure_{i,t}^2 + \sum_{e=1}^{3} \beta_{4,e} tenure_{i,t}^2 Edu_{i,e} + \sum_{e=1}^{3} \beta_{5,e} tenure_{i,t}^2 Edu_{i,e}\, Sor_i$$
$$+ \beta_6 \exp_{i,t} + \beta_7 \exp_{i,t}^2 + \beta_8 exp_i^2 SOR_i + \beta_9 SOR_i + \beta_{10} SOR_i Gender_i + \delta_t + \epsilon_{i,t}$$

Where the variables are as described above.

## Results

According to the estimation results, the wage gap between Japanese and non-Japanese men is about -29% (Model 1), of which 66.2% is explained by differences in the distribution of attributes such as length of employment (attribute effect) (Annex Table 5.A.1).Sorting by prefecture, industry, and firm size (sorting) accounted for 12.4%, resulting in a coefficient effect of 21.4%, and a net wage gap of -6% with the Japanese (Model 3).

### Annex Table 5.A.1. Estimation results

| | Model (1) OLS | Model (2) OLS | Model (3) FE | Model (4) FE | Model (5) FE | Model (6) OLS | Model (7) Logit |
|---|---|---|---|---|---|---|---|
| SoR (Ref.=JP) | -0.29** | -0.10** | -0.06** | -0.07** | -0.04** | -0.20** | -0.20 |
| * Lump-sum hiring | | | | | | 0.18** | |
| Educational Attainment (Ref.=University) | | | | | | | |
| Compulsory | | -0.36** | -0.14** | -0.14** | -0.13** | -0.18** | -2.75** |
| High School | | -0.32** | -0.13** | -0.13** | -0.12** | -0.10** | -2.30** |
| Junior College/Polytechnic | | -0.22** | -0.09** | -0.09** | -0.08** | -0.11** | -1.27** |
| SoR | | | | | | | |
| * Compulsory | | | | -0.22 | -0.15 | | |
| * High School | | | | -0.10 | -0.08 | | |
| * Junior College/Polytechnic | | | | -0.01 | -0.02 | | |
| SoR *Gender | | -0.04 | -0.06** | -0.06** | -0.06** | -0.07** | -0.78† |
| Tenure in years | | 0.04** | 0.04** | 0.04** | 0.04** | | 0.26** |
| Tenure in years^2 | | -0.0003** | -0.0004** | -0.0004** | -0.0004** | | -0.004** |
| * Compulsory | | -0.0003** | -0.0002** | -0.0002** | -0.0002** | | 0.0002† |
| * High School | | -0.0000** | -0.0001** | -0.0001** | -0.0001** | | 0.0008** |
| * Junior College/Polytechnic | | -0.0001** | -0.0001** | -0.0001** | -0.0001** | | 0.0005** |
| * Compulsory*SoR | | | | -0.0014 | | | |
| * High School*SoR | | | | 0.0006 | 0.00 | | |
| * Junior | | | | 0.0007 | 0.00 | | |
| College/Polytechnic*SoR | | | | | | | |
| * University*SoR | | | | 0.0001 | 0.00 | | |

| | Model (1) OLS | Model (2) OLS | Model (3) FE | Model (4) FE | Model (5) FE | Model (6) OLS | Model (7) Logit |
|---|---|---|---|---|---|---|---|
| Experience in years | | 0.01** | 0.02** | 0.02** | 0.02** | | 0.02** |
| Experience in years^2 | | -0.0001** | -0.0002** | -0.0002** | -0.0002** | | 0.0002** |
| * SoR | | | | 0.0002** | 0.0001** | | |
| Control Variables | | | | omitted | | | |
| Constant Term | 3.20** | 2.92** | 2.78** | 2.78** | 2.80** | 2.96** | -4.94** |
| N | 2 274 092 | 2 056 658 | 2 056 658 | 2 056 658 | 2 056 658 | 164 151 | 2 064 021 |

Note: ** p<0.01, * p<0.05, † p<0.1.
Source: Basic Survey on Wage Structure.

To see the details of the coefficient effect, we estimated the interaction terms related to human capital, such as education, tenure in years, and years of previous experience, with the SoR (Model 4) and found no negative results except for -7% wage gap in the main effect of the SoR (for university graduates). The only significant positive result is the interaction term between the SoR and years of experience. This indicates that while the transferability of *EHI* is limited in terms of their educational background, the years of experience up to the previous job, including work in the country of origin, is more highly valued in the selection process, i.e. human capital is more transferable.

To see precisely how this disparity is manifested, we put a variable for employment status into the model (Model 5), and the coefficient for the SoR drops to -0.04. This indicates that the transferability of education appears mainly as differences in employment status, such as regular or non-regular. The wage increase pace for each additional year of tenure is about 4%, indicating that the wage gap with Japanese workers is about 1-2 years of tenure.

To further check its robustness, we estimated the model for new graduates only and the rest of the cases. We found no statistically significant difference in the SoR for new graduates. However, we found a -17% wage gap for non-new graduates (Model 6). Since most new graduates are likely to be international students who graduated from Japanese schools, this can be attributed to the fact that the wage gap between Japanese and *EHI* workers is mainly due to the limited transferability of academic credentials acquired abroad.

Finally, the same model was applied to estimate the probability of promotion to managerial positions, and no statistically significant difference was found between the Japanese and the *EHI* at this time (Model 7). This indicates that the current low percentage of managers among *EHI* is mainly due to their younger age and shorter years of tenure. At the same time, however, this also means that the age distribution of *EHI* workers is skewed toward younger age groups, and the number of workers in their 40s and above, when the possibility of promotion to management positions increases, is still very small.

## Notes

[1] See Annex Table 3.A.1 in Chapter 4 for the list of SoR considered high-skilled in this publication.

[2] The average migrant under the EHI was 30, and the average intra-company transferees was 33. Migrants under the *Business Manager* SoR, for example, were older (42) reflecting the requirements in terms of investment of this SoR (see Chapter 4 for a discussion on the requirements).

[3] 68% of incoming *EHI* migrants in these years are men.

[4] This is an over-estimation of the number of dependents per skilled labour migrant given that international students may also sponsor dependents, and these will be attributed the same SoR, *Dependent*.

[5] Not all dependents arrive in Japan at the same time than the principal applicant. Dependents arriving in these years may have been sponsored by labor migrants arrived in previous years, by former international students who stayed on working in Japan, or even by current international students. China and Nepal are in fact also the main countries of origin of international students in Japan.

[6] These estimations are under-estimates of the role of the study path. In the data, we observe migrants until the end of 2022. For migrants arrived in the later cohorts (2019 is the last cohort observed) they might still be studying and later on change status to *EHI*.

[7] In the MHLW 2020-23 sample, the average years of tenure of Japanese men (women) is 12.8 (8.8) years, compared with 2.3 years for male *EHI* and 2.2 for female *EHI*.

[8] Working *dependents* are more likely to be from Nepal (44% of all *dependents* in employment in 2022), Viet Nam (23%) and China (20%) (MHLW).

[9] The gender retention gap is estimated at 4.3 percentage points (ppt) with controls for all high skilled migrants, and at 5.5 percentage points for *EHI* migrants.

[10] Among women with at least a college degree, the wage gap between regular and non-regular workers increases with age. By age 50, regular workers earn 4.4 times more than non-regular workers (OECD, 2024[3]).

[11] The spousal deduction allowed the main earner to deduct JPY 380 000 (USD 2 537) from their taxable income. Until 2018, the earnings threshold for the second earner was set at JPY 1.03 million (USD 6 881). Currently, the income threshold for second earners is JPY 1.5 million (USD 10 021) and phases out gradually to zero at JPY 2.01 million. In addition, the tax deduction was limited to main earners with income of less than JPY 12.2 million (USD 81 508).

[12] In fact, in OECD comparison Japan had one of the strictest entry requirements for international students. The Japanese Government intermittently suspended all entry of foreigners from January 2021 to November 2021. Although this restriction was temporarily eased from November 2021, by March 2022, 152 000 foreign students had obtained a Certificate of Eligibility but had been unable to enter Japan.

[13] This was not the case prior to a reform in 2011. Foreign students attending Japanese language schools used to have a separate SoR, given that language schools are not part of the higher or tertiary education system.

[14] The overall number of international students in Japan decreased due to the COVID-19 pandemic. The largest decrease has been in the enrolment in JLI. In 2021, international students in JLIs were less than half the number enrolled in 2019.

[15] www.studyinjapan.go.jp/en/statistics/zaiseki/index.html.

[16] 92% remain in Japan after graduation and 79% of these continue their studies.

[17] www.mext.go.jp/a_menu/hyouka/kekka/1421037_00012.htm.

[18] www.studyinjapan.go.jp/en/search-for-schools/school_search.php?lang=en.

[19] The employment probabilities for European OECD countries are estimated from labour force data on the employment of foreign-born students in tertiary education who arrived less than five years ago.

[20] According to the 2016 Census.

[21] www.jasso.go.jp/en/ryugaku/study_j/openbase/index.html.

[22] https://portal.jp-mirai.org/en/study/s/study-abroad/study-subject-and-job.

[23] 2011-19 cohorts.

[24] The increase of the 5-year retention rate by entry cohort disappears once the country of nationality of international students is controlled for in a linear regression.

[25] This annex is based on Korekawa (2023[2]). A more detailed analysis may be found in the working paper.

# 6 Transforming and linking the training and skills based labour migration streams

This chapter first describes the functioning of the long-standing Technical Intern Training Programme, the only migration channel through which employers could hire migrants from abroad for low to medium skills trades jobs until 2019. The chapter then analyses the rollout of the Specified Skilled Worker Programme, the first labour migration channel designed to hire migrants of varying skill levels in specific industries. The chapter studies the links between the two channels as well as their current limitations. It then suggests a potential path forward in low to medium skill labour migration to Japan.

Jobs which do not require advanced degrees or years of specialist training and which are not highly remunerated are often treated by OECD countries with caution when considering labour migration. Concerns over competition with residents, productivity, and vulnerability of workers mean that such programmes are more tightly regulated than those for highly skilled, highly educated and highly remunerated workers. Historically, Japan has tightly regulated migration for employment in these jobs, and firms have gradually made use of the Technical Intern Training Programme. This rotational programme satisfied immediate labour needs but was difficult to reconcile with the Japanese employment model for employment in jobs not requiring tertiary education. Within blue-collar work in Japan in general, there has traditionally been an opportunity for competent workers to rise to lower-level managerial positions and even higher within the firm, and workers are seen as potential long-term assets. However, TITP, with its limited duration, did not allow participants or firms to see this as a path. Firms had no reason to perceive foreign trainees as potential long-term staff.

The introduction of the SSWP in 2019 created a longer-term programme specifically designed for employment of foreigners in non-professional employment. The initial introduction of SSWP did not provide a clear pathway to long-term professional development, since the five-year limit on SSW(i) discouraged firms from considering the programme as a means to secure long-term workforce. In 2023, when prospects for transition to SSW(ii) became clearer, firms could begin to think of foreign workers as potentially long-term members of their staff.

The interaction of the TITP with the SSWP has been essential for the launch and expansion of the latter. Japan now faces the question of how to ensure that the programmes for non-professional and lower skilled employment interact successfully and coherently, to meet both immediate and short-term labour needs and to provide a possible pathway to longer stay and professional development. This chapter presents and analyses the current programmes and identifies elements and approaches which can serve to support a coherent system in the future.

## The Technical Intern Training Programme evolved into a large scheme

### *The TITP began as a typical industrial trainee programme*

As noted in Chapter 4, the TITP has a long history. Japan started inviting trainees from developing countries in 1954 through the Japan International Co-operation Agency (JICA), an affiliated organisation under the Ministry of Foreign Affairs (MOFA) (MOFA, 1994[1]), which provided training to government officials in developing countries. Japanese enterprises could also conduct co-operation activities related to their activities, with trainees drawn from subsidiaries in developing countries. SMEs had less access to this system, as they did not have subsidiaries abroad. Since only firms with an overseas presence were allowed to bring trainees, numbers were small through the 1980s.

*Since 1990, repeated TITP reform has providing more rights and protection for trainees, while expanding the scope of the programme and facilitating its use*

The Immigration Control Act (ICA) was amended in 1990 to establish a residence status of “trainee” (Murakami, 2007[2]). Up until this point, trainees were only employed on a traineeship contract of an “individual enterprise type”, so only firms with a presence abroad through subsidiaries could use this mechanism. The change introduced the possibility to be employed through a “supervising organisation” even if the firm had no presence or activity abroad. This amendment vastly expanded use of the programme by making it simpler for firms to include trainees. Japanese firms which had labour shortages realised that the trainee programme could supply staff to fill positions. The number of trainees rose sharply. Since then, almost all trainees have been employed through supervisory organisations. At the end of 2016,

only 3.6% of acceptances were of the individual enterprise type while the remainder (96.4%) were supervising organisation type.[1] In 2022 about 3.5% of acceptances were individual enterprise type.

The Japan International Training Co-operation Organisation (JITCO), an intermediary agency established in 1991, became the main intermediary during the 1990s. JITCO could supervise trainees from countries with which agreements were concluded. By 2000, these included China, India, Indonesia, Laos, Myanmar, Mongolia, Peru, the Philippines, Sri Lanka, Thailand, Uzbekistan and Viet Nam. The agreements covered exchange of information on trainees and on sending organisations. JITCO dominated the TITP, although some trainees continued to arrive outside of JITCO.

Initially, trainees who passed specific skill tests after a one-year period of training became Technical Intern Trainees, a “designated activities” category and covered by labour law (minimum wage and other standards). In principle, Technical Intern Trainees could also supervise other trainees. The scale of TITP was expanded in 1997 when the maximum stay was extended from two to three years and the number of eligible occupations increased from 17 to 71, allowing far more firms to participate and workers to stay longer. Starting in 2009, all years of a trainee’s activity have been covered by labour law, ensuring that minimum wage is applied along with other standard labour rights.

The next major shift occurred in the mid-2010s, with the creation of a public body responsible for overseeing training plans and implementing organisations. The Organization for Technical Intern Training (OTIT) meant that JITCO saw its role diminish to become a supervising organisation among the others. OTIT became active from 2017. At the same time, a two-year extension of TITP was introduced, TIT(iii), allowing trainees in certain occupations to remain for a total of five years.

### *The only limits on trainees are a firm-level ceiling and an occupation list*

Since the TITP is based on training rather than employment, firms did not have to satisfy any of the usual criteria for authorisation of recruitment from abroad: a labour market test, a shortage list or a numerical cap (Box 6.1). TITP did not include any assessment of the availability of local workers to perform these jobs (“labour market test”); indeed, there is no labour market testing for any employment-based status of residence. There are two forms of restriction on the use of foreign trainees. The first is the 5% ceiling on the number of trainees in firms relative to total full-time employment. In 2017, the ceiling was raised to 10% for implementing organisations considered “excellent”, depending on size, or even higher for certain enterprises. The higher ceiling also contributed to the increase in trainees just prior to the pandemic.

The second restriction is on the occupations which can be performed by trainees. Trainees are allowed to work in specific occupations and sectors. The list has grown over the years from the original 17 and now includes 165 jobs in 90 sectors.

Employers meeting the firm-level quota and the occupation requirements of TITP can be sure to recruit trainees, as long as the supervising organisation follows the proper administrative procedures. The visa application for TITP workers is complex and processing is long – between three and seven months – but visa applications are rarely refused.

### Box 6.1. Mechanisms to safeguard the domestic labour market in the OECD and Japan

**Labour market tests**

In most countries, admission and authorisation of employment, especially for lower-skilled occupations is subject to one or more forms of review of the demand to ensure that there are no negative effects on the labour market for residents. The employer must either demonstrate that the position cannot be filled (labour market test, or LMT), or a decision is taken at the government level that certain occupations are allowed to be offered for recruitment of workers from abroad (shortage occupation list, or SOL). Japan has no LMT for any employment-based status of residence, and salary requirements are set at the prevailing wage.

**Occupational skill thresholds**

Most OECD countries have an occupation-tiered labour migration system, taking into account the skill level of the foreign worker or the occupation they are expected to perform. Higher-skill occupations are governed by more favourable admission regulations, while those requiring less training or fewer competences subject to stricter review, numerical limits, or other controls. Unskilled occupations are sometimes excluded altogether (e.g. in Australia, the United Kingdom, Austria, the Netherlands, Belgium or France), with the exception of seasonal agricultural work, or subject to extremely restrictive labour market testing requirements. Other countries rely on labour market tests rather than occupation or skill (such as Italy and Spain). Salary thresholds may apply, which make hiring foreign workers less attractive. The Japan approach has been to offer different types of Statuses of Residence according to occupation category. For lower-skill occupations, the TITP was long the only option.

**Caps, quotas and ceilings**

OECD countries with large programmes for less skilled foreign workers often set ceilings or caps on annual admission or total numbers in order to limit the effect on labour markets. This is the case of the United States H-2B programme, for example. Italy sets annual limits on admission, as does Korea's EPS and Israel's programme for construction and agricultural workers. Japan has set limits for several programmes – the EPA status for nurses and care workers, for example – but most statuses are uncapped and essentially demand driven, limited only by the capacity to process applications and the placements available. The SSWP was introduced with indicative targets or expectations, rather than hard ceilings.

**Firm-level limits**

A further possible restriction in employment of foreign workers – especially lower skilled foreign workers – is the firm-level restriction, capping the share of employees who can be foreign workers, to prevent reliance on foreign workers and foster efforts to recruit locally and maintain an attractive workplace for residents. This is used in programmes such as Korea's EPS and in Canada's Temporary Foreign Workers programme, but also applies broadly in Ireland ("50/50 rule"). The training scope in TITP limits the share of trainees among total employees in firms in Japan – not to protect the local labour market, but to ensure that the firm is capable of providing the training component on which the programme is based.

As a result of these programme changes as well as the tight labour market, the number of TITP workers grew quickly in the late 2010s, rising from 193 000 in 2015 to 411 000 in 2019 (Table 6.1). A notable decline due to COVID-19 pandemic restrictions and the consequent collapse in employment demand occurred in 2020 but the numbers have since rebounded and in 2022 there were about 165 000 first-year TITP participants, similar to the pre-pandemic figure, indicating that the programme has resumed its upward trend.

### Table 6.1. TITP expanded quickly in the late 2010s

Number of entries and number of mid to long-term residents with the status of residence of "Technical Intern Training", 2015-22

| Category | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|
| New entries TIT (i) | 96 987 | 106 118 | 127 671 | 144 195 | 173 705 | 76 456 | 22 117 | 178 904 |
| New entries TIT (iii) | - | - | 8 | 5 712 | 14 976 | 7 252 | 1 283 | |
| Stock TIT (i) | 91 885 | 102 585 | 124 072 | 143 377 | 169 383 | 75 681 | 24 216 | 164 993 |
| Stock TIT (ii) | 100 770 | 126 003 | 150 153 | 177 585 | 215 233 | 262 663 | 204 824 | 84 386 |
| Stock TIT (iii) | - | - | 8 | 7 398 | 26 356 | 39 856 | 47 083 | 75 561 |
| **Total** | **192 655** | **228 588** | **274 233** | **328 360** | **410 972** | **378 200** | **276 123** | **324 940** |

Note: The status of residence of "Technical Intern Training (iii)" was established on 1 November 2017. TIT (i) refers to the first year in the programme; TIT (ii) refers to years 2 and 3 in the programme; TIT (iii) refers to years 4 and 5 in the programme.
Source: Ministry of Justice; OTIT (inflows 2022).

## *Training and testing are central in the TITP*

### *TITP is based on on-the-job training*

There are several notable aspects of TITP relative to the prevailing employment model of non-professional workers in OECD countries. The first is the strong role played by training. On the one hand, this reflects the great importance of on-the-job training (OTJT) in Japan. OTJT is indeed the main form of training provided by firms and during lifelong learning programmes. Skills development culture within firms is largely learn-by-watching; modular training is less important than on-the-job experience. TITP is built around this practice. Training is also essential for TITP to maintain its stated objective of contributing to development impact. Most of the job roles in TITP are not client-facing and many involve – at least at the beginning – repetitive tasks. OTIT has clear expectations for the tasks and tools to be used in training plans for the different jobs; many of the tasks are repetitive and simple. Learning to operate machinery is included in training plans, even if this is not traditionally at the centre of training in Japan. Soft skills (cleanliness, discipline) often feature prominently in the objectives of training plans. Workplace safety and language learning are the main training needs within TITP which cannot be provided exclusively through OTJT. Reliance on OTJT cannot, however, fully prepare trainees for jobs with complex demands and regulated service standards, such as care work (see Chapter 5). Some skills are difficult to learn while working full time and which require classroom education. In these cases, pre-placement or supplementary classroom education may be necessary.[2]

### *Testing is a key part of TITP*

A large part of the administration in the TITP comprises the development and approval of training plans. As most supervising organisations focus on specific sectors, and TITP has been in place for decades, training plans largely follow a standard format. They are usually several pages and identify tasks and associated competence development. It is very rare for OTIT to reject training plans submitted by supervising organisations. OTIT reported rejecting fewer than 1% of training plans in 2019-21, suggesting that these are administrative procedures with which the supervising organisations are quite familiar and which are simple to satisfy.

Trainees may be unaware of the training plan associated with their activity. Trainees often seek to participate in TITP primarily as an employment opportunity rather than a skills development activity, so the training plan is not always given much attention by trainees themselves. Despite the name of the programme and the ample information about the training component, the perception of the TITP as an opportunity to work and earn in Japan remains. Firms use TITP to meet labour needs, so they may also deviate from the stated plan and assign tasks which are not included. The disconnect between the official training component of TITP and the daily activities also means that trainees are not always able to meet test requirements.

The testing under the TITP, however, is important to all actors – firms, supervising organisations and trainees – since it allows trainees to remain in Japan. The pass rate for tests are, overall, relatively high. According to OTIT, in 2021, pass rates from TIT(i) to TIT(ii) were 99.0% for the written test and 99.2% for the practical test. From (ii) to (iii), which involves a subset of occupations, the pass rate for the practical test was 93.1%. Pass rates in industrial jobs are lower. The pass rate upon concluding TIT(iii) was much lower, at 59.9%.[3]

These overall pass rates conceal some difficulties in the tests in certain sectors. For example, welding tests for TIT(iii) have a pass rate of about one-third. The sectors with difficult tests attract fewer trainees and indeed the difficulty of tests discourages firms from bringing trainees for these jobs. Some trainees have to take days or even weeks off from their regular tasks in order to prepare for the tests, particularly the test to pass from TIT(i) to TIT(ii). While firms rarely contract externally for vocational training for trainees, they may do so to help trainees prepare, especially since most receiving organisations do not have the capacity, space or time to prepare students specifically for tests.

Exams are usually held at sites designated by the competent testing body. The TITP tests to pass between levels can also be costly, especially in the manufacturing sector if there is a practical component. Seat sewing exams in the automotive sector, for example, can cost JPY 70 000 (USD 470); welding, JPY 55 000 (USD 370). Costs are borne by employers through the supervising organisation.

Another issue is that some tests do not reflect the tasks in the firm. The language used in written tests may be far from the vocabulary used on a shop floor or in the workplace. Not all tests have been updated in recent years, and some still include manual practical testing for tasks that have been fully automated in most firms. For example, the soldering test includes a practical exam on manual accuracy when almost all soldering is now done by machine. The original tests for TITP were developed by public bodies but have since become the responsibility of the relevant industrial association. Some tests are being updated to reflect the changes in workplace practices and the official training plans, although the daily tasks of most trainees remain simple labour. Where tests are obsolete, not only are the tests irrelevant to the job performed, but the skills measured are of little use for trainees when they return home.

### *TITP is a process with multiple actors*

The process of TITP involves a number of actors (Figure 6.1. ). Aspirant trainees in the origin country are identified by a sending organisation. Sending organisations are regulated by the origin country. Japan has Memoranda of Co-operation for the governance of TITP with 15 origin countries.[4] There are approximately 2 000 sending agencies across these countries.

The sending organisations are subject to different regulations depending on the origin country, although some general rules apply across origins. Since 2010, sending organisations are required to provide applicants with classroom training prior to their departure to Japan, although this training is not part of the training plan which governs training following arrival. Public bodies such as the public employment or vocational training service may be involved in sending, although most recruiters are private and for-profit. Sending agencies will often have agents in Japan to promote business; the agents may be former

programme participants or other migrants from the same country. Some sending organisations even have offices in Japan or are integrated with supervising organisations.

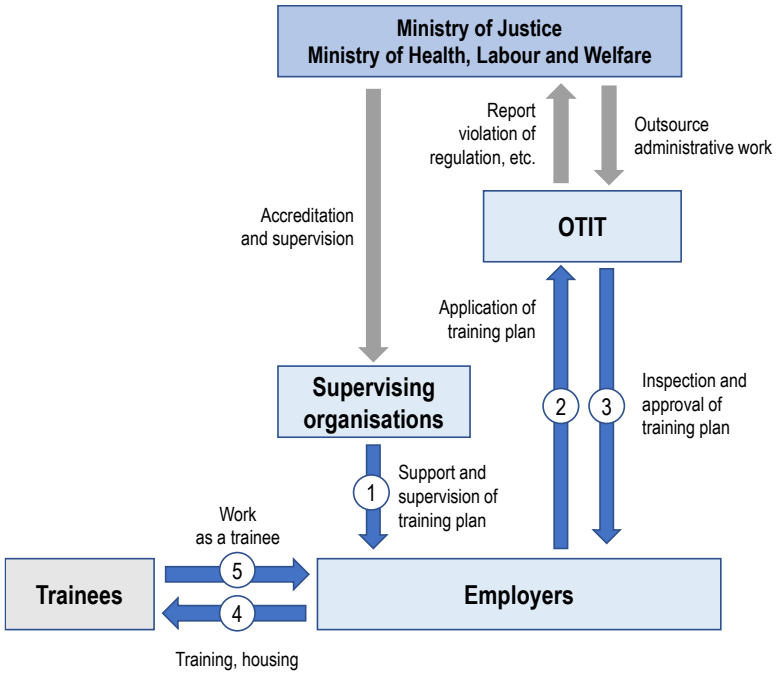
In most cases, however, a sending agency forwards its candidate to a supervising organisation in Japan. Supervising organisations may visit origin countries and conduct interviews or selection. The number of supervising organisations has grown since 2017, albeit at a slower pace than the total number of trainees. From 2051 organisations at the time of transition in 2017 the number rose to over 3 500 by 2022. The supervising organisations are accredited and supervised by OTIT.

The amount of pre-placement training varies. Some sending organisations offer language and other training in the origin country, to reach a basic level of Japanese. Costs may be charged to the supervising organisation once candidates are selected, or candidates may cover the costs of training in origin in the hope of being chosen for placement by the sending agency. Once the trainee arrives in Japan, a month of orientation training is provided by the supervising organisation in Japan prior to assignment.

Supervising Organisations develop a training plan – with varying degrees of collaboration with the implementing organisation or employer – for each trainee. The employer submits the plan to OTIT, which reviews and approves the plan. At this point the trainee can begin work. The supervising organisation provides pre-placement orientation and support to the trainee, including arranging the tests which are necessary to pass through the different levels of TITP. The receiving organisation (the employer) is responsible for providing the training – almost always directly on the job. The employer is also responsible for providing housing for trainees, although this may be in co-ordination with the supervising organisation. The supervising organisation is also responsible for paying the sending organisation throughout employment in TIT(i) and (ii). OTIT is responsible for reporting violations to the Ministry of Justice and the Ministry of Health, Labour and Welfare – notably, cases of trainees disappearing from their workplaces or irregularities in the employment of trainees.

## Figure 6.1. Actors and processes in the Technical Intern Training Programme

Steps for the Technical Internship Programme, in Japan




Note: Excludes the role of the Sending Organisation in the origin country.
Source: Adapted from OTIT, 2022.

### *The relationship between the trainee and the employer is mediated*

In addition to the importance of testing, the second notable aspect of the TITP is the deep involvement of intermediary bodies, rather than direct employment. While a number of temporary labour migration programmes in the OECD have strong public involvement in the pre-admission approval process, almost all step back from the employer-employee relationship once the migrant has arrived and received necessary documents to start work. In Japan, there are a number of additional bodies. The **employer** (or receiving or implementing organisation) and the trainee are in contact with the **supervising organisation**, which is in contact with both the **sending organisation** and **OTIT**. The sending organisation has traditional responsibilities in the initial phase of placement: it is responsible for identifying appropriate candidates (in principle, those who work in a field related to that in which they will be trained and who plan to work in that field upon return). Unusually, it is also responsible for remaining in contact with workers and, in principle, assisting their reintegration upon return to the origin country. The sending organisation is also responsible for contacting trainees in the event they leave their training programme – including following up with the trainees "families and friends" to limit unauthorised disappearance from the workplace and programme.[5]

### *Supervising Organisations work on behalf of the employer*

In 2021, there were almost 3 500 supervisory organisations registered with OTIT, although only about 2 700 of them were active (OTIT, 2023[3]). The others had no experience with supervision and implementation of a training plan. Others had been approved but had no activity. This indicates that the threshold for becoming a supervising organisation is low and that many are pre-existing bodies with other activities who also apply for this task. Recent years have seen an expansion in the number of supervisory organisations; more than half started supervising trainees after 2009, while almost one in five began since 2020.

Supervising organisations take many forms: they may be co-operatives working to serve their members by facilitating the receiving of trainees, or skills or language training institutions which have expanded into this area. The great majority (more than 90%) are business co-operatives. Most are therefore specialised in specific occupations (and nationalities) of trainees. Fewer than 3% are Chambers of Commerce.

Some handle a small volume of trainees while others have thousands. According to OTIT, in 2021, two-thirds supervised fewer than 100 trainees. A survey by JILPT for ISA in April 2023 found that 18% had fewer than 10 trainees, and 20% had between 10 and 29. Twenty percent had more than 150 trainees. The median number of trainees supervised was 50.

Many of the Supervising Organisations had a relatively limited number of implementing organisations (firms or employers) where their trainees were employed. The JILPT survey found that one in four had fewer than 5 employers under supervision, 31% had 5-14. Some, however, cover a number of firms: one in four had more than 50.

Since Supervising Organisations are not supposed to make a profit on supervision, it is not surprising that many are closely linked to the firms they supervise. However, supervisory activity can also be conducted by firms which earn fees for services connected to placement of trainees. The Supervising Organisation may be linked with a sending organisation – either through ownership or subsidiary relationships, where this is allowed by the origin country – or may work with multiple partners in origin countries. Almost two-thirds of Supervising Organisations also hold a licence for employment placement. More than two-thirds are Recognised Support Organisations under the SSWP in addition to supervising trainees.

### *The additional actors all come at a cost to the employer*

The third notable aspect relative to most labour migration channels is consequent to the previous points: TITP adds supervision and training services which come at a cost. Employers pay the supervising organisation not just for initial placement but throughout the entire training period. In exchange, they

receive administrative support as well as mediation. A single supervising organisation can place trainees with different employers, and a single employer can take trainees from multiple supervising organisations, creating a degree of competition in price and level of service. Firms may also choose supervising organisations based on their availability of trainees and their track record in bringing them to Japan.

The fees charged by supervising organisations can be broken down into initial expenses, monthly recurrent expenses, and one-off expenses occurring during the trainee period. In 2021, OTIT conducted a survey of the fee structure of supervising organisations. The results indicate that initial fees to the implementing organisation averaged about JPY 340 000 (about USD 3 070 at the time of survey) (Table 6.2). Average monthly fees were about JPY 30 000 or USD 270 through TIT(i) and (ii) and declined to JPY 24 000 or USD 220 for TITP(iii). The largest part of the monthly fee – about half on average – is charged for support in meeting TITP requirements, while about one-third is the placement fee. These bar other one-off fees charged to the implementing organisation.

Sending organisations may charge fees to place candidates. For example, sending organisations sending trainees from Myanmar may charge up to USD 2 800 per trainee for initial placement, USD 1 600 for transition to a new employer or supervising organisation when passing from TIT(ii) to TIT(iii), and USD 1 500 for SSW(i) workers. Organisations received USD 1 500 per year on average for placed workers.[6]

Part of this monthly fee is passed on to the sending organisation – about USD 60/month on average. After the initial training, training provided by the supervisory organisation accounts for a relatively small part of the monthly fee, since training is conducted by the receiving firms themselves.

### Table 6.2. Supervisory organisations incur continuous costs

Average amount of supervision fees by type (JPY) per trainee

| | Initial costs | Monthly expenses | | | Other (one-off) expenses |
|---|---|---|---|---|---|
| | | TIT(i) | TIT(ii) | TIT(iii) | |
| **Job placement fee** | **88 350** | **8 467** | **8 011** | **6 479** | **2 259** |
| Costs required for recruitment and selection | 71 532 | 1 318 | 1 105 | 912 | 1 648 |
| Medical examination fee | 9 732 | 72 | 35 | 25 | 544 |
| Costs paid to sending organisation | 7 086 | 7 077 | 6 871 | 5 543 | 67 |
| **Audit guidance fee** | **802** | **14 554** | **13 742** | **11 522** | **272** |
| **Training fee** | **159 579** | **614** | **228** | **37** | **4 079** |
| Costs for pre-arrival training | 26 008 | 120 | 62 | 3 | 603 |
| Costs for post-arrival training | 74 258 | 399 | 154 | 34 | 1 728 |
| Post-arrival training allowance | 59 313 | 95 | 12 | 0 | 1 748 |
| **Other expenses** | **92 671** | **6 916** | **7 114** | **5 934** | **148 171** |
| Initial travel to Japan | 55 893 | 116 | 27 | 5 | 2 410 |
| Travel related to temporary return to Japan | 9 288 | 288 | 404 | 158 | 52 380 |
| Travel for returning home | 14 307 | 470 | 549 | 608 | 37 471 |
| Other expenses required for training supervision | 13 183 | 6 042 | 6 134 | 5 163 | 55 910 |

Note: 631 out of 1972 Supervising Organisations responded to the survey. JPY/USD exchange rate at the time of survey was 0.009.
Source: OTIT Survey, 2021.

There is, however, a large range in the fees charged by supervising organisations. For example, about one-third of survey respondents reported charging initial fees above JPY 300 000; a similar share charged less than JPY 25 000 a month.

### *Fees raise the cost of employing trainees*

The total fees paid by employers to supervising organisations account for a non-negligible part of the cost of employing TITP participants. Korekawa (2023[4]) estimates these represent an additional cost representing between 11 to 25% of the total labour cost. In fact, the average hourly wage of a TITP participant is approximately JPY 1 050 (USD 7). Most TITP participants stay in Japan for the first three years.[7] If employers are to recoup the costs paid to supervisory organisations within three years, the additional hourly cost of a TITP worker is on average approximately JPY 233, or approximately 20% of the hourly wage rate. Even if TITP participants transition to TITP(iii) and remain with the employer for 5 years, the additional average cost is estimated at 18% (including all types of fees). Annex 6.A presents an analysis of the wages of TITP participants relative to the Japanese.

## The Specified Skilled Worker programme was built on top of the TITP

After decades of the TITP and significant reforms and expansion of the programme, the limits of the "trainee" approach became clear. Trainees are not an appropriate response for filling structural demand for positions requiring a higher skill level and a higher level of language proficiency, and the firm-level and occupation restrictions limited their potential to meet critical skills demand. The Specified Skilled Worker programme was developed to provide a more long-term response. It builds on and links to the TITP, but also operates independently. Together, the two programmes create a variety of pathways for employment in less skilled occupations.

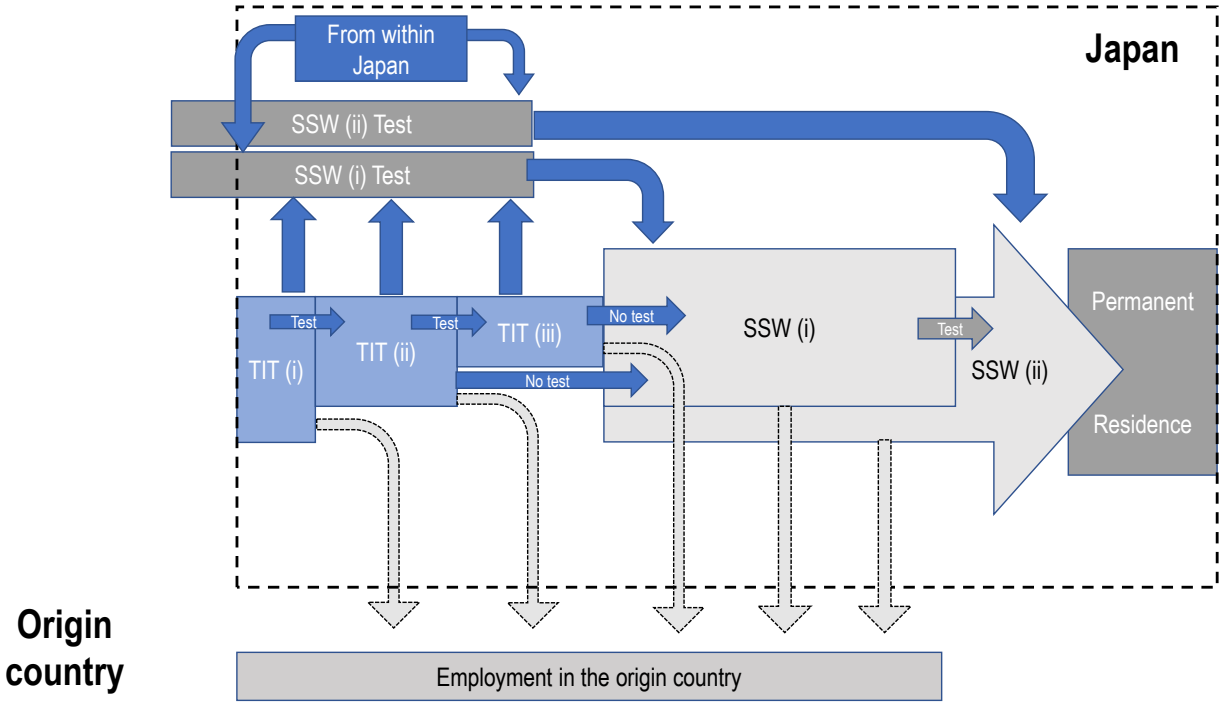
### ***The current system grants longer stay to migrants in lower skill jobs as they acquire new skills***

#### *The pathway includes sequential and parallel programmes*

The path for labour migration in Japan in less skilled occupations is formally linked with skills acquisition, in the TITP, and with skills demonstration, in the SSWP (Figure 6.2). The former has no initial skills requirements and no initial skills test, although some participants choose to study the Japanese language prior to participating. The SSWP requires having completed three or five years of TITP or passing an examination. The exam can be taken in the country of origin, by candidates who have studied independently or through training institutions, or in Japan, by any legally resident foreigner, including those in TITP, in vocational schools, in language schools, or in higher education.

## Figure 6.2. The Japanese pathway for progressive upskilling of labour migrants

Testing requirements and passageways into and through TITP and SSWP, 2023




*TITP and SSWP have different ways of defining the skill levels of activities performed*

The general principle of the TITP is that Japanese production techniques involve technology and methods which are more advanced than those prevailing in the origin country, so that work in these occupations allows development of familiarity with advanced practices and tools inaccessible in the origin country. Nonetheless, many but not all of the occupations allowed under TITP cover repetitive manual tasks. There is a range in the complexity and variety of tasks in the positions. Some involve a limited number of tasks, such as factory line work, building cleaning, egg collection, laundering, sewing and meatcutting. Others imply flexibility in daily tasks, such as horticultural work on small farms, or certain construction occupations.

SSW(i) is meant for jobs which are performed under supervision; there is therefore some overlap between the job description of TIT(ii) and (iii) and SSW(i) occupations. SSW(ii) is meant to be *hanchō* level, which corresponds to a foreman or leader of a small team. This position is often achieved by Japanese workers after 5-10 years and can be considered to correspond to a junior-manager level job. The skills test for SSW(ii) is meant to be correspondingly difficult, although in practice the knowledge expected of a *hanchō* varies considerably according to the occupation and sector.

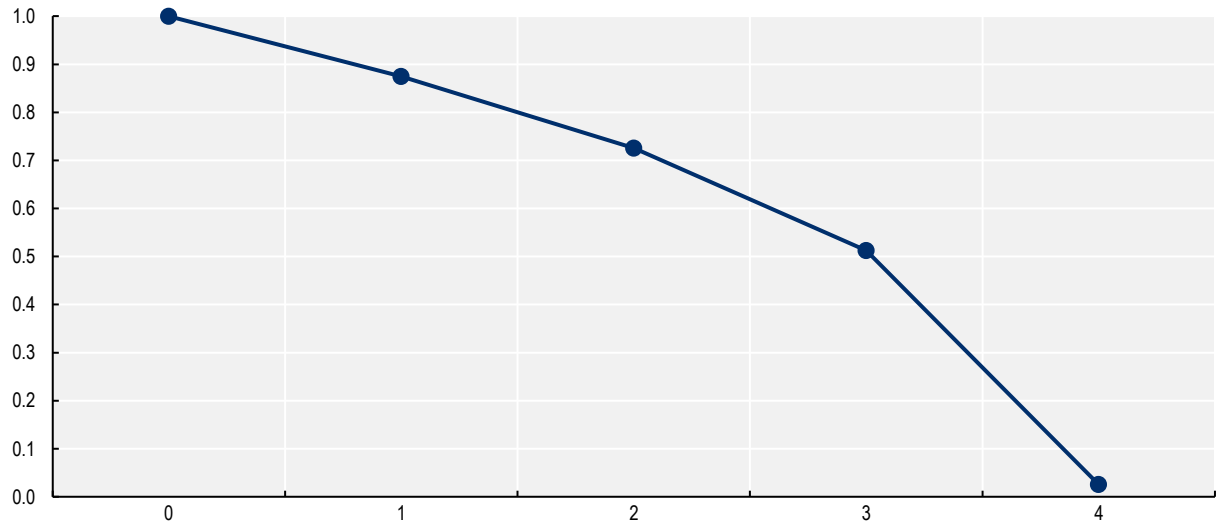
### *Technical Intern Trainees remain in Japan as long as they are allowed*

Prior to the establishment of the TIT(iii) and SSWP, technical intern trainees had the possibility to stay in Japan only up to three years. After one year in the TIT(i), if participants were successful in the testing procedure, they could remain for an additional two years in TIT(ii). Most TITP participants transitioned to TIT(ii). Among the 2011-14 entry cohorts (not yet eligible for TIT(iii) nor for SSWP), 73% transitioned to TIT(ii).

In terms of completed years of stay in Japan, almost 90% remain for the first full year and over 70% remained in Japan for over two years (Figure 6.3). Virtually all participants exited Japan at the end of the program, by the fourth year.

## Figure 6.3. Stay rates (%) in Japan of Technical Intern Trainees

2011-14 entry cohorts

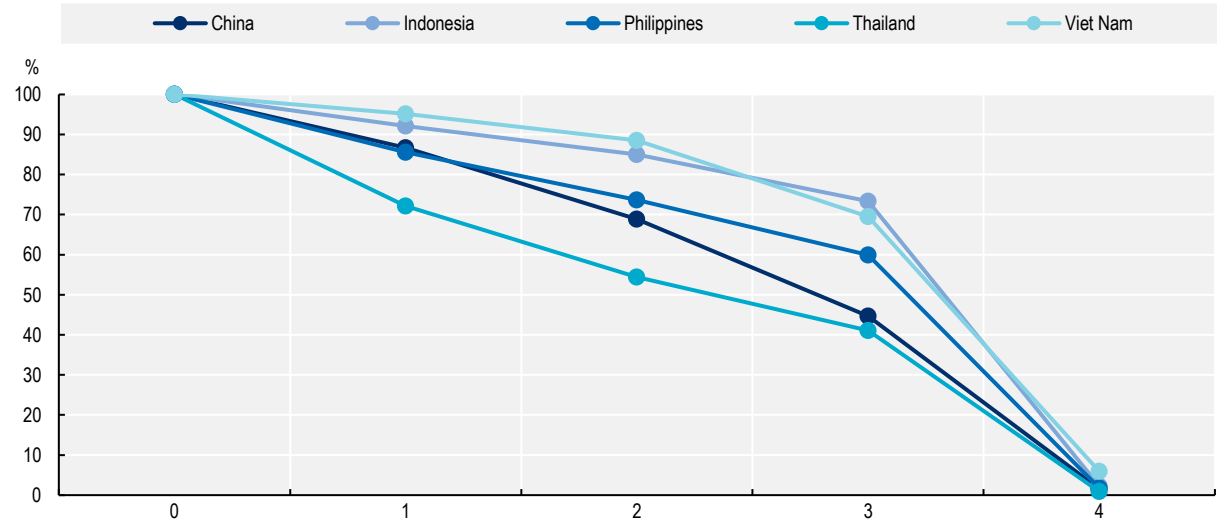



Source: Immigration Services Agency.

The stay rates of Technical Intern Trainees are similar for all main nationalities of participants in the program. Trainees from Thailand are less likely to remain in Japan after the first year. However, in the entry cohorts considered, they represent only 3% of incoming trainees.

## Figure 6.4. Stay rates (%) of Technical Intern Trainees in Japan, by nationality

2011-14 entry cohorts

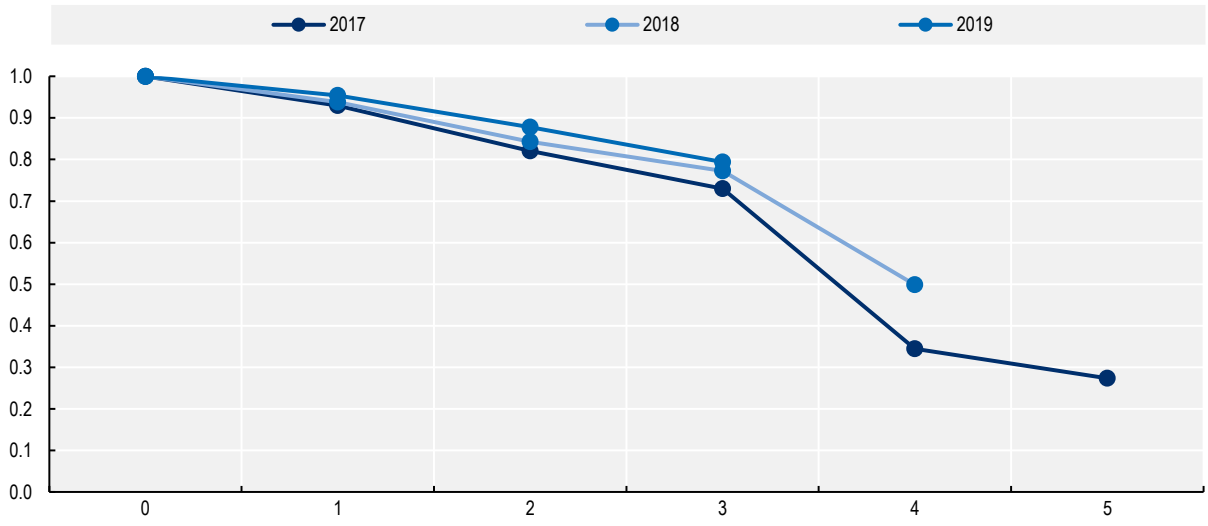


Source: Immigration Services Agency.

Among the more recent entry cohorts, Technical Intern Trainees were more likely to remain in Japan for longer (Figure 6.5). Seventy percent were still in Japan after three full years in the country. This increased stay rate, relative to previous entry cohorts, was due both to the possibility to transition to the newly established programmes, TITP(iii) and then SSWP, and to the COVID-19 lockdowns.

### Figure 6.5. Stay rates (%) of Technical Intern Trainees in Japan, by entry cohort

2017-19 entry cohorts




Source: Immigration Services Agency.

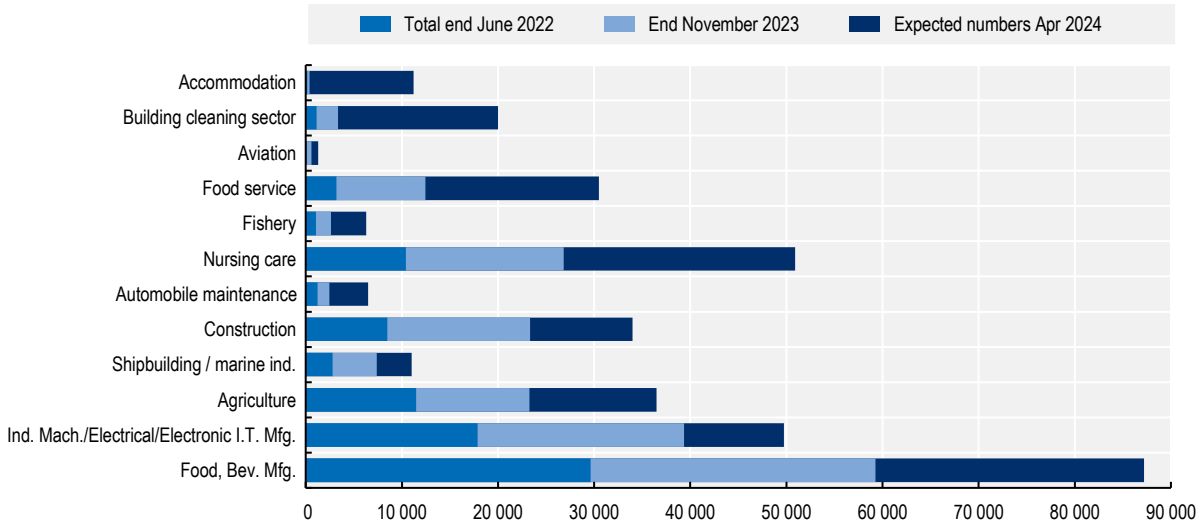
It is starting with the 2017 entry cohort that more TITP participants transition from TITP(ii) to TITP(iii) and to SSWP. Among all Technical Intern Trainees entering Japan in 2017, 11% transitioned to TITP(iii) and 13% to SSWP.[8] Among Technical Intern Trainees of the 2017 entry cohort who transitioned to TITP(iii), 40% were still in Japan at the end of 2022. Similarly, among the migrants who transitioned to SSWP, 84% were still in Japan at the end of 2022.[9]

### *The SSWP rollout has been successful*

The SSW programme has been running since 2019, at least in its initial SSW(i) component. Despite the disruptions of the pandemic, by November 2023 there were more than 200 000 Specified Skilled Workers (Figure 6.6). The programme has already assumed proportions large enough to be considered one of the major temporary labour migration programmes in the OECD. Like TITP, it is structured differently from other programmes in OECD countries and is almost unique in its requirement to pass custom-designed tests for eligibility, as well as the formalised system of intermediary Registered Support Organisations to provide support to those employers who choose to use support.

## Figure 6.6. The Specified Skilled Worker programme has rapidly increased

Specified Skilled Worker (i) by Sector, Stock June 2022 and November 2023 vs. Target April 2024




Note: Targets are the June 2022 targets based on a nominal start date for SSW of 1 April 2019.
Source: ISA 特定技能１号在留外国人数, 令和４年６月末; Ministry of Justice.

The SSWP inherited a practice by employers of using an intermediary. While there is no requirement to use a Registered Support Organisation (RSO) in the SSWP, most firms chose to do so, and often used the same body which they knew as a supervising organisation under TITP (Box 6.2).

### Box 6.2. Employers prefer to use Registered Support Organisations for employing SSWs

In September 2020, with SSWP starting to take off, the ISA and Mitsubishi Consulting surveyed 1 270 employers regarding a number of issues. 79.8% use Registered Support Organisations (RSOs). Among those using RSOs, 60.1% continues to use the same organisation (Supervising Organizations) they used in TITP.

65% of those using RSOs are satisfied with their service and fees; 25.8% complained that fees were too high. The tasks commissioned to RSOs were mainly dealing with Status of Residence (74.9%) and drafting the required supporting plan for SSWs (71.5%).

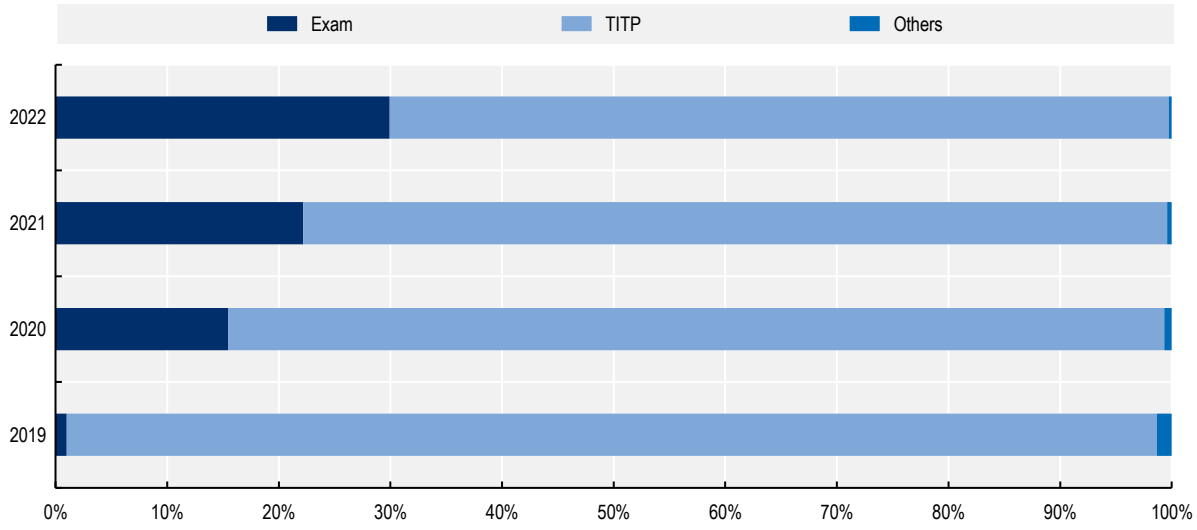
Source: Survey by ISA and Mitsubishi Consulting in 2021 www.moj.go.jp/content/001357399.pdf.

### *The SSWP is gradually but unevenly moving to a test-based system rather than a TITP-based system*

The initial passage to SSW was through TITP, since the testing framework was not in place yet. With pandemic restrictions, testing was delayed and even those who passed in origin countries were unable to travel to Japan to take up employment. However, by 2022 almost 30% of SSW entries were through the testing route. Of those who acquired SSW(i) status in the first half of 2023, 42% came through the exam channel. By mid-2023, 30% of all SSWs had entered the programme through testing, indicating a sharp increase in the share entering the programme through testing.

## Figure 6.7. A growing share of SSW entries are through exams

Admission to SSW, by type of route, 2019-22, percentage



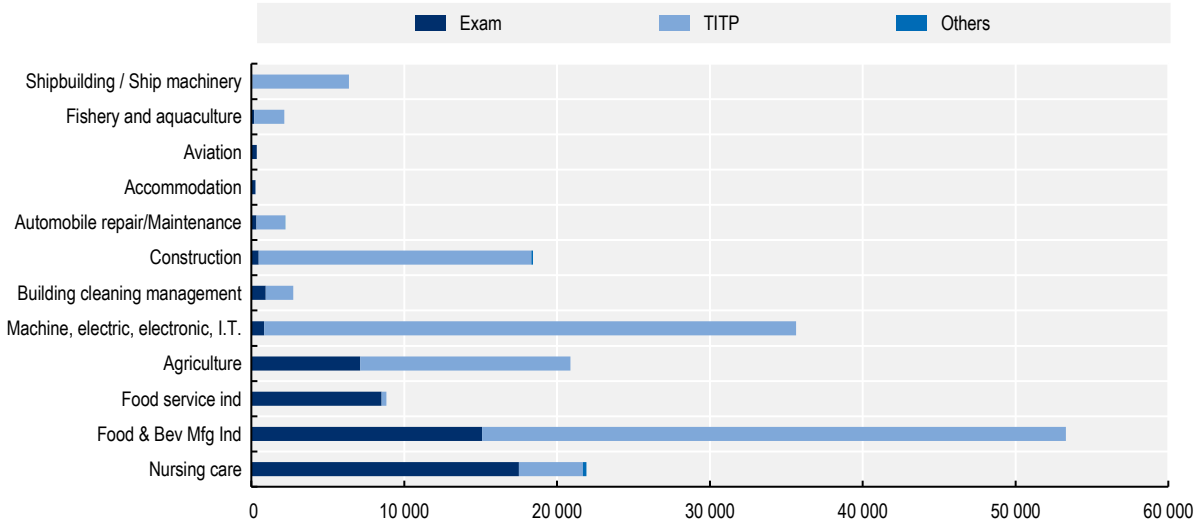

Source: ISA.

Exams are administered by different bodies and are subject to a fee. The exam fees are low and never exceed USD 100. The nursing exam fee, for example, is about JPY 5 400, while the accommodation exam fee is JPY 7 700 and agriculture JPY 8 000. Exams are usually slightly more expensive in origin countries, but the cost is not high enough to be a barrier to participation. The passing certificate requires additional fees (for the manufacturing sector, for example, this amounts to JPY 15 000).

Some sectors are more accessible for former TITP workers, while others are more accessible through exams (Figure 6.8). Nursing care is the sector where the most foreigners have taken the SSW exam and where the largest share of new workers come through the exam route. TITP only recently introduced health work, so it is not surprising that the number of TITP workers available to pass directly into SSW is still low. Further, there are already many foreigners in Japan studying nursing care.

## Figure 6.8. Manufacturing sector SSW exams are not attractive

SSWs and routes by sectors, June 2023




Source: ISA.

Exams have been held in Japan and abroad, although the roll-out abroad has been slower. Nonetheless, by the end of 2022, more than 50 000 candidates had taken SSW(i) tests abroad, and more than 100 000 had taken SSW(i) tests in Japan (Table 6.3).

## Table 6.3. Test uptake and pass rates vary

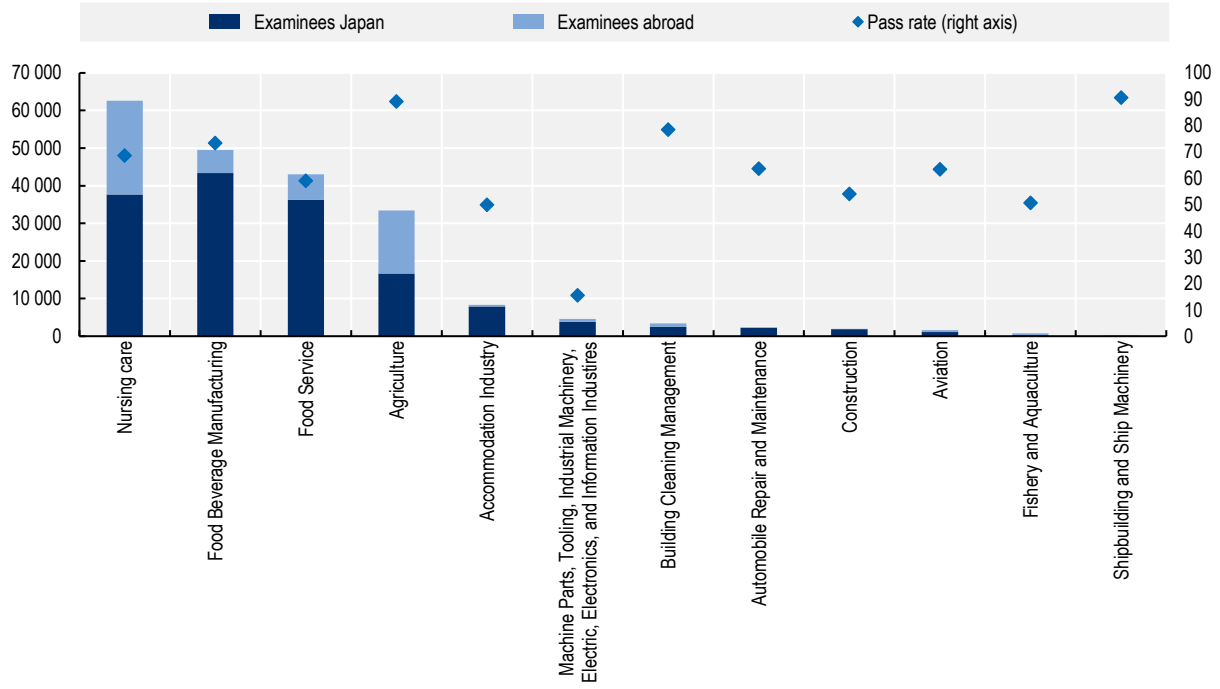
Candidates sitting for test, by industry and location, through June 2023

| Industry | Test Takers | | Pass Rate | |
|---|---|---|---|---|
| | Japan | Abroad | Japan | Abroad |
| Shipbuilding/marine | 157 | 14 | 95.5% | 50.0% |
| Agriculture | 20 279 | 20 622 | 88.7% | 88.5% |
| Building cleaning | 2 675 | 1 593 | 78.3% | 77.1% |
| Food/Beverage. Manuf. | 49 989 | 9 855 | 72.9% | 68.9% |
| Nursing care | 42 623 | 34 275 | 67.0% | 74.3% |
| Aviation | 1 520 | 809 | 59.3% | 77.6% |
| Car maintenance | 2 750 | 168 | 63.4% | 77.4% |
| Restaurant | 40 749 | 12 604 | 58.0% | 72.1% |
| fishing | 383 | 699 | 34.2% | 67.2% |
| Accommodation | 8 746 | 511 | 50.7% | 41.7% |
| Construction | 2 559 | 29 | 48.7% | 82.8% |
| Machine parts and tooling / Industrial machinery / Electric, electronics and information | 4 292 | 1 027 | 15.0% | 17.9% |

Source: Initiatives for the acceptance of foreign personnel and the realisation of a convivial society, www.moj.go.jp/isa/content/001335263.pdf.

## Figure 6.9. Most SSW test takers so far have been in Japan

Exam sitters by place of exam and pass rate, by SSWP sector, 2022




Source: Ministry of Health, Labor and Welfare.

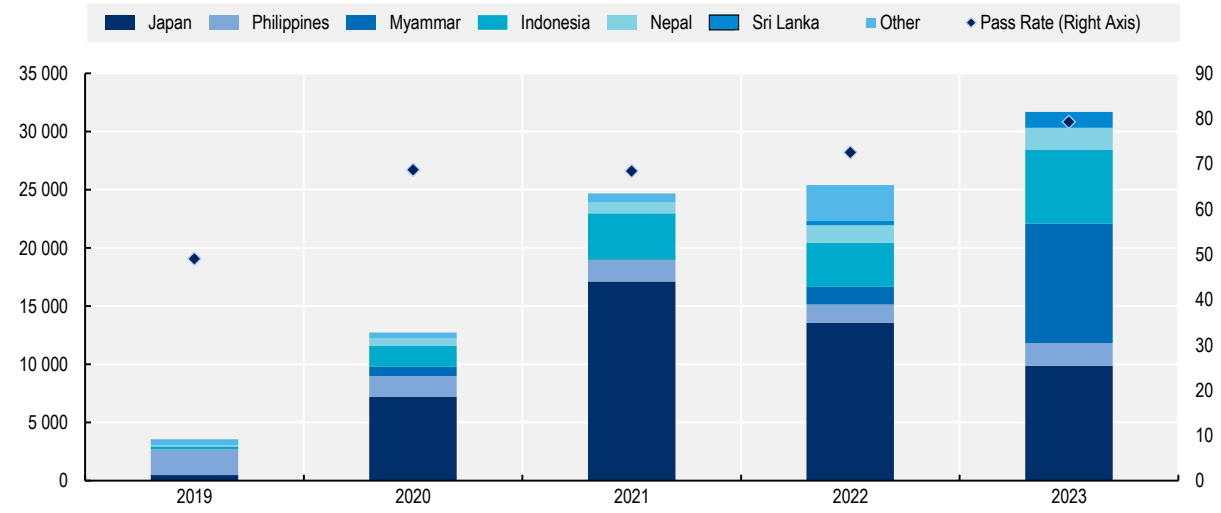
Looking at tests for individual sectors within SSW(i), uptake, pass rates and place of exam vary. The nursing exam has a relatively high and rising pass rate – above 80% in 2023. It is notably expanding outside Japan as one of the main channels of SSW of interest in origin countries (Figure 6.10). The pass rate is comparable in most origin countries to the rate in Japan, suggesting that candidates are well-prepared for these tests. The pass rate in Thailand and Myanmar is very high (above 90 and 95%, respectively).

The other sectors where exams are an important entry point are food and beverage manufacturing and food service. The former is an important TITP sector – as noted, almost one in five TITP workers came through this sector between 2017 and 2021 – so it is not surprising that it has a large inflow. In June 2023, there were 53 300 SSW(i) in food and beverage manufacturing, of which 71.7% had transitioned from TITP. In food service, on the other hand, there were 8 800 SSW(i) workers, of which only 3.6% had transitioned from TITP.

The Organisation for Technical Skill Assessment of Foreign Workers in the Food Industry (OTAFF) is responsible for testing in both sectors. In the Food and Beverage Manufacturing Industries, about 50 000 candidates had taken the test by the end of 2022, of which 86% were in Japan. The pass rate for this sector ranges between 62% and 80% for candidates in Japan, suggesting that there is scope for foreigners in Japan on other Statuses of Residence – including TITP workers who are in other sectors – to pass the exam for the food industry. Pass rates vary much more widely in the Philippines and Indonesia, the two countries where the tests have been offered. The test is also relatively simple compared to the test in other industrial trades. Aspirant labour migrants looking for an accessible channel may find it more attractive.

## Figure 6.10. Nursing care exams are expanding outside Japan

Nursing care exam applicants by place of examination and total pass rate, 2019-23




Source: MHLW.

The food service test is practically the only route into SSW(i) in the sector, since there are few TITP workers who can pass automatically into the sector. On the food service test, almost 40 000 sat for the test the end of 2022 in Japan, of which more than half passed. More than 5 000 passed the test abroad, about two-thirds of those who took the test abroad. Given that so many foreigners are employed in occupations involving food service – for example, restaurants and retail – it is not surprising that many take the SSW test. However, the pass rate in Japan, which is lower than the rate abroad, also suggests that the test may require more knowledge than that gained simply from experience in Japan.

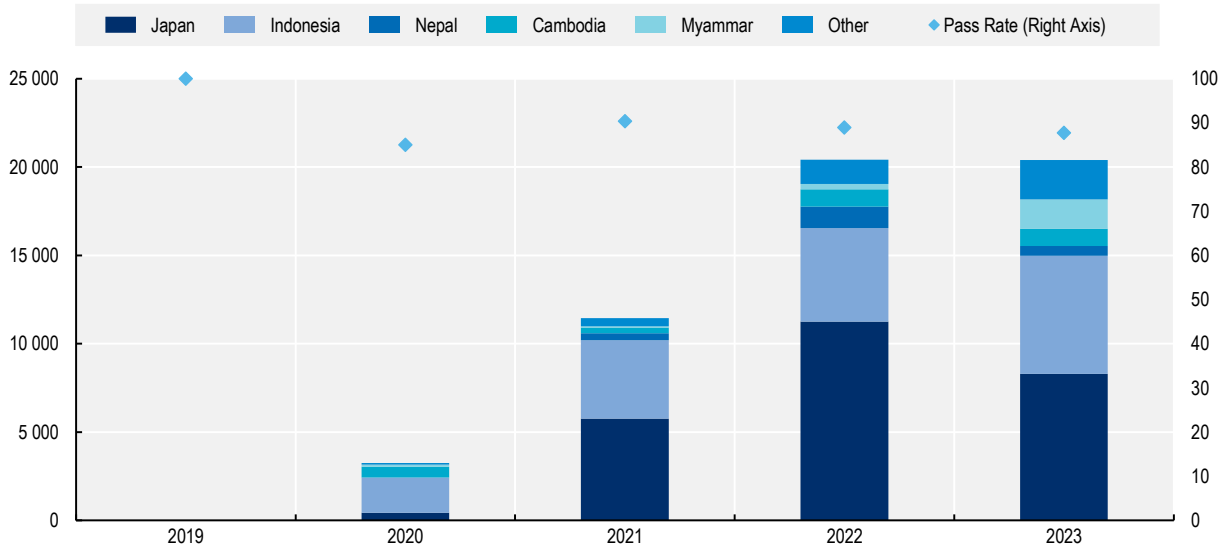
Agriculture is another example of the sector which benefits from a substantial pipeline of TITP workers and from a relatively accessible skills test. The pass rate is above 90% and the test has been offered in a number of origin countries (Figure 6.11). The56 000 test takers between 2019 and 2023 were evenly split between Japan and abroad. Fisheries and aquaculture, on the other hand, have attracted relatively few test-takers – fewer than 500 between 2019 and 2022, primarily in Indonesia rather than in Japan. Ninety-two percent of the SSW(i) workers in fisheries arrived from TITP.

The test for the automotive repair sector appears accessible to participants. According to the Japan Automobile Service Promotion Association, which runs regular tests in Japan and in the Philippines, 2 400 candidates took the test in 2019-22, with a pass rate of about 60%. More than 90% took the test in Japan.

In aviation, the Japan Aeronautical Engineers' Association administers the test, and most applicants have been for ground handling rather than aviation technician. Indeed, the aviation industry had more than 2 600 candidates sit for the exam for ground handling crew between 2019 and September 2023, about three-fourths in Japan and the remainder in the Philippines and Nepal. Pass rates for the test were above 50%, and notably higher in origin countries. In late 2023, the industry rolled out testing in Indonesia and Mongolia.

## Figure 6.11. The agriculture test for SSW(i) is accessible and widely taken

Candidates for the Agriculture SSW(i) test, by country of test, and pass rates (right axis), 2019-23




Note: Other includes Philippines, Thailand, Mongolia, Uzbekistan, Sri Lanka, India and Bangladesh.
Source: National Chamber of Agriculture, 2023.

### *Some sectors have attracted fewer workers due to difficult tests or limited pools of interested candidates*

Developing the test pathway for other sectors or job roles appears more challenging. Skilled trades such as aviation technician and ship machinist require a high level of vocational training.

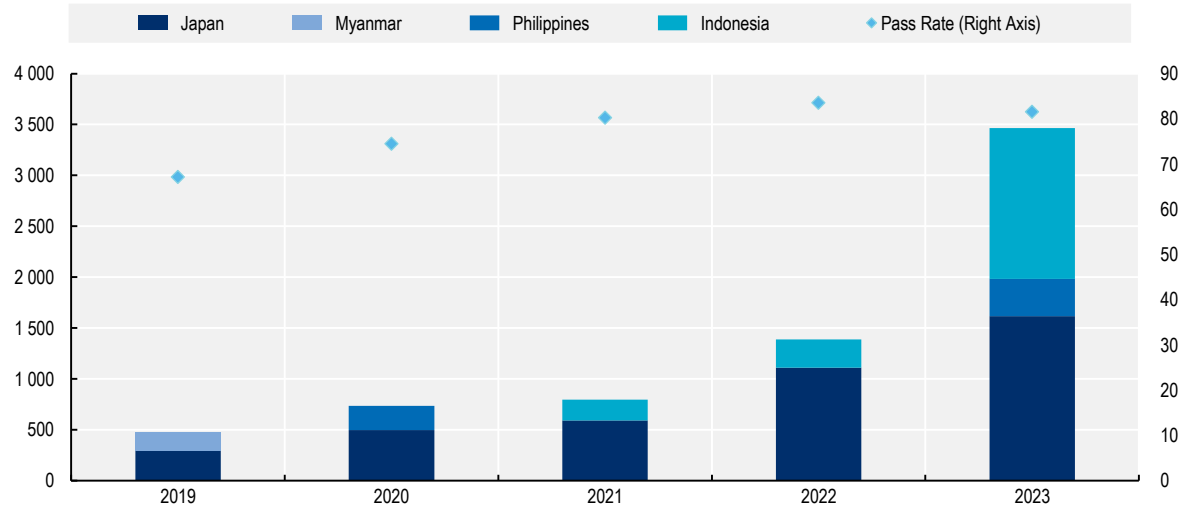
Industrial manufacturing, where pass rates are low, largely relies on TITP as a pipeline for SSW. The high industrial standards in Japan make the exams in the Machining and metal processing, Electric and Electronic equipment assembly, and Metal surface treatment daunting. According to data from METI, between October 2020, when testing began, and November 2022, 4 300 candidates took the test, and the pass rate was only 15.3%. In some examinations, no one passed the test. The SSW(i) test for this sector is designed at the lowest level of national qualification in the system, corresponding to the entry level. Most testing so far has been in Japan, with one test held in Indonesia, Philippines, Thailand and Nepal in February 2021. To increase access, the technical language used in the test has been simplified. The practical part of the test was eliminated for certain occupations in 2023. Still, the difficulty of the test is one reason why TIT(iii) remains an important phase for preparing for entry in SSW(i) in this sector.

In shipbuilding, the issue has primarily been attracting a sufficient number of candidates for the test. According to Nippon Kaiji Kyokai General Incorporated Foundation, which administers the test, about 190 candidates had sat for the test by August 2023, with a pass rate close to 100%, except for the one test administered in the Philippines where only half passed.

Building cleaning management was one sector initially expected to attract a large number of SSWs; when first rolling out SSWP, the target was 37 000 by April 2024, although the revised expectation was lowered to 20 000 in August 2022. The test does not appear to be the obstacle – and indeed the pass rate has risen since testing began in 2019, from 67% to 88%, even as the number taking the test of building cleaning increased (Figure 6.12). Testing expanded significantly in 2023, especially abroad.

## Figure 6.12. Building Cleaning Management test pass rates are high

Test for Building Cleaning Management, by place of test, and annual pass rate, 2019-23

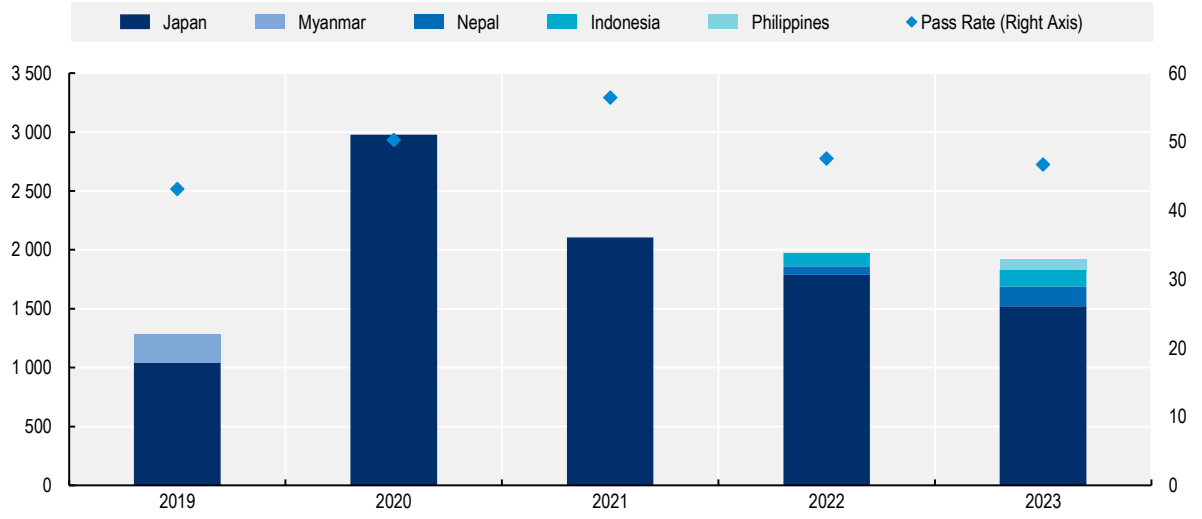



Source: MHLW; National Building Maintenance Association (JBMA).

Accommodation is the sector with a lower pass rate than most (Figure 6.9). As of late 2022, no textbook had been published. The sector had very low take up. TITP has only one occupation in the accommodation sector, and there were only 250 training plans active in 2021, so there is no significant stream of potential workers who can be directly recruited from TITP. TITP in accommodation does not include TIT(iii), however, so if TITP expands recruitment in this area it can be a three-year route to SSW(i). The industry considers that 70% of applicants with at least two years of experience in hospitality whether in Japan or overseas should be able to pass the test. The results since 2019 to 2023 indicate that about half of test takers in Japan and overseas passes. The test has been administered in Myanmar, Indonesia, Nepal and the Philippines.

## Figure 6.13. Candidates struggle with SSW tests in the Accommodation Industry

SSW Tests for the Accommodation Industry, 2019-23, by location, and pass rate




Source: Accommodation Industry Skills Testing Centre (CAIPT), 2023.

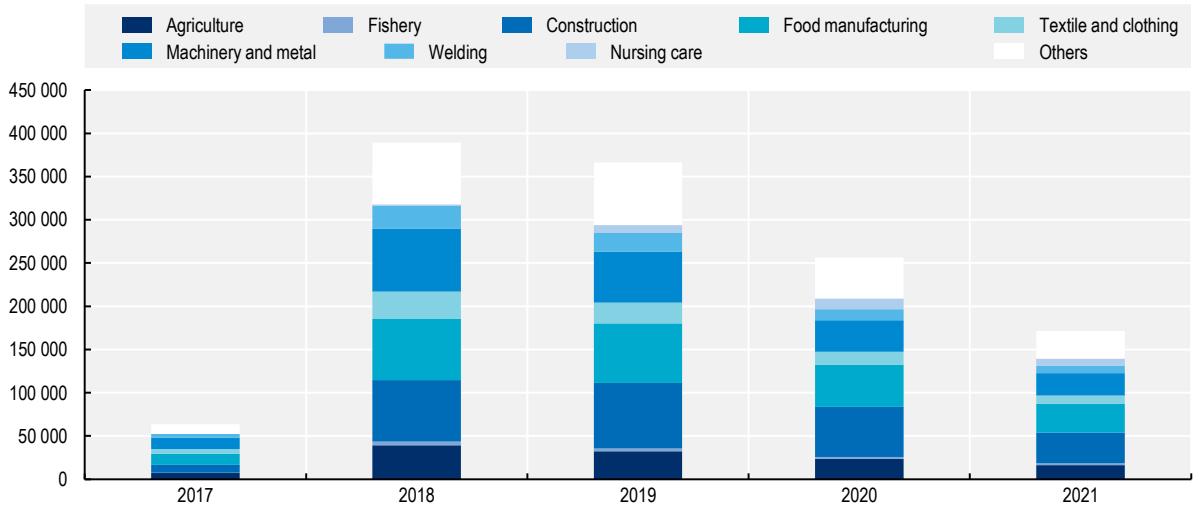
## The TITP and SSWP cover only part of the labour market

### *Technical intern trainees are allowed in certain occupations and sectors*

Technical intern trainees are allowed to work in 165 jobs in 90 sectors. The list of eligible occupations is drawn up by MHLW in consultation with experts chosen by OTIT. While there is an annual meeting to discuss the list, there is no regular revision; occupations are added when necessary, but rarely removed. The list of occupations is noteworthy for the sectors which are not included. All wholesale and retail activities are excluded, as are transportation jobs (drivers) and many logistics jobs (e.g. warehousing, delivery). The restaurant sector is also excluded, although several accommodation sector jobs are included.

### Figure 6.14. Several sectors dominate TITP

Approved training plans, 2017-21




Note: The figure refers to training plans approved, not to trainees. There are more plans approved than trainees due to transitions between levels of TITP.
Source: OTIT.

Some sectors where TITP workers are not allowed have pressured the government to expand. For example, the supermarket sector, which is labour intensive and has many lower-wage jobs, is not included. In 2021, supermarkets reported a 12% rate of unfilled vacancies. Because of the occupation-based definition of TITP, some jobs in sectors excluded from SSWP may employ trainees. In the case of supermarkets, for example, some food processing jobs under TITP may be supermarket-based, such as in bakeries or fish and meat preparation. The convenience store sector, which is one of the most important retail sectors for employment, has pushed for access to TITP and later SSWP without success. In both supermarkets and convenience stores, one longer term concern is the development of managerial staff, in a context where fewer Japanese are moving into the stores. Retail managers have limited options in the current system (Box 6.3).

### Box 6.3. Convenience stores and foreign workers

Japan has more than 50 000 convenience stores, an unusually high number relative to population among OECD countries, dominated by several chains which have franchises throughout the country. The workforce relies on part-time workers, including students. As the youth cohort shrinks, labour shortages increase; this is especially true in rural areas with no colleges and universities. The employment model in convenience stores is an owner – who may operate multiple franchises – as well as a manager, several shift-leaders, and general staff. Some of the tasks of the latter can be automated or productivity increased, but other roles are harder to eliminate. The industry forecasts a need for 20 000 shift leaders by 2027.

One of the leading chains is 7-11, with 20 000 stores and 400 000 employees. Ten percent of staff are non-Japanese and of these 80% are international students with permission to engage in activities other than those permitted by the Status of Residence. Twenty percent of international students work in convenience stores and 7-11 employs half of those. Convenience store employment is a frequent first entry to the Japanese labour market and a means for foreigners to learn language and client service culture.

No status of residence exists which would allow franchise owners to hire international students after graduation, although higher education is usually aimed at preparing students for jobs other than managing small retail operations. Neither TITP nor SSW allow retail employment, preventing inflows through these programmes. While some vocational education tracks (IT, business, culture and language) could be argued to be linked to retail management, this is not currently allowed, ruling out eligibility for the *EHI* status. Further, since international students are part-time workers with no career prospects, franchise owners have no incentive to train them.

Source: 7-11 Japan.

Another activity where migrant workers often fill positions in OECD countries is in domestic work. To increase Japanese women's labour force participation, a pilot programme to allow agency recruitment and placement of foreigners as housekeepers was introduced. This programme has seen limited use (Box 6.4).

### Box 6.4. Foreign workers in housekeeping services

Japanese households generally do not employ paid housekeepers for financial and cultural reasons, but this service is an important source of employment opportunities for migrants in other OECD countries. For example, in 2013, more than one-third of domestic workers in Spain and Italy were non-EU nationals (OECD/European Union, 2016[5]). According to the OECD Time Use Database, Japan is the OECD country where the gender division of unpaid work is most unequal; Japanese women spend more than five times as much time on unpaid work as Japanese men.

In the late 2010s, as part of the effort of the government to increase labour force participation particularly among women, contract housekeeping agencies in NSSZs were authorised to employ foreign workers under the Designated Activities Status of Residence. NSSZs cover most urban areas of Japan. Programmes for foreign workers authorised in NSSZs are run by the Cabinet Office and report to the Cabinet Office rather than to ISA. The housekeeping programme only allows agency employment; seven agencies have been authorised to use the programme. They compete for workers and clients but also communicate about the programme. While no statistics are available, the number currently

employed under the pilot is around 1 000. Almost all are women, mostly from the Philippines.

Agencies use recruiters in the origin country and apply their own hiring standards. The pool of interest in the Philippines is quite large; one agency collected 15 000 applications. Employees receive a minimum wage above which they are paid based on hours worked. However, workers can try to qualify for the SSWP at any point – notably, in accommodation.

The programme has some structural limits. The first is the cost to households, which can exceed JPY 50 000 per month for 3 hours a week of housekeeping. This prices it beyond the capacity of most households and is much higher than housekeeping services in most OECD countries. Second, the programme doesn't allow agencies to contract with private companies – either to place workers in establishments, flat rentals or to allow firms to purchase services for employees. Third, it is difficult for agencies to cover recruitment costs, which include cost of training, of up to JPY 2M. The initial maximum stay (3 years) was not considered enough to recover costs, and the programme now allows a 5-year stay.

Source: Pasona.

### *Definition of job categories and sectors is not transparent*

In light of the importance of the sectors and restrictions in determining the upper limit to the potential contribution of trainees and SSWs to the Japanese labour market, the mechanism for defining them is likely to face increased demand for transparency.

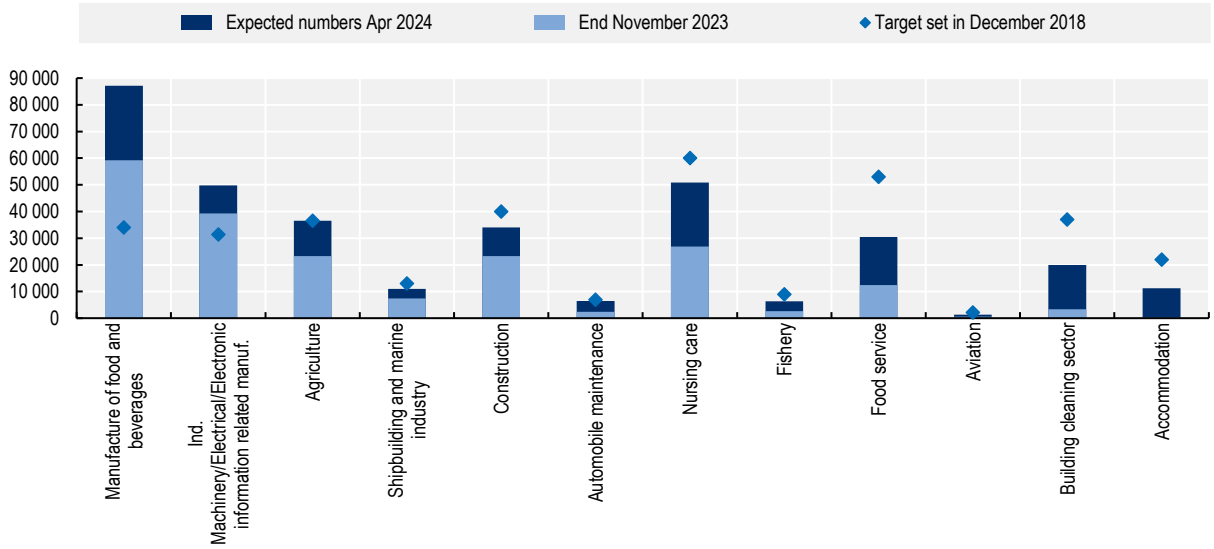
In the SSWP, the competent Ministries decide which jobs and industries are to be designated through consultation with the relevant professional associations. The analysis takes into account signals of shortages, assumptions about availability of labour, facility of developing skills certification requirements and associated testing, but there is no publication of data on this. The decision to open a sector or occupation to recruitment is not only related to labour demand, however; it can also be related to policy objectives for productivity shifts.

The initial decision on design of the SSW limited it to 14 specific sectors, later consolidated into 12. The occupations covered by SSW comprise about 20% of total employment in Japan. In December 2018, in the Sector-Specific Operation Policy approved by the Cabinet, targets were established for the different sectors. The actual uptake of SSWP varied substantially from these initial expectations, first due to the slow roll-out of the exams and later to the massive disruption caused by the pandemic. In August 2022, a revised set of expectations were published (Figure 6.15).

These revisions reflected the actual inflow of workers, which was for example much greater into the food and beverage manufacturing sector than originally expected, while sectors such as accommodation which were hard hit by the pandemic understandably saw scaled-back expectations.

## Figure 6.15. Initial expectations for SSWP inflows were adjusted

Initial and adjusted anticipated sector target for SSW(i) inflows between 2018 and 2024, and stock at 30 November 2023




Source: Ministry of Justice.

### *A clear method for establishing eligible sectors for SSWP would help policy evaluation*

As noted, there are no grounds for refusal of individual Statuses of Residence on the basis of labour market slack or risk of undermining conditions for resident workers. Indeed, Japan stands out among OECD countries as a context where competition with resident workers has not been a factor in migration policy design, although the risk of undermining the labour market is one of the considerations taken into account in designating sectors for employment in the SSWP.

The SSWP has increased substantially despite the fact it is limited to a fraction of the Japanese labour market. Since there is no firm-level limit on employment of SSWs, the potential for expansion within these sectors is unlimited, unless the targets mentioned above are transformed into hard caps. Even with current target numbers, there is a risk that certain workplaces or occupations become dominated by migrant workers. Further, there is discussion of expanding SSWP to cover additional sectors.

Establishing the appropriate occupations for TITP and the sectors of SSWP is an important policy question. In most OECD countries, drawing up a shortage list or identifying sectors for recruitment involves both an empirical analysis and consultation of stakeholders, on a regular basis (OECD, 2014[6]). The labour market evolution of jobs in these sectors or occupations are followed and evaluated to detect any risk of distortion or negative impact on the labour market for residents. Considerations may include long-term job prospects for residents: in some cases, once an occupation is associated with migrant workers, it can become stigmatised and lose attractiveness for local recruitment (OECD, 2011[7]). Greater transparency also helps communication with the public about policy choices. These lists are not set in stone, and stakeholder consultation helps ensure that designation of sectors is not just a result of labour market indicators but also an informed assessment of which jobs make sense to open to international recruitment.

The strong skills assessment element of both TITP and SSWP mean that both programmes need to be reviewed in light of the feasibility of ensuring a training or assessment channel for the jobs included, but this is not enough. Jobs in TITP and SSWP make reference to the national qualification framework.

Nonetheless, not all jobs in the national qualification framework have corresponding positions in TITP or SSWP. Similarly, sector qualification frameworks may also be adaptable. For example, the JCCI "Retail Management" qualification category, with three levels, in principle it would not be difficult to adapt to TITP or SSWP. The decision to do so, however, is tied to expectations about the development of productivity in the retail sector and whether the migration system should supply it with labour.

### *The specific case of foreign workers in agriculture*

The Japanese agricultural workforce is ageing and labour shortages are growing (OECD, 2019[8]). The agricultural workforce declined by more than half since 1980 to 2 million in 2019, with an accelerated pace of decline in the last decade. There are 1.03 million commercial farm households, which is less than half the number in 1990. In 2020, according to the Agricultural and Forestry Census, the average age of farmers was 67.8. About 70% of farmers in Japan were over 65 years old (OECD, 2021[9]). Most new farmers are older workers who retire from non-farm jobs and return to farming. New employees number about 10 000 annually, close to the inflow of foreign workers to the sector. While younger Japanese entering farming are often employees, their career path is meant to lead to management of their own farms once they have acquired experience.

In June 2022, there were about 29 000 TITP workers in agriculture, although this number fell by 2023 to below 20 000. In June 2022, there were 21 000 SSWs in agriculture, up from 6 000 in 2021. This comprised together about 3.3% of the total of 1.3 million farm employed in Japan, up from 2.3% the previous year. The share of foreign workers in agriculture was higher than the share of foreign workers in the working age population (2.4%). The number of foreign workers in agriculture has been increasing as SSWP in agriculture expands; in October 2022, the MHLW registered 43 600 total foreign workers in agriculture.

In the past, it was farm co-operatives which employed workers – and the job was always classified as "agriculture", even if it was packing or direct crop processing. Japanese consumers have high standards for presentation of fruit and vegetables, creating a need for labour-intensive treatment of soft fruits and vegetables.

Most farm operations are family run, and paradoxically, employment of foreign farm workers is more formalised than employment of Japanese, since there is paperwork, for which they must rely on supervising organisations for support. Larger farms – those with annual sales between 50 and JPY 200 million – are not small family operations and, prior to use of trainees, relied on part-time workers as well as family members. Technical intern trainees work full time. Agricultural work sites are exempt from the limits on daily, weekly and monthly rest periods which apply to other sectors.

TITP workers have been lodged by their employers, often with the intermediation of the supervisory organisations to identify collective housing solutions. TITP workers can work on multiple sites, but only for one employer. The SSWP, in contrast, requires workers to find their own housing. SSWs are allowed to have be hired by dispatching agencies, in which case they may work for several agricultural employers, subject to approval by ISA. Municipalities where farm workers are needed have mobilised to find housing in order to secure human resources. Other aspects of rural life are less receptive to foreigners, who – in contrast to some other OECD countries – are rarely seen by communities as a potential source of rural population growth.

Even so, SSWP has been a boon for the agricultural sector because it grants a degree of flexibility which was not possible for TITP. SSWP workers are able to move around Japan, working the summer in the north and the winter in the south. TITP required a new acceptance each time and a stay terminated at the end of the season. Not only did this increase unit costs for employers, but it also put trainees in a difficult situation in recovering costs borne to gain participation in a programme they expected to last for several years. In contrast, SSWs can return to the home country and come back for successive spells of

employment in Japan. The obstacle represented by the SSW skills test can be circumvented through direct hire of TITP workers completing the second phase, although SSWP workers have higher employment costs.

The skills test doesn't represent a major obstacle. As for other SSWP sectors, the Ministry of Agriculture, Forestry and Fisheries tenders administration of the SSW test; the cost of the test, in Japan and abroad, is covered by the ministry. There are two tests: for horticulture and for livestock. The tests for SSW(i), administered by the National Chamber of Agriculture, are relatively simple.[10] Former trainees who completed TIT(ii) have a pass rate of about 70%.

SSW(ii) provides further opportunities for activities in agriculture. Higher skill agricultural workers may find opportunities. The SSW(ii) test in agriculture was open to applicants from December 2023.

### Box 6.5. Canada encourages immigrants to become farmers

Many OECD countries have ageing agricultural workforces, although not as advanced as Japan. In Canada, for example, the average age of farm operators in 2021 was 56. Canada's agricultural sector is expected to see two-fifths of its farmers retire between 2023 and 2033, with two-thirds not having identified a succession plan.

Some immigrants to Canada acquire and operate farms. In 2016, immigrants comprised 8.7% of Canadian farm operators (Tam and Shumsky, 2019[10]). While this was a slight decline from 1996, when they comprised 10.2%, many were still new immigrants: 1.7% of all farm operators, or 4 600 people, had immigrated between 2011 and 2016. Farm operators came from both OECD countries (the United States, the Netherlands and the United Kingdom) and non-OECD countries (mainly China and India). Chinese-born farm operators in Canada were more likely to work in higher-technology greenhouse farming operations in more urban areas.

Agricultural employment is one route to permanent migration in Canada. In 2022 Canada admitted 970 new permanent residents with agricultural sector jobs, including 155 managers. One channel to select permanent migrants who will operate farms is the Provincial Nominee System. Canadian provinces can choose aspirant farmers from the pool of candidates and support their permanent residence application.

In most cases, immigrants farm operators arrived with the intention of operating an agricultural business, rather than working their way from temporary employees on a farm to operator.

Source: Statistics Canada. Census of Agriculture. For succession plans see Table 32-10-0244-01. Succession plan for the agricultural operation, Census of Agriculture, 2021, https://doi.org/10.25318/3210024401-eng.

Integrating foreign workers into the agricultural sector as more than just labourers faces a number of challenges. Rural communities are often traditional and have not seen foreign workers as a possible solution to their demographic decline. Most foreign workers in the sector are on Statuses of Residence which do not allow family reunification, so they cannot bring families into the communities in which they live. There has not been a pathway for foreigners to transition to farming, nor is this possibility discussed, despite the bleak outlook for family farming. It is complex for foreigners to become owners of farmland, which may discourage foreign workers from planning to eventually acquire their own farm. Inheritance law strongly favours maintaining agricultural land cultivated and within Japanese families, although since 2009 it has been easier for heirs to rent the land out to other operators. There are programmes in Japan to subsidise new entrants and provide facilitated credit to the farming sector, but limited to those who take up family farms and those who start farming as a corporation. Permanent residents may be eligible if they are farmers, but immigrants are not seen as a target group.

Many technical intern trainees in agriculture do not come from agriculture in their home country and do not return to farm work, limiting the benefit of skills transfer. The absence of intervention in selection is partly responsible. Some co-operatives have organised recruitment events in origin countries to make sure that trainees are recruited from rural areas. In order to improve skills transfer within the agricultural stream of TITP, JICA identified an opportunity to establish closer relationships between agricultural workers in the Lao PDR and the Farmers' Co-operative Association (a supervising organisation) in Kagawa Prefecture. As part of this Lao PDR and Kagawa project, JICA conducted market research and promoted TITP to Lao farm workers. Since 2020, more than 700 workers have gone to Kagawa.

## The skills framework for testing is based on a vocational education framework

Both TITP and SSW employ skill levels. Skill levels use correspond to the different levels of the VET tests ("National Trade Skill Test") administered by the Japan Vocational Ability Development Association (JAVADA), the national vocational standards body. JAVADA skill levels range from Basic Grade to Grade 3, Grade 2, and Grade 1, with the latter the highest level (Table 6.4).

The skills objectives and thresholds for TITP and SSWP use these levels. For TITP, the exam is developed specifically for TITP on the basis of the National Trade Skill Test & Certification (NTSTC) system (JAVADA grades). For job categories under TITP not covered by JAVADA tests, there is a separate TITP evaluation examination. The SSWP requires candidates to pass an exam based on Grade 3 (entry-level technician) for SSW(i) and Grade 1 (senior technician) for SSW(ii), or to demonstrate equivalent knowledge. The bridge from TIT(ii) to SSW(i) is guaranteed because the test at the completion of TIT(ii) is at Grade 3. Trainees in TIT(ii) who do not take the test at the conclusion of this phase, however, are also allowed to pass into SSW(i) on the presumption they have acquired the appropriate skills.

### Table 6.4. Each level in TITP and SSW corresponds to a VET framework skills level

JAVADA Skill Level and corresponding programme

| Programme level | Requirement | JAVADA National Trade Skill Test | TIT Evaluation Examination |
|---|---|---|---|
| TIT | | 55 job categories, 88 operations | 30 job categories, 68 operations |
| (i) | Pass by completion | Basic Grade | Beginner |
| (ii) | Pass by completion | Grade 3 for TITP (ad hoc) | Specialist |
| (iii) | Pass by completion | Grade 2 for TITP (ad hoc) | Advanced |
| SSW | | JAVADA National Trade Skill Test | |
| (i) | Initial SoR requires skill level or equivalent | Grade 3 | |
| (ii) | Initial SoR requires skill level or equivalent | Grade 1 | |

Source: OTIT, JITCO.

The suitability of JAVADA tests for both TITP and SSWP has been questioned. One concern is about the usefulness of the National Trade Skill Tests in assessing the skills required on-the-job for all categories of Japanese workers. There is also a concern about the narrowly defined job classifications, so that there is no incentive to prepare trainees for multiple tasks and develop competences outside those which will be on the highly specialised test.

## Japanese language education and testing has expanded abroad

Japan cannot count on a large pool of Japanese-speakers abroad, but language competence is necessary to perform effectively in most workplaces. It is also a requirement of SSWP. The SSW(i) programme requires the N4 certificate for the Japanese Language Proficiency Test (JLPT) (similar to CEFR level A2) except for those who pass from TIT(ii).

Interest in taking the JLPT has increased greatly in recent years in line with interest in employment in Japan and the language requirement imposed by the SSW programme. 2019 was a record year for test-takers, with 1.17 million individuals. The test is administered twice a year. The JLPT in December 2022 saw 506 293applicants, up from 426 225. The largest nationality was Myanmar (52 132 registered and 45 788 candidates). When the test was held again in July 2023, it nearly doubled.

Demand for the JLPT is expanding quickly in origin countries. Myanmar, Sri Lanka, Nepal and the Philippines have all seen large increases in demand for JLPT certification. Since the JLPT is used for all purposes, not only for eligibility for labour migration programmes, it is not possible to consider that all test-takers are interested in employment in Japan. A Japan Foundation survey in 2018 found that 10.3% of test-takers were interested in employment access in Japan. While there are many reasons to take the JLPT, the expansion in these low-income countries is difficult to explain without taking into consideration the opening of labour migration channels to Japan.

Pass rates globally however remain low overall. For N5 – the lowest level of certification – the pass rate in December 2022 was 46.0% overseas and 63.1% in Japan. For N4, the pass rates were 43.5% and 35.8% respectively. Higher level tests had higher pass rates abroad than in Japan.

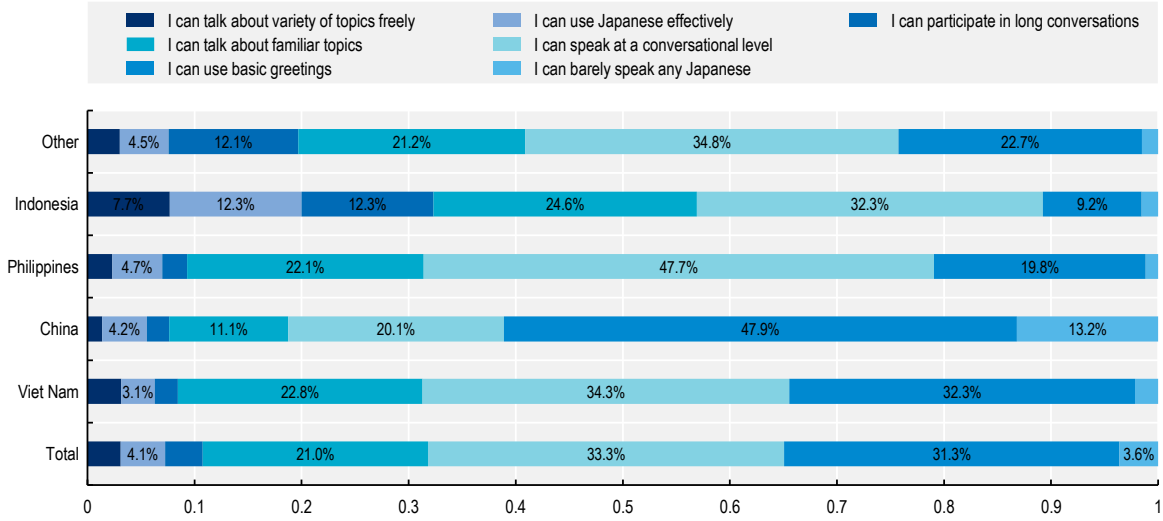
In addition to the JLPT, a specific Basic Japanese language test can be taken to qualify for the SSWP. By June 2023, 103 000 candidates had sat for the test, of which 80% were outside Japan. Cumulative pass rates for the test were 47% for candidates in Japan and 40% for those outside. For SSWP, this test appears to be used more than the JLPT.

### *TITP participants often have a low level of Japanese language skills*

The language level of TITP participants in Japan is not very advanced (Figure 6.16). About 10% report being able to converse, and one-third in total can at least exchange on familiar topics. An additional one-third reports being above to conduct essential daily communication, while one-third cannot interact beyond basic greetings. While this includes TITP participants of varying degrees of stay in Japan, it does suggest that additional effort is necessary for trainees to be able to pass in large numbers through the language test necessary for SSW(i) if required.

### Figure 6.16. While TITP participants have basic Japanese skills, few can converse freely

Responses to the question "How proficient are you in Japanese?" in 2021




Source: ISA Survey, 2021.

## Some vulnerabilities of foreign workers remain

### *Rent-taking and indebtedness are still a problem*

One of the main vulnerabilities of international recruitment for less skilled occupations lies in the disproportion between supply – the vast number of interested candidates in origin countries – and the limited number of positions available in destination countries. Intermediaries can exploit information asymmetry between job-seekers and employers and take rents on mediation. The willingness of job-seekers to pay for the opportunity is a risk for system integrity, since job-seekers may go into debt to pay for the position – and to pay off this debt, they may accept unlawful employment conditions or violate the terms of their work authorisation. In extreme cases, the rents may corrupt employers, who accept payment from intermediaries to offer real or spurious employment to job-seekers (OECD, 2013[11]).

The process of recruitment of trainees and SSW workers in origin countries is opaque to the Japanese authorities and to OTIT. Sending organisations may work with a myriad of intermediaries in the origin country, but selection of candidates is the responsibility of the sending organisation. The Memoranda of Co-operation between Japan and origin countries specifies that the origin country must regulate sending agencies and only approve agencies which do not impose "excessive" fees – although they may charge candidates for pre-placement services such as language training. Surveys of trainees have found that many paid fees equivalent to many months of expected earnings (Table 6.5). In particular, nationals of Viet Nam and Cambodia paid fees, averaging about 5 000 USD for Vietnamese and USD 4 300 for Cambodians. Other nationalities surveyed paid lower fees. Unsurprisingly, many of those surveyed were in debt for amounts exceeding earnings of four months work.

### Table 6.5. Many trainees pay high fees and go into debt to come to Japan

Fees paid by TITP workers, by nationality, whether they paid fees, and how much if so, July 2022

| Nationality | Average fee paid (USD) | Share which is debt | Average debt size (USD) |
|---|---|---|---|
| Viet Nam | 5 023 | 80.0% | 4 924 |
| China | 4 320 | 13.4% | 3 861 |
| Cambodia | 4 187 | 83.5% | 4 138 |
| Myanmar | 2 098 | 47.9% | 2 304 |
| Indonesia | 1 718 | 45.9% | 2 062 |
| Philippines | 692 | 34.5% | 1 124 |
| Total | 3 959 | 54.7% | 3 999 |

Note: Exchange rate is .0073 JPY/USD at time of survey (July 2022).
Source: ISA "Survey on Payment Expenses for Technical Intern Trainees", cited in www.moj.go.jp/isa/content/001385692.pdf.

The sending organisation model is vulnerable by nature to the possible imposition of high recruitment fees. Sending organisations can be difficult to regulate. They usually compete to send workers to supervising organisations, and one important competitive factor is cost, so sending organisations may be reluctant to pass costs on to supervising organisations or employers. Sending organisations may also rely on unregulated intermediaries and brokers outside the scope of the MOC who provide candidates at no cost or with a kickback. Fixing costs could level the playing field between fee-taking organisations and those which charge all costs to employers, forcing competition between sending organisations, but this is impractical since the real costs borne by sending organisations vary significantly according to the country, occupation and training and preparation required by individual candidates. There are means, however, to intervene in the recruitment process to reduce fee-taking. One non-legislative measure, within the possibility of the current system, is to provide more information to potential trainees about the services, pricing and quality of sending organisations. JICA, through JP-MIRAI, is supporting the Vietnamese Government to create such a platform (Box 6.6).

### Box 6.6. JICA programme for fair and ethical recruitment between Viet Nam and Japan

**"Vietnam-Japan Fair and Ethical Recruitment Initiative" (VJ-FERI)**

In August 2023, an agreement was reached on the launch of the Fair and Ethical Recruitment Initiative (VJ-FERI). Partners include the Vietnamese Government's Overseas Labour Administration (DOLAB), the Vietnam Association of Manpower Supply (VAMAS), the Japan International Co-operation Agency (JICA), the International Labour Organization (ILO), and the Japan Platform for Migrant Workers towards Responsible and Inclusive Society (JP-MIRAI). The VJ-FERI evolved from the discussions of JP-MIRA's "Zero-Fee Committee" in 2022, which explored means to protect migrant workers who are susceptible to labour exploitation risks due to high recruitment fees and related costs.

The voluntary initiative creates a collaborative framework among various stakeholders both in Viet Nam and Japan, to implement relevant international standards and guidelines on fair and ethical recruitment, especially removing recruitment fees and related costs for Technical Intern Trainees. A Fair and Ethical Recruitment Policy (VJ-FERI policy) will be developed, compliant with international standards as well as related laws and regulations of Viet Nam. VAMAS is in charge of capacity enhancement of sending organisations with the support of ILO. Sending organisations which commit to VJ-FERI policy are registered, and implementation it with the help of VAMAS' periodical monitoring and guidance. Given the importance of collaborative work to tackle the issue from the Viet Nam and Japan sides, VJ-FERI

also foresees activities in Japan including capacity enhancement of supervising organisations and firms employing Technical Intern Trainees.

JP-MIRAI is also developing an online feedback tool allowing foreign workers in Japan to self-assess whether they are suffering from serious human rights violations or legal violations in their daily lives.

Source: JICA, www.jica.go.jp/jica_ri/news/event/__icsFiles/afieldfile/2023/07/11/Kobayashi_1.pdf.

A more serious risk of malpractice by sending agencies is forced labour – which can be exacerbated by indebtedness or occur through using placement to traffic workers into forced labour. Prior to the major reforms of the TITP in 2009 and 2017, the US State Department's Trafficking in Persons Report referred to some of the structural elements in the programme which increased vulnerability of trainees. These critical points have been largely addressed, although the risk of trafficking for forced labour continues to be the focus of discussion of the TITP in the US State Department's Report (Box 6.7).

One way to reduce the risk of rent-taking is to introduce a random selection element into the recruitment process, so that intermediaries are unable to offer any assurance of deployment, and employers are unable to draw rents from their ability to offer a job to a specific candidate. The "lottery" element has been included in a number of different labour migration channels, both within the framework of a bilateral agreement and without any agreement (Box 6.8).

### Box 6.7. The US State Department Trafficking in Persons Report and TITP

The US State Department publishes an annual report on Trafficking in Persons (TIP) which ranks countries – including the United States itself – according to their government *efforts* to combat trafficking in persons and their *progress* in action. TIP rankings are closely watched by some countries and can be influential in policy development in this sphere. Forced labour and modern slavery are covered in the TIP Report. Japan was in Tier 2 from 2020 to 2023, down from Tier 1 in 2018-19. Unfortunately, this assessment is dated and subjective.

The TIP Report is based on a mixed methodology – drawing on input from US missions as well as public documents and solicited and unsolicited feedback. The 2022 report cites instances of sending agencies in a number of origin countries to exploit trainees in forced labour, without quantifying the scope or scale. The TIP Report asserts that labor trafficking under TITP is more frequent than the Japanese Government claims; it similarly assesses the agreements with origin countries as unable to prevent intermediaries from charging excessive fees. The TIP Report highlighted that evidence of trafficking in Japan was limited (for example, in 2021, Japanese immigration authorities interviewed 12 865 trainees departing Japan prior to the end of their contracts, without identifying a single trafficking victim among them). It attributed the lack of evidence of trafficking, however, to inadequate screening protocols and training. This assessment is grounded in anecdotal reports and extreme cases of abuse rather than an in-depth assessment of policy outcomes in a programme involving hundreds of thousands of participants.

Temporary labour migration programmes in OECD countries are not immune to the risk of abuse or vulnerability to forced labour because of illegal recruitment fees and indebtedness. In most of these cases, however, the TIP Report does not make sweeping recommendations on reform of the programmes.

Source: US State Department, (2022[12]), Trafficking in Persons Report, www.state.gov/wp-content/uploads/2022October 20221020-2022-TIP-Report.pdf.

### Box 6.8. Lotteries to reduce rent-taking in recruitment

**Bilateral agreements and lotteries to cut out illegal brokers**

***Israel***

Israel has a large temporary work programme for care, construction and agricultural workers. Since the skills threshold for these programmes is respectively low in comparison to the supply of workers in the main origin countries, candidates far exceed available places. For many years, recruitment fees – officially regulated – were high, with brokers taking rents equivalent to a year or more of earnings during a five-year stay. To improve fair recruitment practices, programme integrity and sustainability, Israel moved towards a system of bilateral agreements with origin countries. Candidates are recruited by origin countries who are responsible for validating their prerequisites. The Israeli authorities review the candidates and conduct a skills test. Skills tests are conducted based on requirements of the employers associations and overseen by representatives of employers, but with candidate anonymity. Using the pool of those who pass the test, a digital lottery is run to pick a random selection.

Candidates who are not selected in the lottery are unable to participate in subsequent lotteries. For selected candidates, medical and criminal records are checked, and workers are assigned randomly to employers. This procedure ensures that actors in the origin and destination country cannot offer any assurance to candidates that they will be successful, curtailing the margin for rent-taking.

***Korea***

Korea's EPS is based on Government-to-Government (G2G) agreements. The pool of candidates is based on a language and basic ability test. From the pool, a roster of candidates is drawn up and a random selection of candidates is submitted for selection by employers. Several candidates are provided for each position. In general, fewer than half of the candidates end up offered a position.

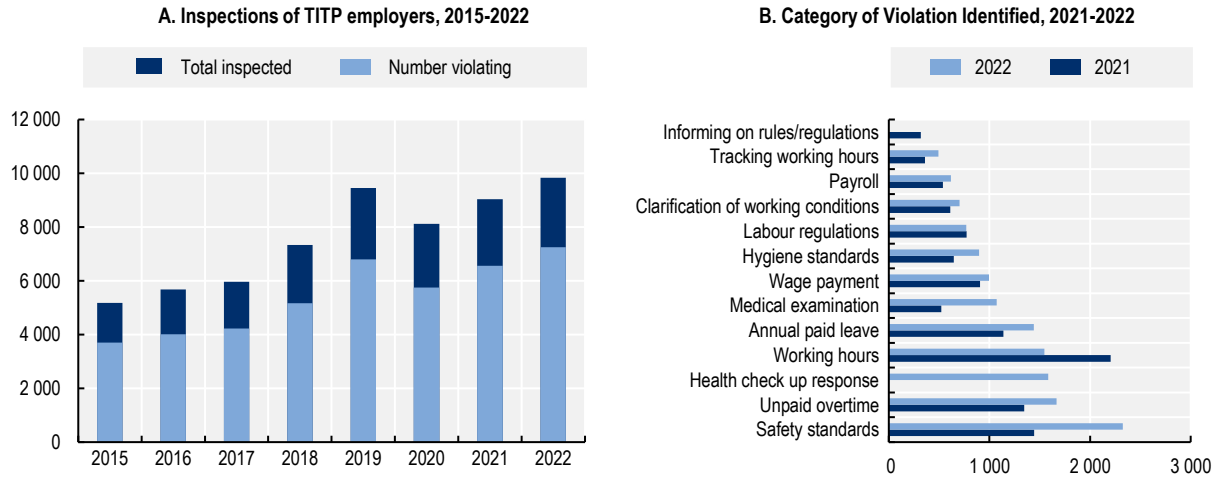
Source: Population & Immigration Authority, Israel, and Human Resource Development Korea.

A further means of reducing rent-taking is to increase the skills threshold. Since this reduces the pool of job-seekers, it lowers the advantage of mediation in securing a position.

### *Trainees remain vulnerable to violations of working conditions*

The Ministry of Health Labour and Welfare inspectorate conducts labour inspections of sites where trainees are employed. In 2022, more than 9 000 inspections were conducted. Labour inspections of TITP employers usually find violations – consistently in more than 70% of cases (Figure 6.17). The violations identified are most frequently in terms of working hours which exceed the legal amount. Failure to pay overtime – and failure to pay full wages – are also frequently encountered in inspections. Post-pandemic, health and safety violations have been a more frequent finding. Firms are also required to report hiring trainees and SSWs to the local HelloWork office, although these do not have an inspection role.

## Figure 6.17. High rate of violations found in inspections of TITP employers




Source: MHLW, Status of Supervision, Guidance, Prosecution, etc. for Technical Intern Trainee Implementers, various years.

OTIT has supervisory powers and inspects supervisory organisations. In 2021, for example, it conducted more than 20 000 inspections and found about 10 340 violations, mostly for administrative issues, although some cases of illegal and exploitative practices were found. OTIT can intervene in case of non-compliance and ban implementing organisations for up to five years. This is infrequent with only a handful of cases.

The Immigration Service may also conduct inspections of workplaces where trainees and SSWs are employed. In these cases, the firm and the supervisory organisation are notified in advance. If the Immigration Service finds cause for referring the firm, the standard labour inspection bureau will also conduct an inspection. Separate Ministries are able to provide “guidance” and “advice” to peer Ministries, rather than instruction to intervene, due to separation of competence.

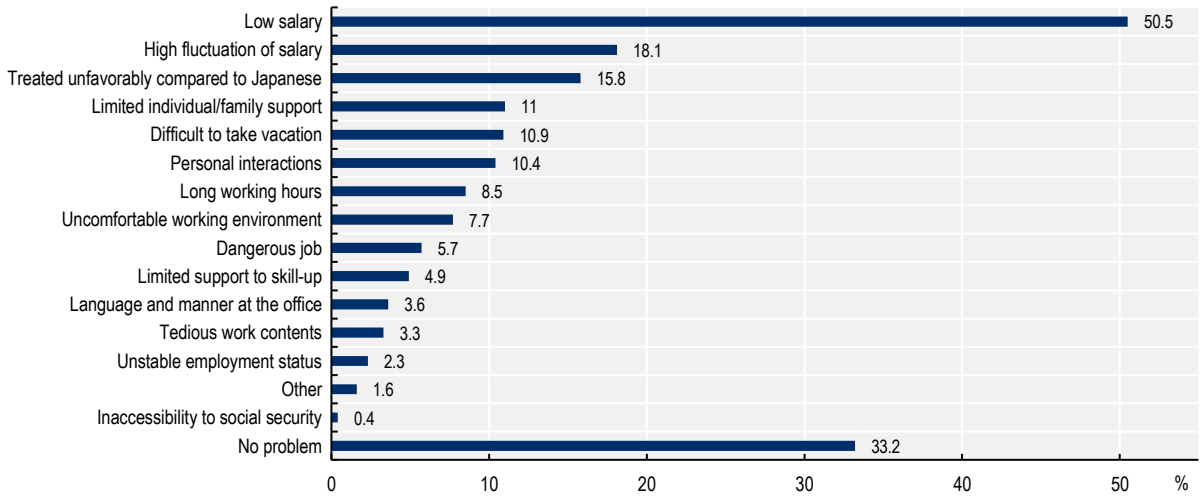
The ISA and MHLW can also revoke certification of training implementers (employers). This is also infrequent; there were 114 employers who lost their certification in 2022, with more than 1 700 associated training plans, usually following findings of fraud. For trainees whose training implementers have lost certification, they must be placed again – with the help of the supervisory organisation or OTIT, within the same field – or depart. In practice, there is little mobility among training implementers except in cases of firm closure, major conflict between trainee and employer, criminal abuse or serious violation of labour law.

While long working hours are the main category of violation found in inspections, they are not the main complaint of trainees. Nonetheless, long working hours are a high-priority policy issue in the Japanese labour market, partly stoked by public debate over “karoshi” or death or injury from overwork. In 2018, legislative amendments to labour laws reformed maximum working hour limits. Exceptions were abolished and new absolute working hour limits were granted (e.g. 720 hours of overtime and holiday work per year and less than 100 hours per month; an average of 80 hours of overtime and holiday work per month over two to six months a year.

Government oversight in TITP occurs largely through the intermediate layers (OTIT and the supervisory organisation) and mostly through checking that everyone has the right documents. Since a single corporate actor might run several legal persons each playing a role in a different or even the same channel (e.g. operating a sending organisation, a supervisory organisation and a training provider), there may not always be an incentive to make complaints or transmit them to government bodies. The multiple actors in the TITP can also obscure from technical intern trainees who should intervene, even if guidance is provided.

## Figure 6.18. The main complaint of TITP workers is related to earnings

What problems are you experiencing in your current job? (Multiple responses possible), TITP, 2021




Note: TITP respondents in total = 911.
Source: Basic Survey on Foreign Residents in FY2021.

The simplest recourse for Japanese authorities in cases of abuse is to deny renewal of certification, accreditation or residence titles. Decertifying is more complicated since it requires administrative procedures so the main enforcement action of the State is to refuse renewal. This makes it important for accreditation and certification to require frequent renewal, even if this increases administrative burdens for processing.

One form of ensuring compliance with labour regulations is a presence of trade unions in firms. The role of trade unions in protecting foreign workers varies among OECD countries, according to the priorities of the trade union and their penetration in workplaces where foreign workers are present. Japanese trade unions have not campaigned to recruit and represent foreign workers, in part due to their focus on “regular” workers.

One concern could be non-payment of wages. The TITP process tends to ensure that firms are stable and capable of paying wages, but SSW introduces more margin for labour brokers to place workers – with a consequent risk of firm bankruptcy and unpaid wages. There is no evidence of such problems in the programme, and in any case, Japanese labour insurance protects workers against this risk (Box 6.9).

### Box 6.9. Bonds to ensure wage payment of agricultural workers

Temporary agricultural worker programmes are subject to particular concerns about vulnerability. In the United States, the H-2A temporary agricultural worker programme involves many labour contractors rather than fixed long-term relationships with farm employers. Between US fiscal years 2017 and 2021, the Department of Labor's Working Hours Division concluded about 650 investigations of H-2A labour contractors, finding violations in more than three-quarters of cases. The primary issue was non-payment of wages.

The US imposes a "H-2A Labor Contractor Surety Bond" on contractors who request a foreign worker under the H-2A. The Surety Bond is usually provided by a third-party (insurer) who assumes liability for unmet financial obligations to its workers. The bond is payable to the government and must extend three years beyond the end of the contract. Farm labour contractors in the US are often "transient and undercapitalized", and it is difficult to recover back wages from them. The bond provides a degree of protection.

In Japan, national labour insurance mediates for unpaid wages and covers workers in the case of bankruptcy or disappearance of the employer.

Source: United States Department of Labor, H-2A Report, 2022.

*Maternity rights are guaranteed but the programme is not compatible with childrearing*

One issue for a temporary labour migration programme is treatment of maternity. Trainees may become pregnant in Japan, which has implications for their employment. By law, pregnancy is not grounds for dismissal, and TITP can be continued while pregnant. Maternity leave is granted six weeks before expected due date, as for any Japanese employee; similarly, a childbirth allowance of about 67% of salary is provided during the six weeks before expected delivery date and the eight weeks after. Trainees therefore can leave Japan temporarily and return (without their child) to resume their employment. While the mother can remain in TITP with a child, this could raise issues with housing – employer-sponsored housing is not required to house children – and childcare access compatible with working hours is difficult to access.

Due to concern over miscommunication about maternity rights, ISA conducted a survey through OTIT on-site visits on Pregnancy and TITP in December 2022.[11] About one in four trainees was told that pregnancy was grounds for dismissal – in most cases, it was the sending organisation which said this, and less often by the supervisory organisation or the employer. More than 5% signed contracts for employment which illegally stated that pregnancy was grounds for dismissal. OTIT provides information to trainees explaining their maternity rights.

### *Job mobility within TITP is constrained*

TITP does not foresee changes of firm except in unusual circumstances. The number of training plan changes handled by OTIT is very limited: fewer than 60 in 2019 and around 50 in 2022. Switching within a job category is allowed in cases such as in situations where the employer goes into bankruptcy.

The justification for restricting job mobility is partly due to the trainee model itself, with trainees subject to a training plan. Many of these plans are generic and could be transferred to other workplaces in the same occupation or even similar occupations; this is especially true if the supervising organisation in the new firm were the same as in the previous one.

Another reason for restricting job-change is that firms have invested in initial costs and low initial productivity of trainees does not allow them to recoup their costs until a certain period of employment has passed. In a number of OECD countries, labour migrants must remain with their initial employer for a fixed period before changing; this is often related to the labour market test and the principle that the vacancy was tested for a specific job and workplace, which does not apply in the case of TITP. However, given the initial investment, and the need to provide consistent support and orientation services during the first phase of employment in Japan, it can be justified to limit initial mobility.

A further reason is that workers, granted mobility, will not only gravitate towards firms offering better wages and working conditions but also abandon regions and sectors which are unattractive. The pull effect of metropolitan areas is evident in Korea's EPS, for example, where there is a tension between demand in rural and remote areas and the interest of workers to be in cities where there are more cultural resources and job opportunities for them. Spain limits initial job mobility to the occupation and region of recruitment, for the first year, although firm change is allowed.

One of the main criticisms of the TITP levelled by NGOs is that the requirement for trainees to remain with the same firm makes them vulnerable to exploitation. Many temporary labour programmes in OECD countries restrict employer mobility, although these restrictions are usually gradually eased for workers who remain. One possibility is to grant mobility at transition points, such as between TIT(i) and (ii), where skills assessments take place. Conditioning job change on achieving certain skills levels could have a negative effect as employers, instead of encouraging their trainees to reach certain skills objectives, hinder training or underinvest in it in order to prevent trainees from eligibility for change of employer.

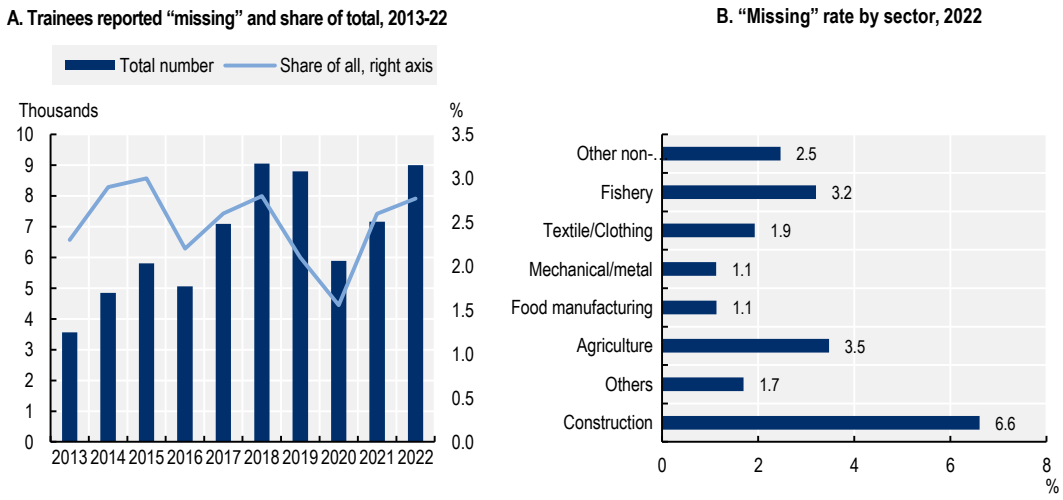
Another possibility is to grant changes but within a sector. In-sector changes benefit those who are in larger sectors. Non-compliance is lower when workers have more opportunities to change employers. Notably, in Korea's EPS, compliance rates are higher in manufacturing, where there are many employers, than in sectors such as agriculture or fishery, where conditions are more difficult but there are also fewer employers within the sector and geographic areas of employment for workers to see.

Job mobility could be a means to improve compliance in conjunction with a "Trusted Employer" approach: if job mobility were limited only towards highly compliant and virtuous firms, it would represent an incentive to improve treatment of trainees and at the same time limit poaching. Marginal businesses offering only minimum wage and poor working conditions would lose out. One lesson from Korea's EPS is also that firms which don't offer maximum paid overtime also loss attractiveness for those workers who are trying to maximise earnings, who prefer more hours even when conditions are better in the lower-hours workplace (OECD, 2019[13]).

### *Most trainees remain with their employer, and compliance is high*

Strict rules on place and duration of employment heighten the risk of violation of conditions of TITP, since it is easier to run afoul of such regulations. Most temporary labour programmes for lower-wage and less-skilled employment face the challenge of managing cases where the worker is not allowed to leave the employer before the end of the maximum stay, but does so, and cases where the worker stays on beyond the legal deadline for departing.

## Figure 6.19. Few trainees go missing




Note: The number of missing persons are those who hold a Status of Residence for TITP and were reported by the supervising organisation as difficult to conduct training because "missing".
Source: Ministry of Justice, 2023.

The number of TITP workers absconding from their assigned workplace is relatively limited, about 2% in 2022 relative to the total number of trainees, and higher in certain sectors and among certain nationalities, according to figures published by the Ministry of Justice.[12] In 2022, the TITP sector with the highest disappearance rate was construction, at 6.6%, followed by agriculture, at 3.5%. The nationality with the highest rate of disappearance was Cambodian, at 7.3%. These are fairly low non-compliance rates for non-skilled low-wage temporary work programmes in OECD countries.

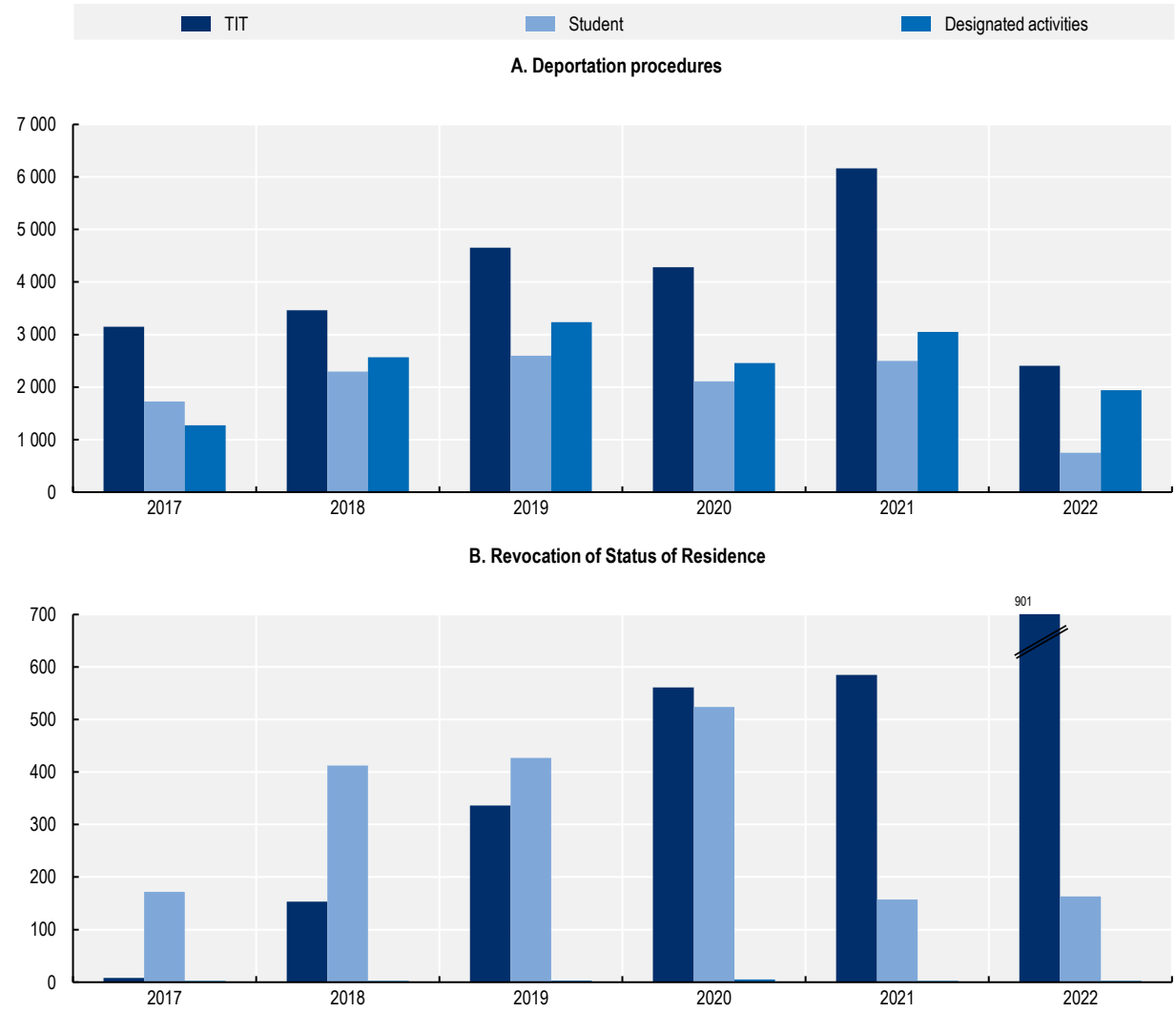
The main categories of foreigners whose status is revoked are TITP and students; these comprised 80% and 14% respectively of the 1 200 revocations of status in 2022. The reasons for revocation of status are primarily either performing activities not allowed under the SoR (e.g. working for a different employer or working in unauthorised activities); and failure to conduct the activity foreseen by the SoR (e.g. absence from the employer or school) for more than three months. The number of revocations of status of TITP workers has been increasing in recent years, in line with the increase in the number of TITP workers. Prior to 2018 it was rare for TITP participants to have their status revoked. Foreigners whose SoR is revoked have 30 days to depart Japan or become subject to deportation.[13]

Across OECD countries, it is generally more difficult to withdraw a valid permit to stay than to decline to renew one. Revocation requires a review of respect of conditions and often an administrative act, while declining to renew is much simpler.

Deportations are more frequent than revocations. The main categories of foreigners placed in deportation procedures – excluding temporary visitors – are TITP participants, followed by students and designated activities (Figure 6.20). The main reason for deportation is overstay.

## Figure 6.20. TITP is the main category for deportation procedures

Deportation procedures and revocation of Status of Residence, by Status of Residence, 2017-22




Source: ISA.

These figures suggest an overall rate of non-compliance of under 4%, which is relatively low in international comparison. In Korea in 2021, for example, the rate of non-compliance among E-9 workers – i.e. those who had lost their legal status due to overstay or unauthorised cessation of employment – was 18.9%. In Israel, the overstay rate in the second quarter of 2023 was 17.5% for all programmes, with a higher rate for agriculture (24.7%) and home care (18.9%) workers. The United States sets the general exclusion threshold for nationalities in the H-2A and H-2B programme at an overstay rate of 10% for that nationality, including but not limited to H-2A and H-2B visa overstay. Notably, general eligibility for these US visas is currently excluded for nationals of Viet Nam and several other main origin countries of workers in TITP and SSW.

In TITP, the sending organisation not only places the trainee but also maintains a relationship with the trainee during the entire period of TIT(i), (ii) and (iii). One means of reducing absconding is to penalise sending organisations whose placed trainees have high rates of going missing. This possibility was introduced in 2019 and has been applied to sending organisations in a number of origin countries including Viet Nam and Cambodia.[14]

### *Trainees are compliant with the requirement to depart*

Virtually all TITP participants who do not transition to another status end up leaving Japan. Data from the Immigration Services Agency suggest that only approximately 3% of TITP participants entering between 2011 and 2019 remained temporarily in Japan at the end of their participation in the programme, without a valid SoR. The median duration of overstay in these cases is, however, almost 10 months.

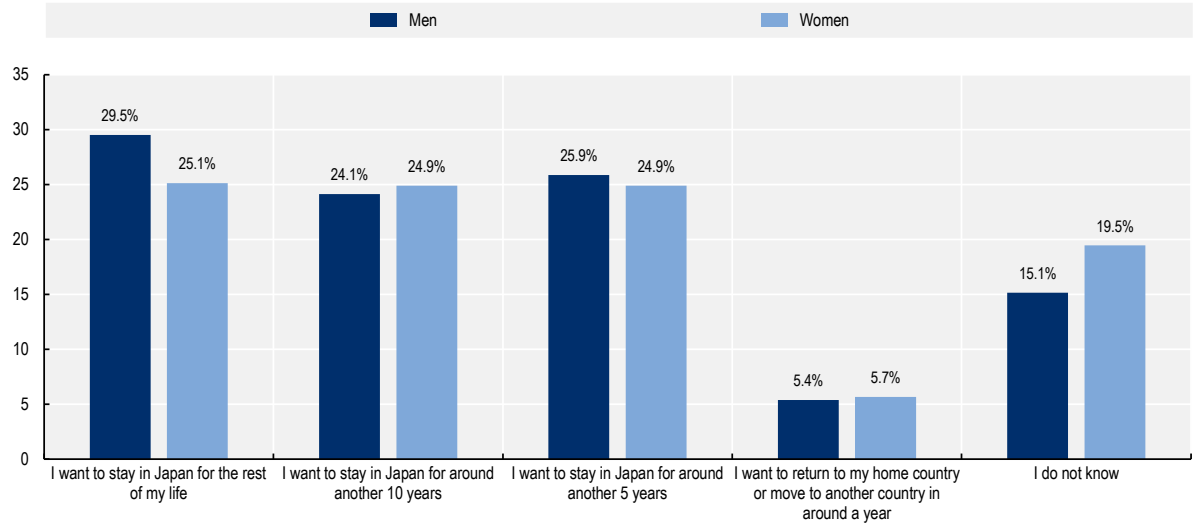
There are a number of measures that can be taken to reduce the risk of disappearance and overstay. The main response is to ensure programme integrity and proper compliance with conditions by firms. Unlicensed brokers in origin countries or Japan may make illegal offers to trainees to work without authorisation outside of the programme, in exchange for introduction fees. Communication with candidates prior to arrival in Japan can also help filter out those who would be discouraged or disappointed in the work or who have unrealistic expectations. Some supervising organisations show videos explaining the exact nature of the work to be performed and the residential and working conditions associated with the programme prior to interviews with candidates. It is also a responsibility of sending organisations and origin countries to address illegal and onerous recruitment fees which increase pressure to earn; closer monitoring of sending agencies and application of MOCs can address this.

### *Trainees would like to remain in Japan long-term*

There is a strong interest in remaining in Japan long-term among TITP participants (Figure 6.21). More than one-quarter would like to remain in Japan indefinitely, and another one-quarter would like to stay 10 years, implying an interest in transition to another status in order to remain. One in four respondents sees a time horizon of about five years, which is beyond the maximum duration of TITP, although the survey did not allow answers between one and five years. Only a small number of respondents (5.5%) state that they want to leave Japan in the next year. Seventeen of TITP participants surveyed did not know how long they wanted to stay in Japan.

**Figure 6.21. There is a strong interest in remaining in Japan long-term among TITP participants**

Response of TITP participants to the questions “Do you want to continue to stay in Japan in the future?”, 2021




Note: TITP Respondents N=965.
Source: ISA Survey of Foreign Residents, 2021.

## The transition from a temporary labour migration programme to long-term stay

Until now, the trainee programme and SSW(i) have seen temporary workers. The creation of SSW(ii) as a pathway for long-term stay has implications for the rest of the migration management system.

### *Family reunification and formation have integration consequences*

Many OECD countries limit family reunification for low-wage temporary foreign workers – and even those who have long-term residence status – by imposing a salary and housing requirement. The ability to support a family without recourse to public benefit is another limit. In EU countries covered by the Family Reunification Directive, labour migrants can apply for family reunification after no more than 24 months if they hold a residence permit valid for at least one year and "reasonable prospects of obtaining the right of permanent residence". There still may be income, housing, insurance and other integration requirements. Eligibility for social assistance is often the income threshold at which family reunification is authorised (OECD, 2017[14]). Other countries, like Japan and Korea, limit family reunification to certain statuses, including SSW(ii).

SSW(ii) allows the worker to bring family members, and if they meet the requirements, family members can reside in Japan with the SoR of "Dependent". The SSW(ii) programme, in fact, opens up the possibility for a significant inflow of accompanying family members. At present, accompanying partners of any labour migrant in Japan are subject to labour market restrictions. The decision on labour market access for spouses of SSW(ii) workers is an important policy decision with an impact on the success of the programme and the integration and retention of its participants.

There are at least three arguments for why spouses of SSW(ii) workers should be granted labour market access. The first is that spousal work conditions affect the attractiveness of countries for skilled migrants. Since SSW(ii) targets technical workers who are in demand across OECD countries, and in most competing countries spousal work rights for workers are granted, Japan should consider offering similar rights. The second reason is retention: one of the most influential factors in retention of labour migrants is the employment status of the spouse.

The third reason is that the income of labour migrants in Japan is low and a second income may be necessary not only to support the family but to avoid benefit use. A household of four relying on one minimum wage income is in principle eligible for benefits – primarily social assistance and housing, but also family benefits – which then comprise almost half of net income (OECD Taxben). Severe restrictions on employment possibilities – including for example hours worked or sectors available – may have negative effects on family income and integration. Family migrants are also an important contribution to the labour force in OECD countries, particularly in occupations where no labour migration channels exist.

Since it is possible for SSW(ii) workers to enter Japan directly from abroad, the policy shift may mean that labour migrants start to arrive in significant numbers with spouses. This will require a range of complementary integration services which have not been necessary until now. Most OECD countries allow labour migrants to bring family members with them, as a means of granting stability (Box 6.10).

### Box 6.10. Family reunification eligibility is related to duration of stay

One important distinction among OECD countries is the maximum duration of stay of foreigners admitted for less skilled employment. On the one hand, those OECD countries in the European Union which admit lower skilled migrants offer renewable residence permits – subject to continuing employment – which potentially lead to eligibility for permanent residence after five or more years. Temporary foreign workers in less skilled occupations can therefore plan to remain and settle. On the other hand, programmes for temporary foreign workers in less skilled occupations in non-EU countries often impose a maximum stay; this is the case for the United States (H-2 visas), Canada, Israel and Korea, for example. Family is not generally allowed to join. Historically, Japan has been in the latter category.

Long-term stay without the possibility of bringing family is considered, in most OECD countries, undesirable, both for social stability and for the well-being of the migrant and the right to family life. The maximum point varies. At the extreme, Korea's EPS allows stays of up to almost 10 years without admitting accompanying family. In the EU, family reunification must be allowed after no more than two years, although it may be subject to income and other requirements.

## Towards a Skills Mobility Partnership Model

The training and testing component in TITP, and the testing component in the SSWP, make these programmes promising for a comprehensive Skills Mobility Partnership approach. Employers in Japan invest in training in the origin country, supporting the migration route. The expansion of training in origin countries is already apparent. The private sector has been active in developing market-driven training services in origin countries, with employers covering the costs at the moment of recruitment. The same applies to in-firm training Box 6.11.

TITP has fallen short on the reintegration of returnees, responsibility of the sending organisation but rarely functional due to mismatch between activity prior to migration, activity in Japan and activity upon return. Some examples cited above show how targeted recruitment of trainees in agriculture can contribute to use of skills in the same field upon return. With the introduction of SSWP, the possibility for former trainees to again come to Japan under an employment programme opens new opportunities for bridging courses and assessments in origin countries.

For Japan to develop a full-fledged skills mobility partnership, it would need to make SSWP and TITP more accessible from abroad. Japan should develop pathways into these programmes in origin countries by fostering a broader pool of candidates for direct recruitment and by encouraging, supporting or even establishing training capacity and pipelines.

An open issue remains the portability of skills upon return. Japan's VET system is aligned with TITP and SSWP and in principle participants in these programmes could receive certificates of competences acquired for use upon return. This is an area for further exploration, especially in terms of the practical value of these certificates in the origin country labour market.

## Box 6.11. Examples of Skills Mobility Partnerships in Japan using SSW

### Onodera User Run

Onodera User Run (OUR) is a private enterprise which provides training and placement of foreign workers in SSW(i) jobs in Japan. Training is provided in seven origin countries (Viet Nam, Cambodia, Laos, Myanmar, Indonesia, the Philippines and India) in centres created and run by the firm. All education and training expenses are borne by OUR; in some cases, room and board are also covered. Initial training lasts approximately six months and includes both language and professional skills. Trainers have experience in the relevant field in Japan. After this training, participants who receive a job offer receive an additional 4-6 months of training – largely self-study – as well as orientation on Japanese culture and practices. OUR has its own language-learning app. Once they arrive in Japan, they continue to receive training to pass higher level and certification tests, such as the test needed to pass to Certified Care Giver status of residence. OUR covers costs while in the country of origin, while employers cover costs in Japan. The pass rate for participants is higher than the overall pass rate: 76% for language, and almost 100% for Care Giver language and skills tests. By mid-2023, OUR had 30 000 students enrolled or completing the programme and 3 000 placed in Japan. The placement fees from employers allow this approach to be financially sustainable despite the lengthy training period. OUR is selective of students – screening and evaluating them for aptitude for the study and overall commitment to the migration project.

### Komeda Coffee

Komeda coffee is coffee shop/diner franchise chain, present in Japan as well as a number of other Asian economies. Komeda has been suffering from lack of workers (waiters etc). In 2019, the job-opening-to-applicant ratio was 3.86 in 2019 in the restaurant industry, higher than the overall ratio in Japan (1.44). Komeda partnered with a private Japanese language school in Myanmar to train workers to pass the "restaurant worker" certificate of SSW(i) while in Myanmar, and come to Japan to work in Komeda's shops across Japan as SSWs. Komeda also plans to expand overseas in Myanmar and have these workers, return from Japan after completing the duration of SSWP and work in Komeda shops in Myanmar. In 2023, 43 workers had begun working in Japan in directly managed stores and bakeries and will receive training aimed at promotion to management positions in the future.

### Mos Burger

Mos Burger is a Japanese burger chain with shops in Australia and a number of Asian economies. Since 2019, Mos Food Services Inc., in a programme called "Vietnam Kazoku", has an agreement with a college in Viet Nam (the Danang Vocational Tourism College to provide a "Mos Food Business College (MFC)" curriculum. Graduates of MFC who obtain pass the SSW(i) exam in food service while in Viet Nam can come to Japan to work at Mos Burger. "Vietnam Kazoku" also assists in preparation for the exams. With the addition in 2023 of the SSW(ii) exam in this sector, there is the potential to remain longer in Japan. Vietnam Kazoku provides ongoing support for the future careers of the accepted members, in Mos Burger shops in different locations. The pandemic delayed the initial recruitment, with the first 14 employees arriving in Japan in 2022. The total number is expected to reach 60 in 2024.

Source: Komeda: 2023 https://finance.stockweather.co.jp/contents/dispPDF.aspx?disclosure=20240112514685 (Corporate Governance Report for Komeda Holdings); Mos Burger, communication with the firm, and 2019, blueprint for SSWP worker development https://www.mos.co.jp/company/pr_pdf/pr_191015_1.pdf; Integrated Report 2023 https://www.mos.co.jp/company/social_activity/pdf/mos_csr23_all_en.pdf; OUR: presentation by OUR at the 13th ADBI-OECD-ILO Roundtable on Labor Migration in Asia: Integrating Skills Development and Certification into the Labor Migration Cycle, 27 June 2023, Bangkok, Thailand.

## Conclusions

The labour migration channel for low to medium skilled workers which is emerging in Japan from the piecemeal programmes has the potential to meet Japan's medium-term policy objectives of ensuring sufficient workforce in occupations, sectors and locations where they are needed. It also has the potential to advance a model of low to medium skilled labour migration management which integrates skills development and contributes to positive outcomes in the country of origin.

The pathway which is developing establishes a trajectory through TITP into SSWP and potentially on to settlement. However, there are different pathways through this trajectory. There are multiple entry and exit points from these programmes, corresponding not only to the ability of foreigners to meet conditions but also on the intentions and needs of Japanese employers and the foreigners who come to work in Japan.

TITP as it currently stands is able to both provide rotational low skilled workforce with little skills development and tracks for career development and skills acquisition relevant for longer-term, higher-productivity stay in Japan or boosting of opportunities upon return home. Indeed, its expansion between 1993 and 2018 was largely due to a meeting of interests between candidates seeking work in Japan and employers interested in expanding their labour force. The need for longer-term solutions has increased the relevance of the skills acquisition component in TITP as it became one prerequisite for the SSWP.

SSWP has three principal entry points: arrival from abroad through qualification on tests, arrival in Japan from training and testing in Japan, and direct passage from TITP. Each one of these entry points has distinct policy implications and creates opportunities. Greater involvement of Japanese actors – private and public – in origin countries can increase the use of this channel and its positive impact on participants and origin countries. The expansion of vocational training in Japan to meet SSW categories can reinforce a virtuous bridge between language study and employment. Finally, the TITP has shown how important it is to ensure a long skills development period in Japan to acquire the language and professional competences necessary to feed the SSWP channels. TITP is a necessary "filter" to identify candidates who are able to acquire the necessary skills through experience and those who are unable to meet this threshold.

TITP reform needs to recognise the dual scope it currently serves – meeting immediate labour needs and offering a chance to build skills for longer stay. In order to fully realise its potential, the pathways into and between the TITP and SSWP should be improved. At the same time, more flexibility within TITP to interrupt and restart the stay in Japan, or to move among firms, would better align the contribution of trainees to the needs of the Japanese labour market.

Japan relies on a large universe of intermediary bodies for management of TITP and SSWP, at a limited additional cost to firms. The advantage of the intermediary bodies is to provide orientation and a third or fourth party for mediation between the firm and the worker. As these programmes develop, the unique Japanese approach of support through multiple government and programme-specific intermediaries should be monitored. Since any low-skill migration programme contains a potential for abuse by bad actors, it is important that the layers of responsibility increase the ability to detect problems rather than obscure them.

As the new migration channel develops, numbers increase and foreign workers settle in larger numbers, the involvement of communities will be necessary to ensure integration of these migrants and their families.

With the introduction of the SSWP in 2019, Japan established a key link in a pipeline for labour migration capable of managing larger and more diversified inflows than those which occurred in the past. The SSWP, however, has implications for the parts of the pipeline which precede and follow it. Initial experience with SSWP has shown the importance of TITP as a filter and feeder for SSWP. TITP, as both the historic and the sequential precursor, cannot remain unchanged with the introduction of SSWP, since it now forms one of the main entry channels into SSWP. Yet not all trainees have the ability, desire or possibility to transfer

into SSWP, nor is it the objective of TITP to link the trainee programme entirely to further stay and employment in Japan. The challenge facing Japan is to establish a clear set of entry and exit points for these programmes, linking them where appropriate and providing opportunities for skills development and, where workers qualify, for longer term and even indefinite stay and settlement in Japan.

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# Annex 6.A. An analysis of the wages of TITP participants using the Basic Survey on Wage Structure

## Estimation

The models estimated to analyse the wage gap of TITP participants relative to the Japanese have the same form than those used to estimate the wage gap for *EHI* migrants described in Chapter 5, Annex 5.A.[15]

## Results

The wage gap of TITP participants relative to the Japanese is extremely large at about -85% (Model 10, Annex Table 6.A.1). In contrast, when controlling for differences in the distribution of attributes such as education and length of service, the gap narrows to -36% (Model 11). When controlling for heterogeneity by the firm, the gap narrows to -29% (Model 12). As a result, 57.1% of the disparity is explained by the attribute effect, 8.2% by sorting, and 34.7% by the coefficient effect.

### Annex Table 6.A.1. Estimation results

| | Model 10 (OLS) | Model 11 (OLS) | Model 12 (FE) | Model 13 (FE) | Model 14 (OLS) | Model 15 (FE) | Model 16 (FE) | Model 17 (FE) |
|---|---|---|---|---|---|---|---|---|
| SoR (Ref.=JP) | -0.85** | -0.36** | -0.29** | -0.26** | -0.17** | -0.10** | -0.04** | 0.04** |
| Educational Attainment (Ref.=High School) | | | | | | | | |
| Compulsory | | -0.04** | -0.01** | -0.01** | -0.04** | -0.01** | -0.01** | -0.01 |
| Junior College/Polytechnic | | 0.09** | 0.05** | 0.05** | 0.09** | 0.05** | 0.05** | 0.01 |
| University | | 0.27** | 0.13** | 0.13** | 0.27** | 0.13** | 0.13** | 0.03** |
| SoR * Compulsory | | | | 0.01 | | | 0.00 | |
| * Junior College/Polytechnic | | | | -0.04† | | | -0.05** | |
| * University | | | | -0.12** | | | -0.14** | |
| SoR *Gender | | -0.05** | 0.05** | 0.05** | -0.05** | 0.05** | 0.06** | -0.001 |
| Tenure in years | | 0.04** | 0.04** | 0.04** | 0.04** | 0.04** | 0.04** | 0.02** |
| Tenure in years^2 | | -0.0004** | -0.001** | -0.001** | -0.0004** | -0.001** | -0.001** | -0.0003** |
| * Compulsory | | -0.00022** | -0.00012** | -0.00012** | -0.00022** | -0.00012** | -0.00012** | -0.00009† |
| * Junior College/Polytechnic | | -0.00007** | -0.000003 | -0.000004 | -0.00007** | -0.000003 | -0.00000 | -0.00002 |
| * University | | 0.00004** | 0.000068** | 0.000067** | 0.00004** | 0.000068** | 0.00007** | 0.00006 |
| * Compulsory*SoR | | | | -0.004** | | | -0.012** | |
| * High School*SoR | | | | 0.002 | | | -0.007** | |

| | Model 10 (OLS) | Model 11 (OLS) | Model 12 (FE) | Model 13 (FE) | Model 14 (OLS) | Model 15 (FE) | Model 16 (FE) | Model 17 (FE) |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | |
| * Junior College/Polytechnic*SoR | | | | 0.001 | | | -0.005** | |
| * University*SoR | | | | -0.002 | | | 0.009** | |
| Experience in years | | 0.01** | 0.02** | 0.02** | 0.01** | 0.02** | 0.02** | 0.01** |
| Experience in years^2 | | -0.0001** | -0.0002** | -0.0002** | -0.0001** | -0.0002** | -0.0002** | -0.0001** |
| * SoR | | | | -0.0003** | | | | |
| Control Variables | | Omitted | | | Omitted | | | |
| Constant Term | 3.20** | 2.68** | 2.64** | 2.64** | 2.68** | 2.64** | 2.64** | 2.55** |
| N | 2 286 701 | 2 286 701 | 2 286 701 | 2 286 701 | 2 286 701 | 2 286 701 | 2 286 701 | 2 286 701 |

Note: ** p<0.01, * p<0.05, † p<0.1. Pooled OLS estimates models 10.11 and 14. Models 12, 13, 15, and 16 are estimated by a multi-level (fixed effect model) model. The dependent variable of Model 16 is a unit labor cost (wage and related costs per hour).
Source: Basic Survey on Wage Structure.

When the coefficient effects were examined in more detail regarding education and years of experience up to the start of the current job (Model 13), additional negative results were identified for education and years of experience. When taken together with the main effect of education, the effect of higher education is almost cancelled out, indicating that there is almost no difference in wage levels depending on educational attainment. This means that TITP workers are treated identically within the same system without considering their educational background and working experiences. On the other hand, no differences in wage increases during the TITP period, almost irrespective of educational background (except junior high school graduates), have been observed between Japanese and foreign workers. This means Japanese and TITP workers are placed under the same employment management.

Furthermore, it has been confirmed that the TITP system imposes additional costs on recruitment and employment not incurred by Japanese workers, as mentioned above. If these costs are considered, in other words, viewed from the perspective of unit labor costs, how will the gap between TITP and Japanese workers be reduced?

According to the estimation results, in terms of unit labor cost, the disparity with the Japanese decreases to about -17% (Model 14). When heterogeneity among firms is taken into account (sorting), the disparity (coefficient effect) drops to -10% (Model 15).

Looking at the details of the coefficient effects, a wage gap of about -4% was confirmed as the main effect of the SoR, while the education effect was found to cancel out the wage gap between education levels (Model 16). Similar additional adverse effects were obtained for years of experience. For years of tenure, the results showed that wage increases are more suppressed than for Japanese workers.

Furthermore, compared to Japanese non-regular workers (with fixed terms of employment), the employment costs of TITP workers are about 4% higher (Model 17). Considering that the costs in this analysis are limited to monetary costs and do not consider non-monetary costs such as the time and effort required to provide on-site guidance, the argument that TITP workers are inexpensive workers is invalid. In other words, the wage gap between TITP workers and Japanese is practically non-existent when additional costs and forms of employment are considered.

# Annex 6.B. Additional tables

## Annex Table 6.6. Jobs and sectors allowed for TITP

Industry, job category and job operation allowed for the TITP, 2021-23

| | Codes | Job Categories | Operations |
|---|---|---|---|
| 1 Agriculture | 1-1-1 | Cultivation agriculture | Facility horticulture |
| | 1-1-2 | | Upland field cropping/ Vegetable growing |
| | 1-1-3 | | Fruit growing |
| | 1-2-1 | Livestock agriculture | Hog raising |
| | 1-2-2 | | Poultry farming (collecting chicken eggs) |
| | 1-2-3 | | Dairy |
| 2 Fishery | 2-1-1 | Fishing boat fisheries | Skipjack pole and line fishery |
| | 2-1-2 | | Long-line fishery |
| | 2-1-3 | | Squid jigging |
| | 2-1-4 | | Purse seine fishery |
| | 2-1-5 | | Trawl and seine net fishery |
| | 2-1-6 | | Gill net fishery |
| | 2-1-7 | | Set net fishery |
| | 2-1-8 | | Crab and shrimp basket fishery |
| | 2-2-1 | Aquaculture | Scallop and oyster farming |
| 3 Construction | 3-1-1 | Well drilling | Percussion type well drilling operation |
| | 3-1-2 | | Rotary type well drilling operation |
| | 3-2-1 | Building sheet metal work | Duct sheet metal operation |
| | 3-2-2 | | Interior and exterior sheet metal operation |
| | 3-3-1 | Freezing and air conditioning apparatus installing | Freezing and air harmonizing equipment installation work |
| | 3-4-1 | Fixture making | Hand processing work of wooden fixture |
| | 3-5-1 | Carpentry | Carpentry construction work |
| | 3-6-1 | Frame working | Framing construction work |
| | 3-7-1 | Reinforcing bar construction | Assembling reinforced rod bar work |
| | 3-8-1 | Scaffolding | Scaffolding building work |
| | 3-9-1 | Building stone construction | Stone processing work |
| | 3-9-2 | | Work of putting out stones |
| | 3-10-1 | Tiling | Tiling work |
| | 3-11-1 | Tile roofing | Tile-roofing work |
| | 3-12-1 | Plastering | Plasterers work |
| | 3-13-1 | Plumbing | Construction piping work |
| | 3-13-2 | | Plant piping work |
| | 3-14-1 | Heat insulation | Heat-retention and cool-retention construction work |
| | 3-15-1 | Interior finishing | Plastic-material floor finishing construction work |
| | 3-15-2 | | Carpeting floor finishing construction work |
| | 3-15-3 | | Metal-made foundation construction work |
| | 3-15-4 | | Board finishing construction work |
| | 3-15-5 | | Curtain installation work |
| | 3-16-1 | Sash setting | Building sash installation work |
| | 3-17-1 | Waterproofing | Sealing water-proof construction work |
| | 3-18-1 | Concrete pressure feeding | Concrete pressure transfer construction work |
| | 3-19-1 | Well point construction | Well-point construction work |

| | Codes | Job Categories | Operations |
|---|---|---|---|
| | 3-20-1 | Paper hanging | Painting work |
| | 3-21-1 | Application of construction equipment | Dozing work |
| | 3-21-2 | | Loading work |
| | 3-21-3 | | Excavating work |
| | 3-21-4 | | Road rolling work |
| | 3-22-1 | Furnace installation | Furnace installation work |
| 4 Food Manufacturing | 4-1-1 | Can seaming for canned foods | Can seaming for canned foods |
| | 4-2-1 | Poultry processing industry | Poultry processing |
| | 4-3-1 | Marine Heated fishery processed foodstuff manufacturing work | Extract manufacturing |
| | 4-3-2 | | Heated dried product manufacturing |
| | 4-3-3 | | Flavored product manufacturing |
| | 4-3-4 | | Smoked product manufacturing |
| | 4-4-1 | Non-heated fishery processed foodstuff manufacturing work | Salted product manufacturing |
| | 4-4-2 | | Dried product manufacturing |
| | 4-4-3 | | Fermented foodstuff manufacturing |
| | 4-5-1 | Fish paste making | Boiled fish paste producing work |
| | 4-6-1 | Beef and pork processing industry | Primal cut of beef and pork processing |
| | 4-7-1 | Ham, sausage and bacon making | Production work of ham, sausage and bacon |
| | 4-8-1 | Bread Baking | Bread baking work |
| | 4-9-1 | Ready-made meal manufacturing work | Ready-made meal processing |
| | 4-10-1 | Agricultural pickles processing | Agricultural pickles processing work |
| | 4-11-1 | Meal processing for Medical and welfare facilities | Meal processing work for Medical and welfare facilities |
| 5 Textile | 5-1-1 | Spinning operation | Pre-spinning work |
| | 5-1-2 | | Spinning process |
| | 5-1-3 | | Winding process |
| | 5-1-4 | | Twisting and doubling work |
| | 5-2-1 | Weaving operation | Sizing and warping work |
| | 5-2-2 | | Weaving process |
| | 5-2-3 | | Inspecting work |
| | 5-3-1 | Dyeing | Thread permeation dyeing work |
| | 5-3-2 | | Fabric and knit dyeing |
| | 5-4-1 | Knit goods manufacturing | Socks producing work |
| | 5-4-2 | | Round knitting producing work |
| | 5-5-1 | Warp knitted fabrics manufacturing | Warp knitting producing work |
| | 5-6-1 | Ladies' and children's dress making | Sewing work of ready-made clothes for ladies and children |
| | 5-7-1 | Tailoring men's suit making | Sewing work of men's ready-made clothes |
| | 5-8-1 | Underwear manufacturing | Underwear manufacturing operation |
| | 5-9-1 | Bedclothes making | Bedding products work |
| | 5-10-1 | Carpet manufacturing | Woven carpet producing work |
| | 5-10-2 | | Tufted carpet producing work |
| | 5-10-3 | | Needle punched carpet producing work |
| | 5-11-1 | Canvas product making | Canvas cloth products related work |
| | 5-12-1 | Cloth sewing | Dress-shirt producing work |
| | 5-13-1 | Seat product sewing | Car seat product sewing work |
| 6 Machinery | 6-1-1 | Casting | Casting iron and article operation |
| | 6-1-2 | | Casting nonferrous metal and article operation |
| | 6-2-1 | Forging | Hammer type forging operation |
| | 6-2-2 | | Press type forging operation |
| | 6-3-1 | Die casting | Hot chamber die-cast work |
| | 6-3-2 | | Cold chamber die-cast work |
| | 6-4-1 | Machining | Engine Lathe operation |
| | 6-4-2 | | Milling machine operation |

| | Codes | Job Categories | Operations |
|---|---|---|---|
| | 6-4-3 | | Numerical Control Lathe Operations |
| | 6-4-4 | | Machining Center Operations |
| | 6-5-1 | Metal press | Metal press operation |
| | 6-6-1 | Iron work | Steel processing operation for structure |
| | 6-7-1 | Factory sheet metal work | Machine sheet metal operation |
| | 6-8-1 | Electroplating | Electric plating work |
| | 6-8-2 | | Meltdown zinc plating work |
| | 6-9-1 | Aluminum anodizing | Anode oxidation treatment work |
| | 6-10-1 | Finishing | Melting equipment finishing work |
| | 6-10-2 | | Metal mold finishing work |
| | 6-10-3 | | Machine assembling finishing work |
| | 6-11-1 | Machine inspection | Machine inspection work |
| | 6-12-1 | Machine maintenance | Machine maintenance work |
| | 6-13-1 | Electronic equipment assembling | Electronic devices assembling work |
| | 6-14-1 | Electric equipment assembling | Spinning electric machine assembling work |
| | 6-14-2 | | Transformer assembling work |
| | 6-14-3 | | Control panel and distribution panel assembling work |
| | 6-14-4 | | Open-close control device assembling work |
| | 6-14-5 | | Spinning electric cord-reel producing work |
| | 6-15-1 | Print wiring board manufacturing | Print distribution panel design |
| | 6-15-2 | | Print distribution panel production |
| 7 Others | 7-1-1 | Furniture making | Hand processing on furniture making |
| | 7-2-1 | Printing | Off-set printing work |
| | 7-3-1 | Book binding | Binding work |
| | 7-4-1 | Plastic molding | Compressing forming work |
| | 7-4-2 | | Injection forming work |
| | 7-4-3 | | Inflation forming work |
| | 7-4-4 | | Blow forming work |
| | 7-5-1 | Reinforced plastic molding | Hand-loaded layer forming work |
| | 7-6-1 | Painting | Construction painting work |
| | 7-6-2 | | Metal painting work |
| | 7-6-3 | | Metal bridge painting work |
| | 7-6-4 | | Spray painting work |
| | 7-7-1 | Welding | Manual welding |
| | 7-7-2 | | Semi-automatic welding |
| | 7-8-1 | Industrial packaging | Industrial wrapping work |
| | 7-9-1 | Carton box and corrugated card board box making | Printing box punching work |
| | 7-9-2 | | Printing box producing work |
| | 7-9-3 | | Paste box producing work |
| | 7-9-4 | | Cardboard producing work |
| | 7-10-1 | Industrial manufacturing of pottery | Roller jigger forming work |
| | 7-10-2 | | Pressure casting work |
| | 7-10-3 | | Pad printing work |
| | 7-11-1 | Automobile repair and maintenance | Automobile repair and maintenance work |
| | 7-12-1 | Building cleaning management | Building cleaning management work |
| | 7-13-1 | Care worker | Care worker |
| | 7-14-1 | Linen supply | Linen supply finishing work |
| | 7-15-1 | Precast concrete manufacturing | Precast concrete manufacturing work |
| | 7-16-1 | Accommodation | Hospitality/Sanitary Management |
| 99 | 99-1-1 | Airport ground handling | Aircraft ground support work |
| | 99-1-2 | | Cargo handling work |
| | 99-1-3 | | Cabin cleaning work |

Source: OTIT.

## Notes

[1] www.jitco.or.jp/en/regulation/.

[2] One example cited for care trainees is the need to learn how to work for example with clients with dementia or cognitive problems.

[3] https://www.otit.go.jp/research_toukei/.

[4] Memoranda of Co-operation in 2023 cover Viet Nam, Cambodia, India, the Philippines, Laos, Mongolia, Bangladesh, Sri Lanka, Myanmar, Bhutan, Uzbekistan, Pakistan, Thailand, and Indonesia.

[5] Operative Manual for Sending Organizations, JITCO, 11/2010, www.jitco.or.jp/download/data/okuridashi_English.pdf.

[6] Based on 126 Myanmar sending organisations with experience sending workers. Summary of Hearing Results, Interview on 3 July 2023 with a Myanmar sending agency, www.moj.go.jp/isa/content/001403328.pdf.

[7] Among the 2011-17 entry cohorts, 60% of participants in the TITP remain in Japan for three years.

[8] Among those who transitioned to SSWP, some had first transitioned to TITP(iii). This implies that more than 11% of migrants arrived as TITP(i) in 2017 transitioned to TITP(iii).

[9] Among the 2018 and 2019 entry cohorts, approximately 40% of the trainees transitioned to either TITP(iii) or SSWP, and most were still in Japan by the end of 2022.

[10] Agriculture Skill Assessment sample test and study materials can be found at https://asat-nca.jp/textbook.

[11] 技能実習生の妊娠・出産に係る不適正な取扱いに関する実態調査について（結果の概要） www.moj.go.jp/isa/content/001390139.pdf.

[12] www.moj.go.jp/isa/content/001362001.pdf; www.moj.go.jp/isa/content/001362002.pdf.

[13] Except those whose admission to Japan was on fraudulent grounds, who must depart immediately.

[14] See e.g. www.otit.go.jp/notice_20230927/ and www.otit.go.jp/notice_20210618/

[15] This annex is based on Korekawa (2023[4]). A more detailed analysis may be found in the working paper.

## Recruiting Immigrant Workers

# Japan 2024

Japan has historically been among the OECD countries with the lowest migration flows relative to its population. However, the situation has changed significantly in the past few years. To counteract the impact of rapid population ageing on the labour market, Japan has introduced major policy changes in the governance of recruitment from abroad.

This review examines the role of labour migration policy in the specific context of Japan and identifies policy directions for the future. Covering labour migration at all skill levels, the review assesses how the long-standing migration channels for international students and high-skilled migrants fare in attracting and retaining international talent. It also reviews the main channels for low to medium skill trades, including the recently introduced Specified Skilled Worker Programme.

PRINT ISBN 978-92-64-71527-1
PDF ISBN 978-92-64-99928-2