

Global Talent Mobility, Innovation and Growth

Case Study Japan (Tokyo)

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Focusing on the empirical case of Tokyo, this profile examines the recruitment and retention of high-skilled professionals and international students in the case of Japan. The aim of this study is to foster a deeper understanding of the role that policy programs and industry strategies play in attracting and retaining migrant professionals in STEM (Science, Technology, Engineering and Mathematics).

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Key Messages

- **Although Japan, the world's third largest economy, is making a world-class effort to augment its shrinking workforce through the deployment of artificial intelligence (AI) and advanced robotics, Japan still needs to attract more global talent to maintain its growth and innovation.**

In the years prior to the outbreak of the COVID-19 pandemic, Japan's economy was relatively stable. However, Japan's industry sectors have been experiencing increasing shortages of both low- and high-skilled workers. In order to remain competitive, Japan must optimize its attraction and retention of global talent. In particular, Japan should focus more on attracting workers that have the necessary skills for emerging STEM industries such as AI. Although the COVID-19 pandemic may reduce demand for talent in the short-term, there will be persistent long-term demand for global talent.

- **Japan should redouble its efforts in attracting international students and providing them with support in finding post-graduate employment in Japan.**

While Japan has had some success thus far in attracting international students, Japan should continue to increase the number of international students studying at its post-secondary institutions, especially those studying STEM and other in-demand disciplines. In partnership with universities and colleges, the Japanese government should provide stronger support to international students, enabling them to find employment more easily and to remain in Japan following their graduation. This would help to address Japan's demographic challenges of a rapidly ageing and declining population. Japan must also explore policy options to make Japanese universities more attractive for international students, including moving to a September school year start to align with other countries and offering more programs in English. COVID-19 is likely to disrupt flows of international students in the short term, but attracting international students remains an essential and viable strategy for Japan to attract and retain talent.

- **Japan and Japanese companies need to address key issues that complicate and hinder the attraction of skilled workers including language barriers, missing or inadequate work-life balance, and persistent gender inequality.**

Japan is open to foreign workers policy-wise, but there are some specific issues which continue to make Japanese workplaces unattractive for high-skilled professionals and that negatively impact Japan's possibilities to compete successfully for talent. Japan should promote the creation of workplaces that tolerate and allow for the use of English or are bi- or multilingual workplaces. Promoting greater diversity of workplaces is essential to gain extended access to a wider pool of global talent. Japan should also make strides to improve work-life balance and introduce greater flexibility in hiring practices. Finally, Japan should aim to promote and effectively improve gender equality in the workplace.

- **While Japan has several policies in place to provide permanent residency status for high-skilled foreign workers, it should enhance its laws in order to protect in particular low-skilled immigrants from labour exploitation as well as to promote larger inflows of foreign talent.**

Japan has successfully implemented various policies providing immigrants with opportunities to live and work in Japan, including the *Nikkei* visa, Japan's Technical Intern Program and its high-skilled foreign professional 'Blue Collar' and startup visa programs. However, there is strong need to protect low-skilled foreign workers more effectively from exploitation. Furthermore, Japan should consider easing its strict qualifications (e.g. advanced language skill requirements) to facilitate labour mobility.

I. Economic Situation and STEM Sector

Although it is expected that countries worldwide will face significant economic challenges due to the COVID-19 pandemic, as of October 2019, Japan was the world's third largest economy by nominal GDP with a population of 126 million.¹ In 2018, Japan's Human Development Index stood at 0.915 with one of the world's highest life expectancies (84.5 years)², placing it in the top ranks for quality of life. Japan experienced moderate but steady real GDP growth from 2012 until 2019. In the last quarter of 2019, Japan's economy experienced a significant slowdown, contracting by 7.1% and has since suffered serious setbacks due to the COVID-19 pandemic.³ Economic recovery from the impact of the COVID-19 pandemic and long-term growth in Japan is threatened by a set of key challenges including a quickly ageing and declining population and high public debt.⁴⁵ Therefore, it is crucial for Japan to attract global talent to supplement and enrich its workforce in order to address these demographic and economic challenges.

In 2019, Japan was listed by the World Economic Forum (WEF) as the 6th most competitive economy in the world and a top innovator with high world rankings in infrastructure (5th), health (1st), and macroeconomic stability.⁶ Prior to the outbreak of COVID-19, the country ranked 15th on the Global Innovation Index⁷, which measures strengths in innovation and innovativeness on the basis of university rankings, patented inventions and scientific publications.⁸ Japan also ranked at the top in the adoption of Internet and Communication technologies (ICTs) and continues to enjoy a high level of innovation capability.⁹ In 2019, Japan spent 3.1% of its gross-domestic product (GDP) on research and development (R&D), ranking the country 6th in the world. Japan also has a comparatively high number of researchers with 10.015 researchers per 1,000 employees.¹⁰

¹ International Monetary Fund (2019), *World Economic Outlook Database*, <https://www.imf.org/external/pubs/ft/weo/2019/02/weodata/index.aspx>

² United Nations Development Program (UNDP) (2019), *Inequalities in Human Development in the 21st Century: Japan*, Human Development Report 2019, http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/JPN.pdf, 3.

³ *Can Japan's Economy Get Any Worse? It May Soon Find Out*, The New York Times, March 30, 2020, <https://www.nytimes.com/2020/03/30/business/japan-economy-coronavirus.html>

⁴ Organization for Economic Co-Operation and Development (OECD) (2019a), *OECD Economic Surveys: Japan 2019*, <https://doi.org/10.1787/fd63f374-en>, 12.

⁵ *Can Japan's Economy Get Any Worse? It May Soon Find Out*, The New York Times, March 30, 2020, <https://www.nytimes.com/2020/03/30/business/japan-economy-coronavirus.html>

⁶ World Economic Forum (WEF) (2019a), *Global Competitiveness Report 2019*, http://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf, 306-309.

⁷ World Intellectual Property Organization (WIPO) (2019), *Global Innovation Index 2019*, https://www.globalinnovationindex.org/userfiles/file/reportpdf/GII_2019_EN_English.pdf

⁸ WIPO (2019), 12.

⁹ Data in the following: WEF (2019a), 306 and 309.

¹⁰ OECD (2019b), *Researchers*, <https://data.oecd.org/rd/researchers.htm#indicator-chart>

Japan is currently facing a dual threat of demographic challenges stemming from an aging and declining population and very high levels of public debt.¹¹ These two challenges are likely to be impacted and exacerbated further by effects of the COVID-19 pandemic. Japan has been called a hyper-aging society.¹² In the 1990s, Japan's ratio of elderly population to working-age population was still similar to other Western countries. According to UN statistics, Japan's ratio then turned more and more adverse in the 2000s.¹³ Unlike most Western countries, Japan did not practice widescale immigration, and in 2010, Japan exceeded Germany and became the number one aging country in the world.¹⁴ Japan's unfavorable demographic outlook is also affected by a very low fertility rate (1.47, data for 2017)^{15 16} with the effect that Japan's population is currently predicted to decline by one-fourth by 2050.¹⁷ Meanwhile, Japan's government debt levels are at 226% of GDP. Expenditures on social programs are expected to rise even more as Japan's population is ageing and shrinking further.¹⁸ One of the few positive effects of Japan's quickly aging and shrinking population have been consistently high employment rates and strong demands for workers across all sectors of Japan's economy. These factors have pushed Japan, a country that traditionally has been quite reserved in terms of immigration, to begin to consider designing and implementing policies to encourage foreign workers to fill labour gaps in various in-demand sectors.

Throughout Shinzo Abe's term as Prime Minister (2012-2020), Japan followed a strategy dubbed 'Abenomics', an economic policy consisting of three policy arrows: aggressive monetary easing, flexible fiscal policy and structural reforms.¹⁹ 'Abenomics' also attempted to respond to Japan's exacerbating demographic challenges by increasing the participation of women and the elderly in the workforce.²⁰ However, increasing participation of these demographics was not sufficient to prevent a declining workforce and the Abe administration went ahead with implementing policies to allow more foreign workers in Japan.

¹¹ OECD (2019a), 12.

¹² Statistics Japan (2016), *Toukei today No.114 統計 today No.114 [Statistics today No.114]*, <http://www.stat.go.jp/info/today/114.html>

¹³ Statistics Japan (2016).

¹⁴ Cabinet Office of Japan (2019), *Jinkou kousei 人口構成 [Demographic structure]*, *Jinkou, keizai, chiikishakai no shourai* 人口、経済、地域社会の将来像 [Future of a population, economy, local society], https://www5.cao.go.jp/keizai-shimon/kaigi/special/future/sentakus2_2.html

¹⁵ World Bank (2019b), *Fertility rate, total (births per woman) - Japan*, <https://data.worldbank.org/indicator/SP.DYN.TFRT.IN?locations=JP>

¹⁶ World Bank (2019b).

¹⁷ OECD (2019a), 12.

¹⁸ Economist Intelligence Unit (2019), *Country Report Japan December 2019*, <https://country.eiu.com/japan>, 8, 11 and 12.

¹⁹ Schiff, Jerald (2015), "Abenomics: From the Lost Decade to the Three Arrows", in: Botman, Dennis et al (eds), *Can Abenomics Succeed?: Overcoming the Legacy of Japan's Lost Decades*, Washington, DC: International Monetary Fund, 1.

²⁰ OECD (2019), 12.

In 2019, the Japanese government pushed ahead with an ambitious plan which constituted another attempt to address Japan's demographic and economic challenges. Its so-called 'Society 5.0' plan²¹ aimed to achieve the next stage in human society and the modern information age based on the vision of a new human-centered society that provides economic advancement, the integration of cyberspace and physical space, and the resolution of social problems through technologies such as the internet of things (IoT), AI-assisted data analysis and increased deployment of robotics.²² Japan's ambitious plan also aimed to reform education to foster literacy and expertise in new emerging technologies. Furthermore, along with new technological advancements, Japan's government continues its attempt to reform traditional Japanese corporate culture, for example, by adopting alternatives to its rigid lifetime and seniority-based employment.²³ Alongside these policies, it is necessary for Japan to develop an effective strategy to attract global talent with expertise in STEM fields, especially in AI and robotics in order to realize Society 5.0.

Japan's main technology sectors and innovation clusters

Prior to the outbreak of COVID-19, Japan boasted a strongly export-focused economy: exports accounted for 17.7% of the country's GDP in 2017.²⁴ Examples of major products exported included motor vehicles and parts, semiconductors, and electronics.²⁵ Japan continues to be home to some of the world's largest and most well-known electronics brands such as Hitachi, Toshiba, Panasonic, Fujitsu and many others. Although Japan's electronics firms have faced increasing competition from abroad, certain sectors such as Japan's 12.5 billion USD video games industry continue experiencing growth²⁶, even with the effects of the COVID-19 pandemic. In pursuit of 'Society 5.0', the Japanese government identified key emerging sectors that would facilitate the transition to a new, strongly AI-based society, and would provide economic growth and innovation in the coming decades.

Japan has shown to be a world leader in robot technology; in 2015 it released a unique 'National Robot Strategy'²⁷ which lobbied for the deployment of robotic solutions in all aspects of everyday life. The main idea of the strategy rested on the assumption that robots will be able to address Japan's demographic and economic challenges.²⁸ Japan is already a world leader in industrial robotics with Japanese firms holding a

²¹ Prime Minister's Office of Japan (2019), *Seicho senryaku jikkou keikaku 成長戦略実行計画 [Action Plan of the Growth Strategy]*, <https://www.kantei.go.jp/jp/singi/keizaisaisei/pdf/ap2019.pdf>, 15-28.

²² Cabinet Office Japan (2018), *Society 5.0*, https://www8.cao.go.jp/cstp/english/society5_0/index.html

²³ Prime Minister's Office of Japan (2019), 1-4 and 6.

²⁴ The Observatory of Economic Complexity (OEC) (2017), *What does Japan export?*, https://oec.world/en/visualize/tree_map/hs92/export/jpn/all/show/2017/

²⁵ OEC (2017).

²⁶ Netherlands Enterprise Agency (2018), *Game Industry Japan Commissioned by the Ministry of Foreign Affairs*, <https://www.rvo.nl/sites/default/files/2018/02/factsheet-game-industry-japan.pdf>, 1.

²⁷ Ministry of Economy, Trade and Industry (METI) (2015), *New Robot Strategy: Japan's Robot Strategy*, https://www.meti.go.jp/english/press/2015/pdf/0123_01b.pdf

²⁸ METI (2015), 10.

90% market share in the global production of key robot elements and a 50% share in the global shipment values of robots, and in 2012, 23% of the robots in operation around the world were located in Japan.²⁹ Japan has a true competitive advantage in the manufacturing and implementation of robots, and has several firms which remain world leaders in robot technology. Japan's robotics excellence is well represented by firms such as Yamanashi-based Fanuc, which is the world's largest manufacturer of industrial robotics.³⁰

AI is another emerging technology sector, and one which the Japanese Government identified as crucial in the realization of its 'Society 5.0' project. Before the COVID-19 epidemic, Japan was the world's third most important player in AI, trailing only the United States and China in terms of patent filings.³¹ Due to its success and growth in the AI sector, Japan's talent shortage was becoming already noticeable especially in this newest area of technology.³² Japan has already taken steps to reform its education, introducing information technology and AI literacy at all levels of education and aims to nurture the development of domestic talent in AI. Japan's 2019 AI strategy set a strategic target of development and acquisition of human resources with AI oriented skillsets. This strategy specifically identified women and foreigners as potential sources of AI-oriented talent. This reiterated the importance of stronger recruitment and retention of global talent in STEM and AI-relevant sectors.

Prior to the effects of COVID-19 on the world economy, Japan's automotive industry was the 3rd largest producer of automobiles worldwide, and the world's 2nd biggest exporter of automotives.³³ The industry employed over 5.46 million people, and exported over 4.7 million vehicles in 2018.³⁴ Automotives accounted for 19% of all manufacturing exports. The automotive industry consists of the "Big Three" companies of Honda, Toyota and Nissan and numerous smaller-sized firms which employ workers in Japan and in overseas operations. The industry continues to actively develop the next generation of automotive technologies such as autonomous driving, electric vehicles and hydrogen fuel cells.

Japan's technology and innovation is mainly concentrated around its capital, Tokyo. According to the global Innovation Cities Index 2019, Tokyo ranked as the 2nd most innovative city in the world, following New York City and London.³⁵ Startups, especially in gaming, AI and Fintech have clustered in and around

²⁹ METI (2015), 2 and 10.

³⁰ Economist Intelligence Unit (2019), *Japan's next decade: Opportunities for economy and society after the 2020 Tokyo Olympics*, <https://www.eiu.com/n/japans-next-decade/>, 13.

³¹ WIPO (2019), *Artificial Intelligence*, https://www.wipo.int/edocs/pubdocs/en/wipo_pub_1055.pdf, 86.

³² Kuczyńska, Agnieszka (2019), *Analysis of opportunities for EU SMEs in Japan's Data Economy and Artificial Intelligence in connection with Robotics*, EU-Japan Centre, https://www.eu-japan.eu/sites/default/files/publications/docs/ak_report_2019.pdf, 30.

³³ Japan Automobile Manufacturers Association (2019), *The Motor Industry of Japan 2019*, http://www.jama-english.jp/publications/The_Motor_Industry_of_Japan_2019.pdf

³⁴ Japan Automobile Manufacturers Association (2019), 2-6, 51-59.

³⁵ 2thinknow (2019), *Innovation Cities Index 2019: Global*, <https://www.innovation-cities.com/>

Tokyo.³⁶ The greater Tokyo metropolitan area holds the largest share of businesses in Japan, and it accounts for approximately 20 percent of Japan's gross-domestic product (GDP). The surrounding Kanto area, which includes Tokyo, generated 42 percent of GDP in 2016.³⁷ The Tokyo metropolitan area holds over 13 million of the country's 126 million people.³⁸ In 2018, 1 in 18 workers in Tokyo were foreign workers, and this figure has risen sharply from 1 in 50 in 2009.³⁹ Tokyo continues to be an attractive area especially for skilled workers; prior to the pandemic, 77.7% of high-skilled foreign professionals lived in the Tokyo area (Tokyo, Chiba, Saitama, and Kanagawa prefectures) while 59.2% of specialist professionals and 15.5% of technical intern trainees lived in the same area.⁴⁰ In the coming years, attracting sufficient global talent to Tokyo will be key for fostering Tokyo's status as a global hub of innovation.

Outside Tokyo, Fukuoka city has emerged as another important innovation cluster and one which is prioritizing the attraction of foreign entrepreneurs through its startup visa program.⁴¹ The city of 1.5 million has the highest annual share of the growth rate of startups in Japan as well as the highest share of young people who are interested in starting a new business.⁴² In 2012, Fukuoka issued a 'Startup City Fukuoka Declaration'; in 2014, Japan's national government gave Fukuoka the status of a 'special zone of global founding and creation' and Fukuoka became a 'national strategic special zone' of Japan. These strategies have been accomplished through the implementation of policies such as mitigation of corporation taxes for startups, issuing startup visas to recruit foreign talent, and promoting special experiments of drones and automatic driving.⁴³ As a result of various strategies and projects, 260 new companies emerged in Fukuoka

³⁶ Kushida, Kenji (2016), "Japan's Startup Ecosystem: From Brave New World to Part of Syncretic 'New Japan'," *Asian Research Policy* 7(1): 67-77, 68.

³⁷ Economic and Social Research Institute (2016), Heisei 28nendo kenmin keizai keisan ni tsuite 平成 28 年度県民経済計算について [Report on Prefectural Accounts in 2016],

https://www.esri.cao.go.jp/jp/sna/data/data_list/kenmin/files/contents/pdf/gaiyou.pdf

³⁸ Statistics Japan (2020), *Japan Statistical Yearbook 2020*,

<https://www.stat.go.jp/english/data/nenkan/69nenkan/zenbun/en69/top.html>

³⁹ Nikkei (2019b), *Gaikokujinn ionndo: gyoushu/todouhukenn rannkinngu 外国人依存度 業種・都道府県ランキング* [Dependency ratio on foreign population: ranking by type of industry and prefecture],

<https://vdata.nikkei.com/newsgraphics/dependence-on-foreign-workers/>

⁴⁰ Ministry of Internal Affairs and Communications (2019), *Koudo gaikoku jinnzaino ukeire ni kannsuru seisaku hyouka sho 高度外国人の受入れに関する政策評価書* [Policy assessment report on accepting foreign skilled workers],

https://www.soumu.go.jp/main_content/000627735.pdf, 37.

⁴¹ Iwasaki, Kaori (2018), "Kaizensuru wagakuni no suta-toappu jigyou kankyou: O-pun Inobe-shon tsuikyuu ga atoshi 改善するわが国のスタートアップ事業環境: オープンイノベーションが後押し [Improvement in the business climate startup in Japan: boosted by striving for open innovation]", *JRI review* 53(2): 50.

⁴² *Japan's Fukuoka poised to be the country's Silicon Valley*, CNN, November 16, 2016,

<https://money.cnn.com/2016/11/16/technology/fukuoka-startup-city/index.html>

⁴³ Iwasaki (2018), 50.

between 2012 and 2016, creating jobs for more than 11,000 new employees.⁴⁴ As of the end of May 2020, Fukuoka city possessed 39,006 foreign residents.⁴⁵

The city of Kyoto is another important technological cluster which could benefit from further attraction and integration of foreign talent. Moreover, the city holds a high number of academic institutions it can use to its advantage. Leading technology companies such as Rohm, Murata, Kyocera and Nintendo originate in Kyoto and have their global headquarters in and around Kyoto.⁴⁶

Osaka, the second most important city economically in Japan and an important commercial and manufacturing hub, has seen its ratio of foreign workers to Japanese workers nearly triple in the past 10 years.⁴⁷ Leading electronic firms Panasonic, Sanyo and Sharp all have headquarters in Osaka. Aichi prefecture, a significant manufacturing hub in Japan and home to the global headquarters of Toyota Motor Corporation and Brother Industries Ltd. has become increasingly reliant on foreign workers. In 2015, 1 in 24 workers in Aichi's manufacturing industry were foreign workers and the ratio of foreign workers to Japanese workers has more than doubled in the past 10 years.⁴⁸ In 2015, in neighboring Gifu Prefecture, which has a large manufacturing industry that includes Kawasaki Heavy Industries and Mitsubishi Heavy Industries, 1 in 18 workers in the manufacturing sector were foreign workers.⁴⁹ These numbers indicate Japan's growing reliance on foreign workers to support Japan's signature industries in the coming decades as well as a need for optimizing policies for attracting global talent.

⁴⁴ *Cities compete to become Japan's next Silicon Valley*, Financial Times, October 17, 2017, <https://www.ft.com/content/664a34d6-9e12-11e7-8b50-0b9f565a23e1>

⁴⁵ Fukuoka City (2020), *Touroku Jinkou* 登録人口 [Registered population], https://www.city.fukuoka.lg.jp/soki/tokeichosa/shisei/toukei/jinkou/tourokujinkou/TourokuJinko_kubetsu.html

⁴⁶ *Cities compete to become Japan's next Silicon Valley*, Financial Times, October 17, 2017, <https://www.ft.com/content/664a34d6-9e12-11e7-8b50-0b9f565a23e1>

⁴⁷ Nikkei (2019b).

⁴⁸ Nikkei (2019a), *Gaikokujinn ionndo: gyoushu/todouhukenn rannkinngu* 外国人依存度 業種・都道府県ランキング [Dependency ratio on foreign population: ranking by type of industry and prefecture].

⁴⁹ Nikkei (2019a).

Figure 1: Japan's Leading Technology and Innovation Clusters⁵⁰



⁵⁰ Source: Wikimedia Commons, https://commons.wikimedia.org/wiki/File:Japan_large.png

II. Industry Employment and STEM Workforce

During the years leading up to the COVID-19 pandemic, manufacturing was still a strong contributor to Japan's economy. In 2018, it accounted for 21% of the country's GDP and the sector employed just over 8.9 million workers.⁵¹ Information and Communications accounted for 5% of GDP and employed 1.5 million workers, while Professional Scientific and Technical Activities accounted for 7% of GDP and employed 1.3 million workers. More than 1 million people were employed in research and development. Japan's ICT sector counted more than 3.949 million workers – around 6% of Japan's total employees across all industries in 2018.⁵² From 2015 to 2018, Japan's employment increased by 5.7% in communications, 1% in information services and 5.8% in internet-related services, indicating that these three sectors, and overall Japan's tertiary economic sector, before COVID-19 represented areas with rising talent demand.

In Japan, 51% of the working population has a tertiary educational degree, making it one of the most educated workforces in the world with 12.5 mean years of education per person.⁵³ Thus far, Japan has spent 3.6% of its GDP annually on education. Moreover, it has ranked 17th in the world for human capital; 9th in capacity, 62nd in deployment, 23rd in development, and 19th in know-how. According to Statistics Japan, there were 2.6 million university students in Japan in 2018, including over 382,000 studying engineering and more than 78,000 studying math and science. Despite this, firms have reported a shortage of STEM graduates. In 2019, firms failed to fill 5% of STEM jobs.⁵⁴ In 2020, Japanese firms planned on hiring 11.7% more STEM graduates which would have been the 6th straight year of double-digit increases in STEM employment. Due to uncertainties related to the impacts of COVID-19, these projections and plans had to be changed.

However, due to Japan's aging and shrinking population, it is likely that it will still continue to face STEM talent shortages following containment of the COVID-19 virus. Prior to the COVID-19 pandemic, it was estimated that there would be 370,000 unfilled IT positions by 2020.⁵⁵ Furthermore, the government

⁵¹ Data in the following: Statistics Japan (2020), 99-100 and 407.

⁵² Data in the following: Ministry of Internal Affairs and Communications (2018), Information and Communications in Japan: White Paper 2018, <https://www.soumu.go.jp/johotsusintokei/whitepaper/eng/WP2018/2018-index.html>, 55-56.

⁵³ Data in the following: WEF (2017), *The Global Human Capital Report*, http://www3.weforum.org/docs/WEF_Global_Human_Capital_Report_2017.pdf, 14.

⁵⁴ *Shortage of science grads vexes Japanese Companies*, Nikkei Asian Review, March 23, 2019, <https://asia.nikkei.com/Business/Business-trends/Shortage-of-science-grads-vexes-Japanese-companies>

⁵⁵ Economist Intelligence Unit (2019), 8.

predicted a shortage of 50,000 engineers in advanced technology fields in 2020.⁵⁶ A survey of over 5000 Japanese business executives identified the main factors driving demand for skills in Japan were: economic globalization and trade, advances in general and industry specific technology, and the advent of artificial intelligence and cognitive computing.⁵⁷ The lack of talent has already had significant impacts on Japanese companies and has hindered these companies' ability to compete globally for talent. As a result, firms have resorted to hiring more foreign graduates and even hiring more humanities and social science graduates into STEM and managerial positions.

In Japan, industries outside of the STEM field are also facing significant labour shortages. Prior to the COVID-19 pandemic, the four sectors with the highest percentage of firms reporting a shortage of labour were hotels and restaurants (82%), nursing (79%), transportation (78%), and construction (75%).⁵⁸ More than a quarter of major Japanese companies hired foreign workers from overseas universities in 2019 reflecting an uptick in demand for global talent.⁵⁹ Japan will have to continue to rely on an increased number of foreign workers, increase opportunities for women's participation in the workforce, and adopt more flexible hiring practices alongside the introduction of automation and AI to the workforce.

The number of both foreign residents and workers in Japan has been increasing year after year, with a record 2.82 million foreigners recorded in 2019, or over 2% of the total population.⁶⁰ The number of foreign workers in Japan in 2019 was 1.66 million, an increase of 13.6% over the previous year. The largest foreign worker populations came from China, South Korea, Vietnam, the Philippines and Brazil.⁶¹

Japanese society is increasingly dependent on foreign workers, both low and high-skilled. In 2009, 1 out of 112 workers came from outside of Japan and that ratio has grown to 1 out of 46 in 2018.⁶² By prefectures, Tokyo marks the highest ratio of foreign workers to Japanese; 1 out of 50 workers came from outside Japan in 2009 and 1 out of 18 in 2018. It is followed by Aichi prefecture, 1 out of 27, and Gumma prefecture, 1 out of 29 in 2018. The number of foreign workers has increased by a factor of 2.4 during the same period, and the number of foreigner workers in those prefectures which recorded the three largest foreign worker's populations also doubled or almost tripled from 2009 to 2018. As of the end of October in 2019, the

⁵⁶ *Shortage of science grads vexes Japanese Companies*, Nikkei Asian Review, March 23, 2019, <https://asia.nikkei.com/Business-trends/Shortage-of-science-grads-vexes-Japanese-companies>

⁵⁷ IBM (2018), *Reskilling Japan: Three steps to navigate Japan's skills challenge*, <https://www.ibm.com/downloads/cas/PMG8DGGW>

⁵⁸ Economist Intelligence Unit (2019), 8.

⁵⁹ *More Japanese companies hire talent from overseas universities*, Nikkei Asian Review, January 30, 2019, <https://asia.nikkei.com/Business-trends/More-Japanese-companies-hire-talent-from-overseas-universities>

⁶⁰ Data in the following: *Number of foreign residents hits record 2.82 million*, Kyodo News, October 25, 2019, <https://english.kyodonews.net/news/2019/10/2d24a19dbf9c-number-of-foreign-residents-in-japan-hits-record-282-mil.html>

⁶¹ Statistics Japan (2020), 64-65.

⁶² Data in the following: Nikkei (2019a).

prefectures with the largest foreign labour populations were Tokyo (485, 345), Aichi (175, 119), and Osaka (105,379), respectively.⁶³ The rapid increase in the number of foreign residents shows that Japan is already becoming a society with widespread use and reliance on foreign talent.

Although Japan has traditionally been reluctant to integrate immigrants in their society and has been a non-immigration country throughout its post-war economic growth, attitudes are rapidly changing. With the number of foreigners increasing consistently prior to the outbreak of COVID-19, views towards immigration have become fairly positive, with 59% of Japanese surveyed agreeing with the statement that immigrants make the country stronger because of their work and talents compared to 31% who believe they are a burden because they take jobs and social benefits.⁶⁴ This is more favorable than the median value of the 18 countries surveyed, which was 56% favorable and 38% unfavorable towards immigrants. 40% of those surveyed in Japan said that immigrants were more to blame for crime, compared to 52% who said they were not. Additionally, 33% percent said that immigrants increase the risk of terrorism whereas 60% said did they not. The Japanese public seemed to open up to the opportunity for Japan to address and mitigate its economic and demographic challenges with the help of targeted immigration. However, at the same time, the survey results indicated that Japan still needs to address immigration holistically, and design and implement policies facilitating not only the relocation and immigration of foreign workers and their employment in Japan, but also to socially welcome and integrate these workers and their families, as well as to prepare Japanese society for more immigration. This will likely become more relevant and challenging as Japan takes on the economic recovery plan following the COVID-19 pandemic.

Although Japan has made improvements in female workforce participation, Japan still has barriers to gender equality which affects Japan's attractiveness for female global talent. In 2016, the participation rate of working-age women in the Japanese labour force went from 66.5% in 2000 to 76.3%, surpassing both the U.S. rate (74.3%) and the OECD average.⁶⁵ The Abe administration promoted policies to encourage women's participation in the workforce in the name of "Womenomics". In spite of this effort, more than 30% of working-age women are working part-time and few women hold leadership positions in Japan. The gender wage gap is around 26%. In 2019, Japan placed 121st out of 153 countries in the World Economic Forum's Global Gender Gap Index ranking, and although it has slightly reduced its economic gender gap,

⁶³ Ministry of Health, Labour and Welfare (2019a), *Gaikoujinn koyou joukyou no todokede joukyou: gaiyou bann (reiwa gannenn juugatu matsu gennzai)* 「外国人雇用状況」の届出状況：概要版（令和元年10月末現在）[Report on 'the employment situation of foreigners': overview (As of the end of October 2019)], <https://www.mhlw.go.jp/content/11655000/000590309.pdf>, 2.

⁶⁴ Data in the following: *Around the World, More Say Immigrants Are a Strength Than a Burden*, Pew Research Center, March 14, 2019,

<https://www.pewresearch.org/global/2019/03/14/around-the-world-more-say-immigrants-are-a-strength-than-a-burden/>

⁶⁵ In the following: *Lessons from the rise of women's labor force participation in Japan*, Brookings, November 1, 2017, <https://www.brookings.edu/research/lessons-from-the-rise-of-womens-labor-force-participation-in-japan/>

it still held the third largest gap amongst all advanced economies trailing only Italy and South Korea.⁶⁶ Among foreign high-skilled workers in Japan, only around 30% are women.⁶⁷ Making further strides in gender equality will allow for more equality in the workplace and make Japanese workplaces more attractive to female global talent.

An aging population also negatively affects the workforce in Japan. The median age of the working population in Japan was estimated to be 46.5 years in 2019, and, prior to the COVID-19 pandemic, it was predicted to rise to 49.1 years by 2030.⁶⁸ As of 2018, Japan's age-dependency ratio stood at 64.43⁶⁹ and it is predicted that one person aged 65 years old or above is going to be supported by only 1.8 workers aged between 20 and 64 by 2025 (this may change following the effects of the pandemic).⁷⁰

Despite these facts, there is resistance in Japan towards hiring people older than 40 which hampers those workers and pushes them to seek alternative careers.⁷¹ The Japanese government has tried to reform retirement policy. In Japan, it is currently legally prescribed that when a company adopts a compulsory age for retirement, the age-limit needs to be 60 years or older.⁷² The 2006 reform of the Law Concerning Stabilization of Employment of Older Persons required corporations to either extend the age limit from 60 to 65, to reinstate retired workers until 65, or abolish the age-limit system, by 2014.⁷³ As of 2017, 95.5% of corporations had an age-limit system⁷⁴ and only 20% of companies had applied the extended age-limitation.⁷⁵ Reforming strict rules regarding older workers is one of several ways that Japanese companies

⁶⁶ WEF (2019b), *Global Gender Gap Report 2020*, <https://www.weforum.org/reports/gender-gap-2020-report-100-years-pay-equality>, 31.

⁶⁷ Oishi, Nana (2017), "Koudoinzai, senmonjinzai wo meguru ukeireseisaku no kansei 高度人材・専門人材をめぐる受け入れ政策の陥穽 [The Pitfalls of Skilled Migration Policies in Japan: Institutional Isomorphism and Reality]", *Japanese Sociological Review* 68(4): 549–566, 555.

⁶⁸ International Labour Organization (ILO) (2019), *Median age of the labour force by sex -- ILO modelled estimates*, https://www.ilo.org/shinyapps/bulkexplorer6/?lang=en&segment=indicator&id=EAP_2MDN_SEX_NB_A

⁶⁹ World Bank (2019a), *Age dependency ratio (% of working-age population)*, <https://data.worldbank.org/indicator/SP.POP.DPND>

⁷⁰ Ministry of Finance (2015), *2025nenn, koureishahitori wo gennekisedai nanninnde sasaeru? 2025年、高齢者1人を現役世代何人で支える? [In 2025, how many working population support an elderly person?]*, <https://www.mof.go.jp/matome/thinkzaisei11.html>

⁷¹ Oishi, Nana & Skrentny, John D. (2012), "The Limits of Immigration Policies: The Challenges of Highly Skilled Migration in Japan", 2012, *American Behavioral Scientist* 56(8): 1080-1100, 1089.

⁷² Ministry of Health, Labour and Welfare (2019b), *Koureishano koyou 高齢者の雇用 [Employment of elderly]*, https://www.mhlw.go.jp/stf/seisakunitsuite/bunya/koyou_roudou/koyou/jigyounushi/page09.html

⁷³ Yashiro, Atsushi (2009), "Teinenn ennchou to keizoku koyou seido: rokujussai ikou no koyou ennchou to jinnteki shigenn kannri 定年延長と継続雇用制度: 60歳以降の雇用延長と人的資源管理 [An extension of employment and continued employment system: an extension of people aged 60 or above and human resource management]", *The Japan Institute of Labour* 584(6): 20-29, 20.

⁷⁴ Ministry of Health, Labour and Welfare (2017), *Teinennsei nado 定年制等 [Retirement aged system etc.]*, *H29 Shuurou gaikyou H29 就労概況 [overview of working situation in 2017]*, <https://www.mhlw.go.jp/toukei/itiran/roudou/jikan/syurou/17/dl/gaiyou02.pdf>

⁷⁵ Nikkei (2019c), *Koumuinn teinenn, oublei ha teppai/ ennchou, nihonn mo 65sai he age kenntou 公務員定年、欧米は撤廃・延長 日本も65歳へ上げ検討 [Retirement age for government workers, Western countries have withdrawn or extended: Japan also consider raising it to 65]*, <https://www.nikkei.com/article/DGXMZO44582340Z00C19A5EAC000/>

will have to become flexible in order to deal with the demographic challenges facing Japan. The Japanese economy has traditionally been dominated by a number of large firms offering employees life-time employment and seniority-based wages and positions. However, in recent years this system has been transforming in order to foster more innovation and generate greater productivity. It is no longer the case that all top talent is ‘locked up’ in large Japanese firms; start-ups and labour mobility are becoming increasingly more common and attractive to Japanese talent, especially in the IT sector.⁷⁶ The continued adoption of greater flexibility in the labour market will ultimately help Japan to attract more skilled foreign workers and is even more significant as the country recovers from the effects of the COVID-19 pandemic.

⁷⁶ Kushida (2016), 75.

While there is currently no national-level program in place which would assist immigrants across Japan, municipal and regional governments have stepped forward and there are now also well over 200 non-profit organizations (NPOs) in Japan that are focused on assisting immigrants.

Currently, Japan offers a variety of work visas for low to high-skilled foreign talent, as well as visas for international students to study in Japan, provided they meet eligibility requirements. Japan also offers visas for the spouses and dependants of Japanese citizens, permanent residents, or those who possess a working visa in Japan.⁸³ Typically, in order to receive a working visa, it is necessary to have a hosting organization such as a company or a visa sponsor. International students can switch their visa status from student to a work visa upon receipt of a job offer and may also receive a visa to stay in Japan to conduct job hunting for up to 1 year after graduation.

After 10 consecutive years of residence in Japan, foreign residents are eligible to apply to permanent residency status, provided they meet good conduct and financial independence requirements. This 10 year residence requirement is reduced in certain cases, such as in the case of high-skilled foreign professionals, who only have to reside in Japan for 5 consecutive years before being eligible to apply for permanent residency.⁸⁴ Japanese naturalization is possible after 5 years of residence in Japan on an eligible status of residence, and applicants must meet good conduct and financial independence requirements.⁸⁵ Japan does not permit dual-citizenship, and applicants must give up all foreign nationalities upon becoming a Japanese national.

As of 2017, there were 1,275,670 foreign workers in Japan: 459,132 held long-term resident status (35.9% of the total foreign workers). The remainder held temporary permits as technical interns/trainees (257,788; 20.2%), high-skilled/professional workers (238,412; 18.6%) or were in Japan on the basis of other permits, e.g. as part-time international student workers (297,012 people; 23.2%).⁸⁶

Japanese immigration programs: An overview

a) The Nikkeijin Program

The 1990 Immigration Control and Refugee Recognition Act was based on a compromise between industries, which were dealing with a shortage of low skilled labour, and Japan's national government that insisted in its goal to preserve cultural homogeneity. Under the 1990 act, Japan prioritized the return

⁸³ *Visa & Immigration Procedure in Japan*, June Advisors Group, <https://www.juridique.jp/immigration.php>

⁸⁴ Immigration Services Agency of Japan (2019), *Guidelines for Permission for Permanent Residence*, <http://www.moj.go.jp/content/001241940.pdf>

⁸⁵ Ministry of Justice (2020), *The Nationality Law*, <http://www.moj.go.jp/ENGLISH/information/tnl-01.html>

⁸⁶ Takeda (2019), 117.

migration of Japanese descendants (so-called 'Nikkeijin') from its diaspora abroad, the majority of which came from Brazil and Peru.⁸⁷ The initial *Nikkeijin* visas allowed 1st, 2nd and even 3rd generation *Nikkeijin* to return/relocate to Japan and to take up employment in a number of selected industries. Initial visas were issued for a period that ranged between 6 months and 3 years, with the possibility of indefinite renewals. As a result, many *Nikkeijin* ended up settling in industrial regions of Japan in the 1990s and early 2000s, with the Brazilian *Nikkeijin* population reaching a peak of 310,000 in 2007.⁸⁸

However, during the 2008 financial crisis, and in an attempt to tackle rising unemployment in Japan and to avoid backlashes against the program, the Japanese government shifted its course, stopped its program and started to promote the 'return' of *Nikkeijin* by offering cash payments for flight tickets. In exchange, *Nikkeijin* interested in this financial support had to agree to not enter Japan and to remain outside Japan for a set period of time. As a result, the Brazilian *Nikkeijin* population in Japan between 2007 and 2017 for example decreased from 310,000 to just 190,000 people.

In 2018, in response to the demands of many of its *Nikkeijins* and an improving economy, Japan changed course again and launched a new *Nikkeijin* program targeting 4th generation *Nikkeijin*. The new program, however, came with stricter requirements such as the need of applicants to have a sponsor (e.g. an employer or family member) in Japan and advanced Japanese language skills.⁸⁹ The program, originally launched in 2018 with a quota of 4,000 visas set aside for each year, due to its stringent requirements it showed little success or salience. By the beginning of 2019, only 43 *Nikkeijin* were accepted, of which only 33 people then actually entered and relocated to Japan.⁹⁰

Japan's *Nikkeijin* program in the coming years will be unlikely to function as a viable source of the large-scale immigration that Japan is required to attract in order to address its demographic challenges and sustain growth and innovation. The 3rd and 4th generation *Nikkeijin* who would theoretically still be eligible for the program are culturally even less connected to Japan, and while 35% of 3rd generation *Nikkeijin* are still able to speak Japanese, just 2.6% of 4th generation *Nikkeijin* are able to converse in Japanese.⁹¹

⁸⁷ Tsuda, Takeyuki (1999), "The Permanence of "Temporary" Migration: The "Structural Embeddedness" of Japanese-Brazilian Immigrant Workers in Japan", *The Journal of Asian Studies* 58(3): 687-722, 688.

⁸⁸ *Nikkei yonsei biza takaikabe nenn yonnsenninnno rainichi soutei...jissaiha sannjuu sannninn* 「日系4世ビザ」高い壁: 年4000人の来日想定... 現実には33人 [Nikkei 4th generation visa and its high wall: expectation of the inflow of 4000 people a year...33 in reality], Tokyo newspaper, August 29, 2019, <https://www.tokyo-np.co.jp/article/19652>

⁸⁹ Government of Japan Public Relations Office (2019), *Nikkei yonseiino tyouki taizaiwo mitomeru shinn ukeireseido sta-to 日系四世の長期滞在を認める新受け入れ制度スタート* [Launching the new receiving system that gives a permission to Nikkei 4th generation for a longterm stay], https://www.gov-online.go.jp/eng/publicity/book/hlj/html/201809/201809_09_ip.html

⁹⁰ *Nikkei yonsei biza takaikabe nenn yonnsenninnno rainichi soutei...jissaiha sannjuu sannninn* 「日系4世ビザ」高い壁: 年4000人の来日想定... 現実には33人 [Nikkei 4th generation visa and its high wall: expectation of the inflow of 4000 people a year...33 in reality], Tokyo newspaper, August 29, 2019, <https://www.tokyo-np.co.jp/article/19652>

⁹¹ Mckenzie, David & Salcedo, Alejandrina (2014), "Japanese-Brazilians and the Future of Brazilian Migration to Japan", *International Migration* 52(2): 66-83 and 70-71.

b) The ‘Technical Internship Training Program’

Japan’s Technical Internship Training Program was launched in 1990 and was further systematized in 1993. While also addressing certain short-term labour market needs in Japan, its declared and main goal is to support the development of Global South sending countries. As a component of Japan’s development assistance to emerging economies and less and least developed countries, Japan accepts interns from these countries to relocate to Japan and work as ‘interns’, meaning as temporary workers, for a maximum of 5 years for Japanese employers. The principal goal is for these interns to return to their home countries and transfer their newly acquired skills.⁹²

Foreign applicants enrolled in the program and working in Japan are officially considered to conduct an internship or training and are not considered to be equal to foreign workers. However, an overhaul of the program in 2010 brought the possibility for foreign interns to acquire formal residence status in Japan.⁹³ In addition, international interns and trainees became also subjects under Japan’s Labour Standard Act. The Technical Intern Training Program in 2017 acquired its own legal basis, the Act on Proper Technical Intern Training and Protection of Technical Intern Trainees.⁹⁴ This new law implemented a new system for licensing supervising organizations, of accreditation for training plans, and expansion of the program for exceptional organizations by increasing training periods and quotas for trainees. The Organization for Technical Intern Training (OTIT) also provides additional support including free consulting service in multiple languages as well as temporary accommodations for those who had to leave their former accommodation due to improper conduct by their corporation or organization.⁹⁵

As one of the most popular de-facto temporary immigration programs to date, Japan’s Technical Internship and Training Program has proved to be a strong support for factories with heavy and difficult labour demands that offer low wages.⁹⁶ In 2019, Japan hosted 390,000 international interns.⁹⁷ Japan continued to prefer almost exclusively interns from other Asian countries, with the top sending countries being Vietnam

⁹² Immigration Bureau et al (2017), *New Technical intern Training Program*, <http://101.110.15.201/content/001223972.pdf>

⁹³ Takeda (2019), 115-134 and 120.

⁹⁴ Japan International Training Cooperation Organization (JITCO) (2019), *Gaikokujinn ginou jisshuu seido toha 外国人技能実習制度とは*[Foreign technical intern program], <https://www.jitco.or.jp/ja/regulation/>

⁹⁵ Organization for Technical Intern Training (OTIT) (2019a), *Ginou jisshuuseido no gennjou 技能実習制度の現状* [The current situation of technical intern program], <https://www.mlit.go.jp/common/001273509.pdf>

⁹⁶ *Hourei ihannga nanawari tyou, burakku kigyuu wo tsugi tsugini umidasu ginou jisshuuseido no kouzou. Tomaranai jinnkenn higai no gennjou to haikai 法令違反が7割超、ブラック企業を次々に生み出す技能実習制度の構造: 止まらない人権侵害の現状と背景* [Over 70% of violation of laws, the structure of technical intern program that generates exploiters: the current situation and background of nonstop violation of human rights], *Gendai Business*, June 28, 2019, <https://gendai.ismedia.jp/articles/-/65550>

⁹⁷ OTIT (2019b), “*Ginou jisshuu kubunnbetsu ginou jisshuu keikaku ninntei kennsuu (kouseihi) 技能実習区分別技能実習計画認定件数(構成比)* [The number of approved cases of technical intern program plans by category of technical intern program (percentages)], <https://www.otit.go.jp/files/user/191001-18-1-1.pdf>

(51% of all interns), the Peoples' Republic of China (23%), the Philippines (9%) and Indonesia (8%).⁹⁸ International trainees were mostly employed in the main sectors (each accounting for approximately 18% of all interns) of Japan's mechanics and metal industry, in construction and food processing, while the remainder was working in agriculture (10%), the textile sector (8%), or in fishing and other sectors.⁹⁹

Despite the declared purpose of the program (i.e. to promote training and skill transfer to less developed countries), critics of the program point out that it is actually used as a temporary foreign worker program, which caters mainly to Japan's economy and shifting labour demands, particularly in the low and medium-skilled segment. The program is also known for exposing international interns and trainees to poor, sub-standard and unsafe work conditions. Over 70% of 6,000 enterprises that the Ministry of Health, Labour and Welfare supervised and reviewed in 2017 are reported to have violated Japan's Labour Standards Law.¹⁰⁰ Infractions affecting international trainees and interns included over-time work violations, violation of safety standards, non-payment of extra wages, improper employment rules, lack of clarification of working conditions, as well as improper wage payment.

c) Japan's visa for high-skilled foreign professionals

In 2012, the Japanese government introduced a new visa to attract high-skilled foreign professionals to work in Japan. Top "white collar" employees are the target of this program, including established senior academics, recognized specialists such as engineers, as well as successful and experienced business managers.¹⁰¹ Similar to the visa and immigration programs in Australia, Canada or New Zealand, Japan introduced a points system to assess the qualifications, skills and language level of foreign applicants.¹⁰² In addition, the program was also set up to prefer younger age applicants, and awarded points for age, relevant work experience, holding a post-graduate degree, graduating from a Japanese university or a university

⁹⁸ OTIT (2019c), *Kokuseki · chiiki betsu ginou jisshuu keikaku ninntei kennsuu (kouseihi) 国籍・地域別技能実習計画認定件数(構成比) [The number of approved cases of technical intern program plans by nationality and region]*, <https://www.otit.go.jp/files/user/191001-18-1-5.pdf>

⁹⁹ OTIT (2019d), *Shokushu betsu ginou jisshuu keikaku ninntei kennsuu (kouseihi) 職種別技能実習計画認定件数(構成比) [The number of approved cases of technical intern program plans by category of labour]*, <https://www.otit.go.jp/files/user/191001-18-1-4.pdf>

¹⁰⁰ *Hourei ihannga nanawari tyou, burakku kigyuu wo tsugi tsugini umidasu ginou jisshuuseido no kouzou: Tomaranai jinnkenn higai no gennjou to haikai 法令違反が7割超、ブラック企業を次々に生み出す技能実習制度の構造: 止まらない人権侵害の現状と背景 [Over 70% of violation of laws, the structure of technical intern program that generates exploiters: the current situation and background of nonstop violation of human rights]*, Gendai Business, June 28, 2019, <https://gendai.ismedia.jp/articles/-/65550>

¹⁰¹ Immigration Bureau of Japan (2019), *Points-based preferential immigration control and residency management treatment for highly-skilled foreign professionals*, http://www.immi-moj.go.jp/newimmiact_3/en/index.html

¹⁰² Oishi, Nana (2017), "Koudoinzai, senmonjinzai wo meguru ukeireseisaku no kansei 高度人材・専門人材をめぐる受け入れ政策の陥穽 [The Pitfalls of Skilled Migration Policies in Japan: Institutional Isomorphism and Reality]", *Japanese Sociological Review* 68(4): 549–566 and 549.

ranked in the top 300 worldwide, as well as other criteria.¹⁰³ However, and in stark contrast to, for example, the Canadian programs for foreign professionals, the criteria do not include previous in-country work experience and no extra points are awarded to applicants who already have worked previously in Japan. Applicants who accumulate 70 points or more are eligible for a five-year visa and work permit. They are also eligible to attain permanent residence status following five years of accumulated temporary residence and employment in Japan.

From a policy standpoint, the Japanese visa system is fairly open in order to attract high-skilled workers and set Japan on track as a serious competitor for global top talent. The program was created on the basis of an employer-demand driven system. Different from similar programs in Canada and other countries, there were no national quotas or immigration levels set, and the program was deliberately created to respond to labour shortages experienced by Japanese employers and to cater to their needs with comparatively less red tape than in other countries.¹⁰⁴ Unlike Canada or other countries with targeted immigration programs for high-skilled migrants, Japan decided against labour market assessment requirements – the requirement that employees first render proof that there is no equivalent Japanese professional available. The fast-track to permanent residency is also very attractive for global talents that are interested in permanently relocating to Japan. The visa program also allows high-skilled global talent to bring their family as workers to Japan.¹⁰⁵

However, despite the fairly open and attractive visa program, Japan encountered more than expected difficulties in attracting and retaining high-skilled migrants. As of June 2019, only 13,038 global talents had been provided with the new high-skilled foreign professional visa, however, this number does not include those who have transitioned to permanent resident status.¹⁰⁶ Most global talents who were granted this visa came from China (8,500), India (599), the U.S.A. (554), South Korea (534) and Taiwan (486). This reflects Japan's strong preference for immigrants from other Asian countries (ethnic similarity) and from medium and high-income countries (similarity in socio-economic status).

While the policy stipulations were fairly open, flexible and meant to cater directly employer demands, the main issue was the stringent avenues of access to the program for the companies that sought to use it. Employers in Japan struggle in adapting new systems of employment and finding a better work-life balance.

¹⁰³ Information in the following: Immigration Bureau of Japan (2019).

¹⁰⁴ Osanami Törngren, Sayaka & Holbrow, Hilary J. (2017), "Comparing the Experiences of Highly Skilled Labor Migrants in Sweden and Japan: Barriers and Doors to Long-term Settlement", *International Journal of Japanese Sociology* 26(1): 67-82 and 67-68.

¹⁰⁵ Oishi & Skrentny (2012), 1080-1081.

¹⁰⁶ Statistics Japan (2020), *Zairyuu gaikokujinn toukei (kyuu touroku gaikokujinn toukei)/ Zairyuu gaikokujinn toukei 在留外国人統計(旧登録外国人統計)/在留外国人統計 [Statistics of foreign residents (former statistics of registered foreigners)/statistics of foreign residents]*, https://www.e-stat.go.jp/stat-search/files?page=1&layout=datalist&toukei=00250012&tstat=000001018034&cycle=1&year=20190&month=12040606&tclass1=000001060399&stat_infid=000031886380

Furthermore, there remain great difficulties in departing from Japan's traditional lifetime-employment (one worker working for their whole life for only one employer) and regarding employers excessive demands on workers, particularly high-skilled professionals. The Japanese language barrier and the unwillingness of many employers to realize diversity, including language diversity, within their companies also remains a significant barrier to talent attraction efforts. These hurdles continue to prove rigid and almost unsurmountable – making it extremely difficult for Japan to compete effectively at a global level for talent or be able to attract enough high-skilled migrants for its innovation economy.¹⁰⁷

c) Japan's business manager visa

In order to attract entrepreneurs from abroad and foster business development, growth and start-ups in Japan, the government in 2017 introduced new visa rules for attracting foreign entrepreneurs and their businesses, including their start-ups.¹⁰⁸

As of June 2019, 26,148 foreigners were holding a business manager visa including 13,638 from China, 3,094 from South Korea, and 1,538 from Nepal. This visa requires that applicants have over 5 million yen (about \$46,000 USD) in capital invested in their business in Japan, employ two or more full time employees in Japan and have a physical office located in Japan.¹⁰⁹ Recognizing that these conditions can be difficult to meet from abroad and might be especially difficult for start-ups, Japan established several strategic zones including Tokyo and Fukuoka, where entrepreneurs can benefit from more relaxed immigration requirements and more easily obtain a short-term business visa (often also called “start-up” visa). Foreign citizens on the ‘start-up’ business manager visa are provided one year to meet the regular requirements of Japan's business manager visa, after which the visa becomes a regular business manager visa which can be renewed indefinitely.¹¹⁰

Despite several changes in the requirements of the visa, would-be entrepreneurs report continuous frustration with the visa program.¹¹¹ Most of the information about the visas and how to apply is only provided in Japanese and the forms have to be filled in Japanese as well. As a result, Japan is likely missing out on foreign entrepreneurs, their investment, and in attracting foreign start-ups. Another hurdle is the limited availability of corporate banking services available and accessible to foreign entrepreneurs in

¹⁰⁷ Oishi & Skrentny (2012), 1087, 1090 and 1093.

¹⁰⁸ METI (2020), *Startup Visa: New residential status and supporting entrepreneurs coming to Japan*, https://www.meti.go.jp/english/policy/economy/startup_nbp/startup_visa.html

¹⁰⁹ Japan External Trade Organization (JETRO), *Section 2. Visas and Status of Residence: 2.12 Promoting acceptance of foreign entrepreneurs*, https://www.jetro.go.jp/en/invest/setting_up/section2/page12.html

¹¹⁰ *Japan wants foreign entrepreneurs, but what's missing?*, The Japan Times, November 25, 2019, <https://www.japantimes.co.jp/news/2019/11/25/business/japan-foreign-entrepreneurs/#.XmEm46hKhPY>

¹¹¹ *Japan wants foreign entrepreneurs, but what's missing?*, The Japan Times, November 25, 2019, <https://www.japantimes.co.jp/news/2019/11/25/business/japan-foreign-entrepreneurs/#.XmEm46hKhPY>

languages other than Japanese. Institutions such as the Tokyo One-Stop business establishment centre have been opened to assist entrepreneurs with language and other difficulties they encounter.

d) The ‘Blue Collar Visa Program’

In early 2019, Japan launched its new ‘Blue Collar Visa Program’. This program, also called the *Tokuteiginou* visa, responds to labour shortages in specific key industries and allows medium-skilled workers to come to Japan to work in 14 different industries including but not limited to: caregiving/nursing, construction, manufacturing, agriculture and shipbuilding.¹¹² Applicants are required to take both an industrial skills test for their field as well as a language proficiency assessment. Assessments can be taken in Japan and in six different Asian countries (Cambodia, Indonesia, the Philippines, Nepal, Myanmar, and Mongolia), which is again symptomatic of Japan’s strong preference for other Asian workers.¹¹³ The new visa program has been opened to technical interns provided they have already completed three years of work experience in Japan. These trainees and interns are exempted from the Japanese language proficiency test. Japan launched the ‘Blue Collar Visa Program’ with an ambitious goal of attracting over 345,000 workers during the next 5 years.¹¹⁴ However, results have fallen short; as of January 2020, not more than 2,000 applicants had received the new visa. Japan’s government responded by allowing more people to take the skills test and Japanese language tests, including also foreign workers admitted on short-term visas.

e) International student visas in Japan

Attracting foreign students and recruiting them into the skilled workforce after graduation is an effective strategy pursued by many countries seeking to attract foreign (future) talent. Japan has taken steps to develop this strategy, by setting a goal in 2008 of attracting over 300,000 international students to study in Japan.¹¹⁵ In 2014, Japan began its ‘Top Global University Project’, which aimed to improve the internationalization of 37 top universities within Japan, as well as improve their global rankings by 2023.¹¹⁶ This project also aimed to increase the number of courses taught in foreign languages, international students, and faculty holding degrees from foreign universities. As of 2019, there were 336,847 international students in Japan

¹¹² JITCO (2020), *Zairyuu shikaku ‘tokutei ginou’ toha* 在留資格「特定技能」とは[A ‘Specified skilled worker’ residency status], <https://www.jitco.or.jp/ja/skill/>

¹¹³ *Specified Skills Visa to Start on April 1st: How Ready (Or Not) Is Japan to Receive New Foreign Workers?*, Real Estate Japan, March 31, 2019, <https://resources.realestate.co.jp/living/specified-skills-visa-to-start-on-april-1st-how-ready-or-not-is-japan-to-receive-new-foreign-workers/>

¹¹⁴ Information in the following: *Japan to cast net wider after sluggish start for blue-collar visa program*, The Japan Times, January 30, 2020, <https://www.japantimes.co.jp/news/2020/01/30/national/japan-broaden-pool-eligible-blue-collar-visa-applicants-amid-sluggish-start-new-program/#.Xm5z8ahKhPY>

¹¹⁵ Oishi, Nana (2017), “Koudoinzai, senmonjinzai wo meguru ukeireseisaku no kansei 高度人材・専門人材をめぐる受け入れ政策の陥穽 [The Pitfalls of Skilled Migration Policies in Japan: Institutional Isomorphism and Reality]”, *Japanese Sociological Review* 68(4): 549–566, 551.

¹¹⁶ Ministry of Education, Culture, Sports, Science and Technology (2020), Top Global University Project, <https://tgu.mext.go.jp/en/about/index.html>

studying at universities, graduate schools, technical colleges and Japanese language institutes.¹¹⁷ In June 2019, the top sending countries for international students in Japan were China (132,845), Vietnam (82,266), Nepal (28,268), South Korea (18,264), and Taiwan (10,116).¹¹⁸ This reflects the fact Japan's appeal as an international study destination remains largely limited to students from other Asian countries. About 90,000 study in Japanese language institutes and many make use of their visa status to work part-time, which has led some to criticize these visas for Japanese language institutes as an informal low-skilled worker program.¹¹⁹

According to data compiled by Japan's Ministry of Justice, of the roughly 300,000 international students in Japan in 2018, about 30,000 or 10% sought to find employment in Japan after graduation and conducted job hunting activities.¹²⁰ Of these 30,000, 84% received permission to stay in Japan on a work visa. In 2018, a record 25,942 students were granted work visas after graduation, a number which had doubled since 2013.¹²¹ The number of international students seeking employment after graduation in Japan in 2018 had increased by 10.7% since 2017, and the number of those receiving permission to stay had increased by 15.7% from 2017.¹²² 93% of students received a visa in the category of 'Engineers, Humanities Specialist or International Services' and 66.4% of students given permission to stay in Japan were university graduates.¹²³ This increase is promising and shows potential for international students to be a source of skilled professionals for Japan. However, it is also important to note that the 2020 COVID-19 pandemic has severely disrupted flows of international students worldwide and it may take several years before international student numbers return to pre-COVID-19 levels.

¹¹⁷ *Number of foreign residents hits record 2.82 million*, Kyodo News, October 25, 2019, <https://english.kyodonews.net/news/2019/10/2d24a19dbf9c-number-of-foreign-residents-in-japan-hits-record-282-mil.html>

¹¹⁸ Statistics of Japan (2020).

¹¹⁹ *Foreign student numbers don't tell whole tale*, The Japan Times, April 12, 2019, <https://www.japantimes.co.jp/opinion/2019/04/12/commentary/japan-commentary/foreign-student-numbers-dont-tell-whole-tale/#.Xm5Z8KhKhPY>

¹²⁰ Ministry of Justice (2019), *Heisei sannjuu nenn ni okeru ryuugakusei no nihonn kigyou tou heno shuushoku joukyou nit suite 平成 30 年における留学生の日本企業等への就職状況について [The employment situation of international students who enroll in a Japanese corporation in the fiscal year 2018]*, http://www.moj.go.jp/nyuukokukanri/kouhou/nyuukokukanri07_00229.html

¹²¹ *Number of foreign students with jobs after graduation hits record high*, Kyodo News, October 23, 2019, <https://english.kyodonews.net/news/2019/10/3376fca3e893-number-of-foreign-students-with-jobs-after-graduation-hits-record-high.html>

¹²² Ministry of Justice (2019).

¹²³ Ministry of Justice (2019).

IV. Stakeholder Viewpoints

The following is a summary of key themes and recommendations that had emerged prior to the outbreak of the global COVID-19 pandemic. The analysis is based on a variety of sources, including industry reports, policy statements and media coverage on skilled immigration. While the viewpoints and insights are not fully representative of the situation in Japan, the following sections aim to capture some of the major themes and discussions relevant to the interest of this report and how Japan can enhance its attraction and retention of global talent.

(1) Government, firms and the public recognize a growing need to attract global talent to support innovation and address demographic problems

Before the onset of the COVID-19 virus and similar to other countries in Asia and around the world, business stakeholders in Japan had a shared recognition that Japan should welcome more global talents in order to promote innovation and economic growth, and to address the country's low birthrate and aging population.

At the end of 2018, the Japan Business Federation, one of the largest economic organizations representing 1412 companies, argued that the group and the government share the same stance on accepting more foreign workers to support the country's social life, industrial infrastructure, and fill labour shortages. The business federation also stated that Japanese society would need to move towards stronger public acceptance of talented and motivated foreign workers which would lead to diverse work styles and the foundation for realizing Japan's 'Society 5.0' vision.¹²⁴ It would therefore be essential to accept more high-skilled professionals so as to strengthen Japan's global competitiveness. However, the Japanese Business Federation also warned that the new system for accepting foreign workers should not negatively affect the efforts to promote innovation and productivity and should not undermine company strategies to develop and better utilize domestic Japanese human resources, including increases in labour market participation of Japanese women and elderly people, as well as efforts to improve the working conditions of Japanese workers.

In 2017, the Japan Chamber of Commerce and Industry (JCCI) had argued that Japan should not only accept professional or technical workers but also workers in various fields in order to enhance the Japanese

¹²⁴ Japan Business Federation (2018), *Basic Views on Accepting Foreign Workers*, October 16, 2018, https://www.keidanren.or.jp/en/policy/2018/086_outline.pdf

economy.¹²⁵ The JCCI demanded that Japan should increase awareness for the existing policies relevant to high-skilled foreign workers among workers and businesses in Japan in order to accept more foreign workers.

In 2019, the Japan Association of Corporate Executives (JACE) joined the discussion by suggesting that Japan would have to be more strategic in accepting foreign workers in order to respond to the declining working population as well as to boost innovation and productivity.¹²⁶

In 2020 when the COVID-19 pandemic severely impacted Japan, the Japan Association of New Economy (JANE) headed by Rakuten CEO Mickey Mikitani issued a statement encouraging the government to bring in more foreign workers to relaunch Japan's economy and drive innovation through a stronger diversity of talent which would solve labour shortages and create new demand in society.¹²⁷

In a public opinion poll conducted by the Japanese Trade Union Confederation (JTUC) in 2018 (n= 1000), 51% of the participants had stated it would be good to have more foreign workers in their own workplace: 64% of members in their 20s and 43% of those in their 40s agreed, while 25% overall rejected the idea.¹²⁸ The most common reason for a positive response was: “to compensate for labour shortages” and the most common reason for a negative response was: “because their workplace has not set up a proper system for it.” It was also notable that 69% of the respondents thought that the government had not clearly explained Japanese policies regarding foreign workers.

Generally speaking, the Government of Japan is willing to accept high-skilled foreign workers in order to enhance the national economy.¹²⁹ However, lobby groups such as the Japan Association for the Employment of Foreign Nationals (JAEFN) question current government practices and argue that reality contradicts

¹²⁵ Japan Chamber of Commerce and Industry (JCCI) (2017), *Konngono gaikokujinnzaino ukeireno arikata ni kannsuru ikenn [gaiyou]: 'Hirakareta nihonn no jitsugenn ni muketa aratana ukeiresakuno kouchikuwo'* 今後の外国人材の受け入れのあり方に関する意見 {概要} ~ 「開かれた日本」の実現に向けた新たな受け入れ策の構築を~ [Opinion on the future way of receiving foreign human resources {Overview}: Building a new system for realization of 'opened Japan'], November 16, 2017, <https://www.jcci.or.jp/Overview.pdf>

¹²⁶ Japan Association of Corporate Executives (JACE) (2019), *Jizokuteki seichou ni shisuru roudou shijou kaikaku: haiburiddo gata koyouto gaikoku jinnzaino katsuyaku suishinn ni mukete kajiwo kiru 持続的成長に資する労働市場改革ーハイブリッド型雇用と外国人材の活躍推進に向けて舵をきるー* [Labour market reform for sustainable growth: Shift towards to hybrid employment and success for foreign workers], January 2019, <https://www.doyukai.or.jp/policyproposals/uploads/docs/b36bfcef5f6c76b2931155d28310f8e50706adb0.pdf>

¹²⁷ Japan Association of New Economy (JANE) (2020), *A Statement from Japan Association of New Economy Chairman Mickey Mikitani Calling for Review of Japan's Entry Restrictions*, August 17, 2020, <https://jane.or.jp/en/proposal/comments/11741.html>

¹²⁸ In the following: Japanese Trade Union Confederation (JTUC) (2018), *Gaikokujinn roudou shano ukeire ni kannsuru ishiki chousa 2018 外国人労働者の受け入れに関する意識調査2018* [The public opinion concerning acceptance of foreign workers 2018], October 18, 2018, <https://www.jtuc-rengo.or.jp/info/chousa/data/20181018-02.pdf?52>

¹²⁹ See e.g. a statement stating that the Japanese government supports attracting more foreign workers in: Ministry of Health, Labour and Welfare, *Employment Policy for Foreign Workers*, https://www.mhlw.go.jp/stf/seisakunitsuite/bunya/koyou_roudou/koyou/gaikokujin/index.html

government policy efforts to prioritize the acceptance of high-skilled workers as the majority of foreign workers in Japan remain constituted by technical trainees and international students only.¹³⁰ JAEFN claims that Japan needs to break away from the current policy conditions and try to attract more foreign skilled workers, particularly following the COVID-19 outbreak to boost the national economy.

The Japan Business Federation continues to lobby for a transparent and more appropriate selection process, well-defined residency and employment management systems, a stronger protection of employment and human rights and stronger legal compliance. It also asks for better public relations strategies for the dissemination of policies in Japan and promoting better awareness abroad.¹³¹ According to JCCI, there continues to be a strong discrepancy between real labour market demands and the situation of foreign skilled workers: Even though 60% of all companies in Japan are experiencing labour shortages, over 40% of all visas issued to foreigners are not ‘work visas’ (e.g. are issued to students). Therefore, Japan is also asked to review and expand its existing recruitment and attraction of foreign workers and consider changes to its work visa system and create, for example, a path to permanent residence status for international students graduating from Japanese universities and colleges.¹³² Furthermore, the JACE highlighted that the economic gaps which existed between Japan and sending countries such as China and Vietnam have been undoubtedly narrowed by now, and thus, Japanese companies should recognize that Japan may no longer be an attractive country for workers. Therefore, foreign workers cannot be viewed as merely cheap labour any longer.¹³³

(2) There is a shared recognition that overcoming language barriers and providing adequate legal and social support is crucial for the integration of foreign workers

Possibilities of multicultural coexistence and language barriers are fundamental issues for foreign workers who wish to settle in Japan. The language barrier is a significant problem which deprives Japan of skilled workers.¹³⁴ There are few workplaces which have adopted English or bilingual workplaces. The inability or lack of fluency for most foreign workers to speak Japanese also creates a significant barrier to social integration, which affects Japan’s ability to retain migrants in the long-term. Most employers wish to only hire workers that already possess Japanese language skills. A 2011 survey of 351 companies indicated that more than 90% of all employers interviewed required applicants to have Japanese language skills in order

¹³⁰ Japan Association for the Employment of Foreign Nationals (JAEFN) (2018), *Kyougikai ni tsuite 協議会について*[About JAEFN], <http://jaefn.or.jp/about/>

¹³¹ Japan Business Federation (2018), 3.

¹³² JCCI (2017), 1-2.

¹³³ JACE (2019), 6.

¹³⁴ In the following: Oishi & Skrentny (2012), 1086.

to be hired.¹³⁵ According to the 2018 public opinion survey by the Japanese Trade Union Confederation, 35.2% of the respondents stated that Japanese language skills are the most important requirement when accepting foreign workers, 32.7% listed understanding Japanese culture, while 19.7% listed professional skills and knowledge.

According to the Japan Business Federation, Japan has to maintain diverse support systems including education for foreign children, language learning, administrative services in different languages, rental housing support, and disaster prevention information in order to create a society where foreigners can live comfortably and integrate successfully.¹³⁶ JACE suggests that the government needs to secure better resources to solve language barriers by providing more comprehensive language training to foreign workers and their families.¹³⁷

The Japan Federation of Bar Associations (JFBA) aims to facilitate better interaction between lawyers and institutions in order to support foreigners in Japan to live without being treated unjustly in different situations such as when looking for housing, workplaces, and schools.¹³⁸ JFBA has repeatedly called on the government to improve immigration policies and regulative practices so that foreign nationals can enjoy the full protection of the law, including full access to family reunification. The JFBA has also called for improvements in access to legal service for foreign nationals in order to protect rights and also ensure appropriate remedies. JFBA lobbies for one-stop consultation centres to provide quality legal consultation in multiple languages while also training and supporting a new class of attorneys that can handle cases relating to foreign nationals and international business. Japan needs to effectively improve policies as well as create and maintain support systems and disseminate those developments to both its people and potential migrants abroad in order to better attract and retain foreign talent.

(3) Creating an effective international workplace means lowering language barriers, adopting flexible working styles, and stronger support for diversity and inclusion

It is necessary to improve and adapt the working conditions of Japanese workplaces in order to attract foreign talent. According to Miku Hirano, the CEO of AI start-up Cinnamon Inc., lowering the language barrier, more flexible working styles, and greater diversity in workplaces are critical for Japanese and

¹³⁵ Osanami Törngren & Holbrow (2017), 67-82 and 75.

¹³⁶ Japan Business Federation (2018), 6.

¹³⁷ JACE (2019), 7.

¹³⁸ In the following: Japan Federation of Bar Associations (2019), *Declaration to further promote the expansion of legal services required by globalization and internationalization of society and the improvement of access to these services*, June 14, 2019, <https://www.nichibenren.or.jp/en/document/statements/190614.html>

foreign workers to work together successfully.¹³⁹ The start-up AI company has 150 (out of 200) foreign employees, and 70% to 80% of its employees are able to use English despite their offices being in Japan. Furthermore, the CEO also promotes diversity of her company by employing a wider than usual range of age groups and a higher percentage of female employees.

Rohan Yamagishi, another Japanese CEO, states that his company Info Cubic Japan Inc. has started to employ foreign talent regardless of their level or non-existence of Japanese language skills.¹⁴⁰ There is also no rule about the proper language at the workplace, even when it comes to working documents (aside from formal employment contracts which are to be written in English or Japanese). Yamagishi believes emulating similar practices would make other Japanese companies more attractive for global talent.

Japanese E-commerce giant Rakuten has made significant strides to internationalize their workforce. In 2010, Rakuten began an initiative to make English the official company language in order to make communication between employees easier and to expand their pool of potential hires.¹⁴¹ 10 years after implementing this change, Rakuten's workforce now consists of 23.1% foreign workers representing over 70 nationalities. Rakuten also recognizes same-sex partners as spouses in internal company policies, making them eligible to receive company benefits, which helps to attract global LGBTQ talent that may be reluctant to relocate to Japan due to the lack of national legal recognition of same-sex marriage or partnerships.

(4) General criticism towards the Technical Internship Training Program and the Blue Collar Visa Program

It is remarkable how many stakeholders hold a clearly dissenting view concerning Japan's Technical Training Program and new Blue Collar Visa Program. According to JACE, the foreign workers that are entering Japan on technical intern trainee visas or student visas are merely used to compensate for labour shortages, and not to be trained and further educated – a clear deviation from the original purpose of those visas.¹⁴² The Labour Lawyers Association of Japan (LLAJ) shares these sentiments and claims that both

¹³⁹ *Tennsai' dake wo sayou, gaikokujinn hiritsu 75 pa-sennto no kyouseitoyou benntya-ni kiku 'gaikokujinn ga hatarakitakunaru shokuba zukuri'* “天才”だけを採用、外国人比率75%の急成長ベンチャーに聞く「外国人が働きたくなる職場づくり」 [Employing only “genius”: A growing startup company with 75% foreign workers amongst all employees talks about creating a workplace where foreigners want to work at], March 27, 2020, <https://ix-careercompass.jp/article/4432/>

¹⁴⁰ *Gaikokujinn koyou to manejiementto kigyoheno inntabyu-: kabusikigaisha info kyu-bikku japann Yamagishi rohan shi* 外国人雇用とマネジメント企業へのインタビュー: 株式会社インフォキュービック・ジャパン 山岸ロハン氏 [Interview to management corporations employing foreign workers: Rohan Yamagishi from Info Cubic Japan Inc.], November 26, 2019, <https://university.globalpower.co.jp/1980/>

¹⁴¹ Rakuten (2019), *Diversity*, December 31, 2019, <https://global.rakuten.com/corp/sustainability/employees/diversity/>

¹⁴² JACE (2019), 6.

programs remain plagued by rights violations¹⁴³, confirmed by the NGO Solidarity Network with Migrants Japan (SMJ).¹⁴⁴

(5) Japan has yet to reach its potential as an attractive destination for global talent

When it comes to accessing global talent, Japan's struggles to attract and retain workers in the long-term are now exacerbated by conditions of the COVID-19 pandemic. Japan was ranked 44th out of 59 countries globally for attractiveness to foreign workers, which indicated that Japan will have to make significant changes in order to appeal to the high-skilled global professionals needed for economic growth.¹⁴⁵ The 10-year retention rate of high-skilled workers is less than 10%, and most workers return to their home country or another country to work, indicating that Japanese workplaces are not attractive for high-skilled migrants.

Japanese traditional corporate practices are often said to be incompatible with the attraction and retention of skilled foreign migrants and used as an explanation to why Japan has been unable to attract large numbers of skilled migrants despite relatively open policies. The lifetime employment system which is traditionally followed by Japanese companies expects workers to stay at one company for their entire career. This system clearly clashes with increasingly mobile high-skilled career paths and also changing economic practices, increasing innovation and competitiveness.¹⁴⁶ Slow-paced promotion and the lack of competitive salaries makes working in Japan and in a Japanese company often far less attractive than elsewhere.¹⁴⁷ Japanese companies also typically rotate workers through various roles in order to produce generalists with potential to become capable managers. In contrast, foreign workers can get 'stuck' in specialized roles such as those related to business with their home country and because of this, do not earn the necessary experience to become eligible for promotion into managerial roles.¹⁴⁸ Companies may also hold the belief that foreign workers are more likely to quit or suddenly leave and return to their home country and therefore, are not given career development opportunities typically available to lifetime Japanese employees. A quantitative study of the salaries of foreign graduates of Japanese universities found that holding an advanced degree, a STEM related degree, or possessing Japanese language proficiency was associated with a higher salary

¹⁴³ The Labour Lawyers Association of Japan (LLAJ) (2018), *Aratana gaikokujinn roudousha ukeire seido sousetsu ni taisuru seimei* 新たな外国人労働者受入れ制度創設に対する声明 [Statement concerning establishment of the new foreign labour acceptance policy], <http://roudou-bengodan.org/wpRB/wp-content/uploads/2018/10/008c9697cb0450784db7db91ac639670.pdf>

¹⁴⁴ Solidarity with Migrants Japan (2019), *Aratana gaikokujinn roudousha ukeire seido suta-to wo mae ni* 新たな外国人労働者受入れ制度スタートを前に [In response to the establishment of the new policy for accepting foreign workers], <http://migrants.jp/wp-content/uploads/2019/03/bfa4dec4793620f0ca72bc58d94fe7d9.pdf>

¹⁴⁵ Oishi & Skrentny (2012), 1087.

¹⁴⁶ Oishi & Skrentny, 1087-1089.

¹⁴⁷ Oishi (2017), 555.

¹⁴⁸ Hilary J. Holbrow and Kikuko Nagayoshi, "Economic Integration of Skilled Migrants in Japan: The Role of Employment Practices," 2018, *International Migration Review*, 52(2): 458-486, 462, 463, 478-479

among foreign workers in Japan. In contrast, being stuck in a specialized role and working at a company with performance-based pay, diversity training, or the absence of at least one foreign manager often correlated with lower overall salaries. These findings indicated that Japanese companies disadvantage foreign workers at an institutional level which poses a significant barrier to (1) attraction efforts, and (2) the long-term retention of foreign workers.

Japan's inability to prioritize the balance of work, social, and family life is another factor which negatively impacts its capacity to attract skilled migrants. Poor work-life balance and overworking were cited as significant reasons why Japan ranked 51st in the world for attractiveness to high-skilled foreign workers in 2017.¹⁴⁹ Gender inequality at Japanese firms also hinders various employers in their ability to attract high-skilled workers as foreign women face many of the same barriers to equality as Japanese women.¹⁵⁰

A 2012 qualitative survey of high-skilled migrants also identified the lack of quality education options for the children of foreign workers as a key area of concern.¹⁵¹ Japanese companies usually do not provide subsidies for international education options which can be cost-prohibitive, and the Japanese public school system lacks the diversity and multicultural education necessary to accommodate the children of migrant workers. High-skilled professionals may wish for their children to become global professionals such as themselves, and the current monolingual and monocultural nature of Japanese public education makes some professionals hesitate about settling in Japan long-term.

Takahiro Suemori, CEO of Be Forward Co., LTD. employs around 60 foreign workers (out of a total number of 210). He points out that Japan's policy for giving visas to foreign workers is too strict in that they require those workers to have completed higher education regardless of the skills they possess, and that workers from under-developed countries tend to be scrutinized more than workers from developed countries.¹⁵² In contrast, while claiming that Japan already has critical advantages to attract foreign workers including that it is relatively easy to get a work visa, Yohei Shibasaki, CEO of Forth Valley Concierge Corp., argues that Japan is currently incapable of offering competitive wages to attract more Western and e.g. also Chinese high-skilled workers.¹⁵³ From his point of view, while Japan is looking for talent abroad, it is increasingly constrained to lower cost and lower wage countries of origin (e.g. lower income Asian countries).

¹⁴⁹ Oishi (2017), 555.

¹⁵⁰ Holbrow, Hilary J. & Nagayoshi, Kikuko (2018), "Economic Integration of Skilled Migrants in Japan: The Role of Employment Practices", *International Migration Review* 52(2): 458-486, 477.

¹⁵¹ Oishi & Skrentny (2012), 1090.

¹⁵² *Gaikokujinn koyou to manejimennto kigyoheno inntabyu-: kabusikigaisha bii foa-do 外国人雇用とマネジメント企業へのインタビュー:株式会社ビー・フォアード* [Interview to management corporations employing foreign workers: Be Forward Co.], April 30, 2020, <https://university.globalpower.co.jp/2230/>

¹⁵³ *Foreign workers key to maintaining Japan's economic competitiveness*, The Japan Times, August 28, 2020, <https://info.japantimes.co.jp/jt-with-kintopia/01/>

Conclusions and Recommendations

Due to the sudden slowdown of economic activities following the COVID-19 outbreak, foreign workers around the globe face incredibly difficult situations and many have lost their jobs. During the first half of 2020, the Japanese Ministry of Internal Affairs and Communications reported that the number of foreign-born employees in April 2020 had dropped by 360,000 compared to the same month from the previous year. For Japan, the initial half of 2020 marked the first period of a negative trajectory in the number of foreign workers within the previous 88 months (or 7 years and 4 months).¹⁵⁴ Between March and April 2020 alone, Japan's overall employment of both local Japanese, as well as foreign-born workers declined by as much as 1,050,000 workers. As of June 2020, it was expected that even more foreign workers could voluntarily leave or be forced to leave Japan over the coming months due to the COVID-19 pandemic.¹⁵⁵ For this reason, JANE suggested that the Japanese government should consider easing entry restrictions once again in order to avoid long-term economic stagnation.¹⁵⁶

According to Globalpower Inc., a recruitment agency which only months before the COVID-19 pandemic had launched a free matching service for high-skilled foreign talent and Japanese corporations, noted that job listings between March and April 2020 halved, whereas the number of job seekers during the same two month period increased by 30-40%.¹⁵⁷ The Japanese government introduced a one-time Special Cash Payment of 100,000 yen (approximately \$950 US) to support foreign workers in Japan and help them to mitigate the impacts of COVID-19. However, an overly complicated application process prevented many foreigners from accessing these funds.¹⁵⁸ Japan's Immigration Services Agency decided to allow foreign workers who became unemployed and stranded due to the pandemic in Japan, to extend their visas and stay in the country. In collaboration with local governments and business organizations, Japan's Immigration Services Agency has also started to match foreign workers and international students with companies

¹⁵⁴ *Koronade sutsugyou gaikokujinn, shokusagashi muzukashiku konnkyuu, shienn no ugokimo* コロナで失業外国人、職探し難しく困窮 支援の動きも [Foreign workers who lost their job due to COVID, having found no other jobs and becoming poor, there are some support too], Nikkei, June 5, 2020, <https://www.nikkei.com/article/DGXMZO59997790U0A600C2CN8000/>

¹⁵⁵ *Korona shokkuni youru saidai no higaisha toha?* コロナ・ショックによる最大の被害者とは? [Who is most impacted by the corona-shock?], Daiwa Securities Group Inc., June 16, 2020, https://www.dir.co.jp/report/column/20200616_010476.html

¹⁵⁶ JANE (2020).

¹⁵⁷ *Shitsugyou no gaikoku jinnzai, kigyouni shoukai: guro-baru pawa-* 失業の高度外国人材、企業に紹介 グローバルパワー [Introducing high skilled foreign workers who lost their job to companies: the Globalpower], Nikkei, April 28, 2020, <https://www.nikkei.com/article/DGXMZO58567460Y0A420C2000000/>

¹⁵⁸ *Korona to gaikokujinn roudousha hitsuyouna shienn todoku shikumiwo* コロナと外国人労働者 必要な支援届く仕組みを [Systems needed where foreign workers can receive proper support in the COVID situation], Mainichi, June 7, 2020, <https://mainichi.jp/articles/20200607/ddm/005/070/010000c>

seeking employees.¹⁵⁹ Moreover, technical trainees were allowed to change their job type during their training period, which was previously prohibited. This might help Japan to mitigate growing labour shortages for caregivers and agriculture workers – sectors which have seen a continued and even further growing demand for workers during the pandemic.

In recent years and prior the COVID-19 pandemic, despite several policy overhauls which resulted in more open regulations for skilled migration, Japan has largely failed to attract and retain large numbers of skilled workers.¹⁶⁰ The enduring obstacles for skilled migration lie not in visa or migration policy and restrictions, but rather in cultural issues which make Japan a less attractive place to settle for skilled migrants, and a general lack of support for them once in the country which would make settling in Japan feasible. Therefore, there are several key policy changes Japan must make if it wants to become a more attractive destination for global talent.

The need to address language barriers is also self-evident. Japan is at a natural disadvantage as there are relatively few Japanese speakers compared to English speakers worldwide, and therefore the country has a much smaller pool of potential migrants to draw from. There were over 3.6 million people formally studying Japanese as a foreign language in 2015, with the majority of learners located in East Asia and South-East Asia.¹⁶¹ The countries with the highest numbers of Japanese learners are China, Indonesia and South Korea, and learners in these countries could represent a valuable recruitment pool of high-skilled migrants for Japan. However, all of the mentioned countries are experiencing their own growing labour demands for skilled professionals. Japan should continue to promote the study of Japanese and draw on the increasing number of Japanese language learners as a source of potential skilled migrants. Simultaneously, Japan and Japanese firms should also promote the use of English in the workplace and improve English language education within Japan to access a broader pool of potential migrants. Workplaces wishing to internationalize and utilize global talent should consider the use of English as the official corporate language and move away from only hiring foreign workers with advanced Japanese skills.

Japanese firms should also focus on reforming traditional corporate practices that are incompatible with the attraction and retention of skilled migrants. Movement away from lifetime employment, and efforts to give career development opportunities equally to international and domestic staff are key changes that would make Japanese firms more compatible with the attraction of global talent. Firms must also address the poor-

¹⁵⁹ *Korona de junann, gaikokujinn roudousha kaigo, nougyou heno shuushoku shienn -nyuukann chou* コロナで受難、外国人労働者 介護・農業への就職支援—入管庁 [The Immigration Services Agency supports job hunting of foreign workers to caregiving and agriculture industry], Jiji.com, May 5, 2020, <https://www.jiji.com/jc/article?k=2020050500364&g=econ>

¹⁶⁰ Holbrow & Nagayoshi (2018), 459.

¹⁶¹ Japan Foundation (2015), *Survey Report on Japanese-Language Education Abroad 2015*, https://www.jpf.go.jp/j/project/japanese/survey/result/dl/survey_2015/Report_all_e.pdf

work-life balance which has been cited as a factor that significantly reduces Japan's attractiveness as a migration destination.¹⁶² Japanese firms would also benefit from improving gender equality and providing leadership opportunities for women to attract female global talent. Providing education options to the families of skilled foreign workers is another area in which Japan can improve its attractiveness for skilled migrants. Moreover, the Japanese national and local governments could focus on improving the public school systems' ability to address the education needs of high-skilled workers' children, focusing on providing more multicultural education as well as Japanese language support.

In order to attract foreign entrepreneurs and boost start-up activity, Japan should provide more easily accessible visas, immigration and settlement-related information in English and other languages, accept application forms in English and offer corporate banking services in other languages than Japanese. Japan should also adopt more flexible criteria for the entrepreneur visa to have a physical office in Japan, considering the increasingly distributed nature of work and the differing needs of corporations, something which the Tokyo Metropolitan Government has recognized.¹⁶³

Furthermore, stronger efforts should be made to continue attracting international students to study at Japan's universities and technical colleges, and Japan should pursue policies to encourage students to consider working in Japan after graduation. Universities and the national and prefectural governments should also implement policies to attract international students to study in fields which are most in demand, such as STEM fields, as well as increase the number of these programs which are offered in English to widen the pool of potential students. It is also worth noting that the lengthening of school closures due to the COVID-19 pandemic is promoting discussion among prefectural governors of introducing a school year starting in September as opposed to the current system which begins in April.¹⁶⁴ Despite a number of obstacles such as reforming education laws and a shift in the job-search season, adjusting the beginning of the school year would ease the process for many international students coming to Japan and would make studying in Japan a more attractive choice. Universities and colleges also have a role to play in providing job-hunting resources and support for their international students to help increase the numbers of international graduates entering Japan's workforce.

The Technical Internship Training Program should be carefully reviewed as its current purpose of catering almost exclusively to low-skilled labour shortages has deviated from its stated intention to transfer skills to

¹⁶² Oishi (2017), 555.

¹⁶³ *Japan wants foreign entrepreneurs, but what's missing?*, The Japan Times, November 25, 2019, <https://www.japantimes.co.jp/news/2019/11/25/business/japan-foreign-entrepreneurs/#.XmEm46hKhPY>

¹⁶⁴ [Gironn] *shinngata korona tyoukika de "kugatu nyuugaku" he ikou ni sansei/hanantai?* [議論] 新型コロナ長期化で「9月入学」へ移行に賛成／反対? [Discussion] Agree or Disagree? A shift to "September-start school yaer" due to lengthening of coronavirus], Nikkei business, <https://business.nikkei.com/atcl/forum/19/00026/043000019/>

developing countries. Creating better access to legal support would help to increase protection and reduce human rights violations against technical interns.

Together, the Japanese government and Japanese firms must realize improvements in work-life balance, language policy, gender equality and provide more multicultural education options for the children of migrants. If these efforts are realized, Japan is quite capable of attracting more global talent. Japan does have many attractive traits which can be capitalized on to attract potential migrants. It has very high-quality healthcare and transportation infrastructure. Japanese cities consistently perform well in global rankings of local quality of living. They are recognized in the Economist Intelligence Unit's Global Liveability Index, which ranks cities based on 30 factors under the categories of stability, healthcare, culture, environment, education and infrastructure.¹⁶⁵ Japan has two cities in the top 10, with Osaka at 4th in the world and Tokyo at 7th.¹⁶⁶ These are the only cities of their size to rank in the top 10. In the post-COVID-19 era, Japan may be able to reassert itself as a stable and safe alternative to many traditional immigrant receiving nations which have struggled with both the containment and impact of the pandemic which has given rise to domestic instability. This instability may cause a shift among which countries are viewed as the most attractive for high-skilled global talent.

The long-term need for attracting high-skilled foreign professionals to Japan is evident. Policy development should therefore focus on improving Japan's attractiveness for foreign migrants and increasing supports that encourage high-skilled migrants to settle in Japan long-term. However, the current demand for foreign workers is collapsing due to the effects of the COVID-19 pandemic, and considering that foreign workers are more likely to face lay-offs than Japanese nationals.¹⁶⁷ However, high-skilled workers will be a coveted resource for the post-COVID-19 recovery strategy, and Japan should aim to make the necessary reforms to ensure that the country will be able to attract enough skilled workers when demand for their labour increases. The COVID-19 pandemic offers a unique opportunity for a "reset" to Japan's policies for the attraction and retention of global talent, and for the country to practically consider which policies were effective and those that should be earnestly improved moving forward.

¹⁶⁵ *The Global Liveability Index 2019*, The Economist Intelligence Unit, 2019, <http://www.eiu.com/topic/liveability>

¹⁶⁶ *The Global Liveability Index 2019*, The Economist Intelligence Unit, 2019, <http://www.eiu.com/topic/liveability>

¹⁶⁷ *Foreign Workers Feel the Pain of 'Corona Job Cuts' in Japan*, Reuters, May 4, 2020, <https://www.reuters.com/article/us-health-coronavirus-japan-foreign-work-idUSKBN22H01U>