

Immigration and the utilization of the domestic labor force in Japan

Prepared for the Japan Economic Foundation Roundtable, *the Political Economy of Japan and the EU: Challenges and Strategies*, Friday 13, November 2015, Chatham House.

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Structure of this presentation

- 1. Recent immigration trends in Japan**
- 2. Utilization of the domestic labor force**
- 3. Does Japan need more immigration?**
- 4. Refugees in Japan**

1. Recent immigration trends in Japan

- The number of non-Korean foreign workers has increased threefold in the period 1990-2005.
- The Immigration Control and Refugee Recognition Act was revised in 1988 (enacted in 1990) and 1993. It became easier to work in Japan for foreigners who engage in services which require special skills, for foreigners receiving job training in Japan, and for foreigners of Japanese descent.

Number of Employed Persons by Nationality

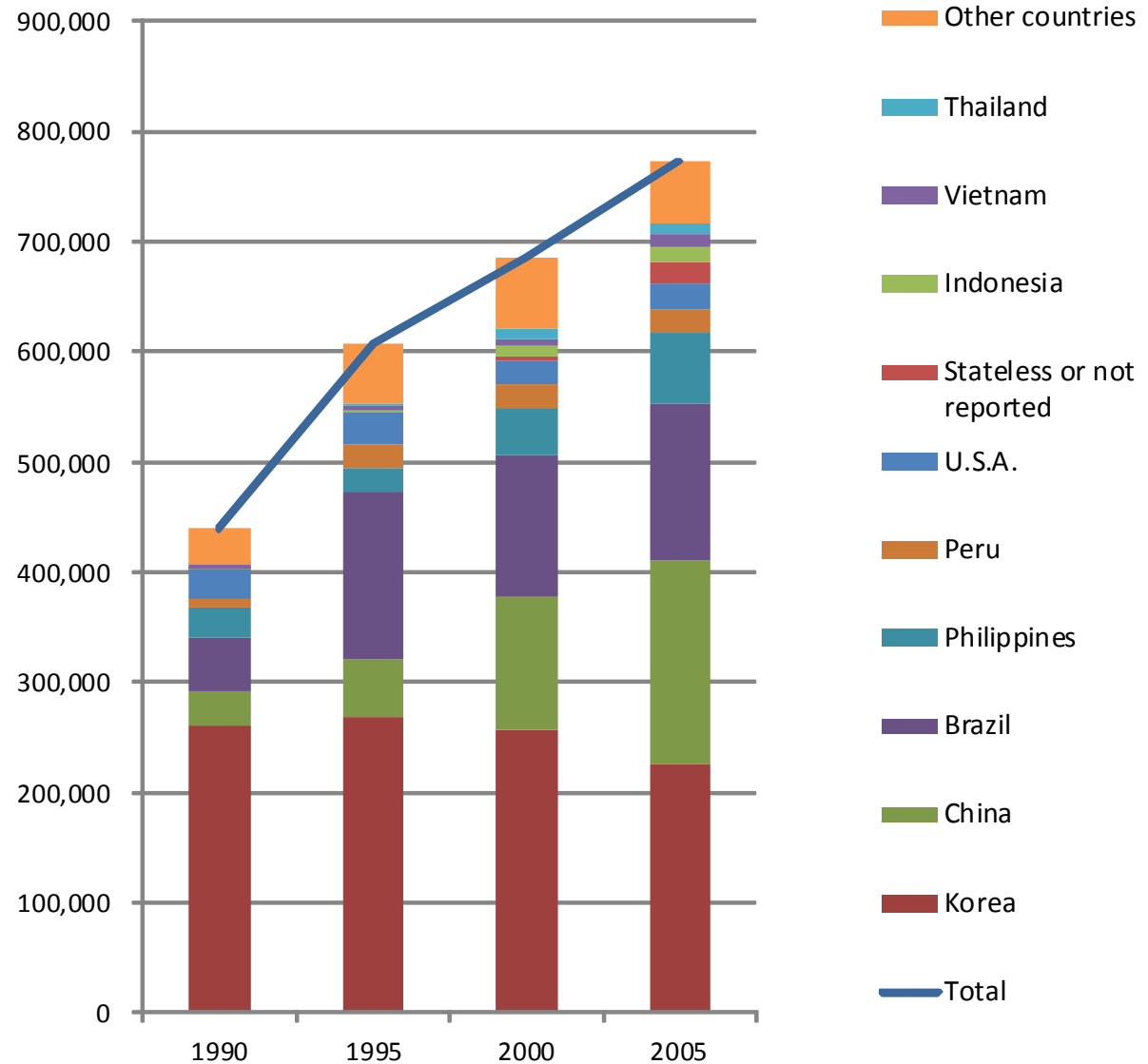
	1990		1995		2000		2005	
Total	61,679,340	(100.0)	64,181,890	(100.0)	63,032,270	(100.0)	61,530,200	(100.0)
Japanese	61,239,390	(99.3)	63,575,270	(99.1)	62,350,330	(98.9)	60,753,330	(98.7)
Foreigners	439,950	(0.7)	606,620	(0.9)	681,940	(1.1)	776,870	(1.3)
Korean	260,900	(0.4)	268,220	(0.4)	256,140	(0.4)	225,200	(0.4)
Others	179,050	(0.3)	338,400	(0.5)	425,800	(0.7)	551,670	(0.9)

Source: *Population Census*.

1. Recent immigration trends in Japan

Number of Employed Persons by Nationality

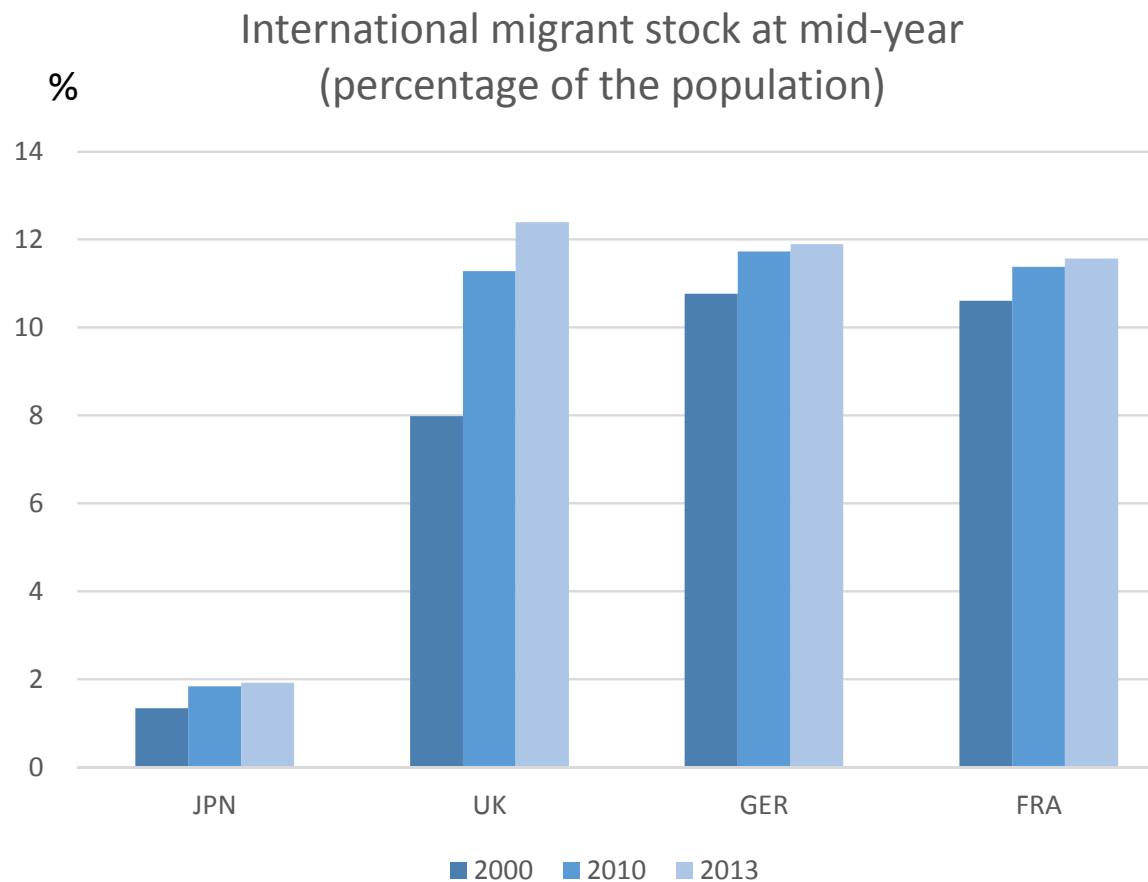
From 1990 to 1995, the number of Brazilians increased considerably. After 1995, the number of Chinese and Filipinos grew rapidly (Fukao and Makino 2011).



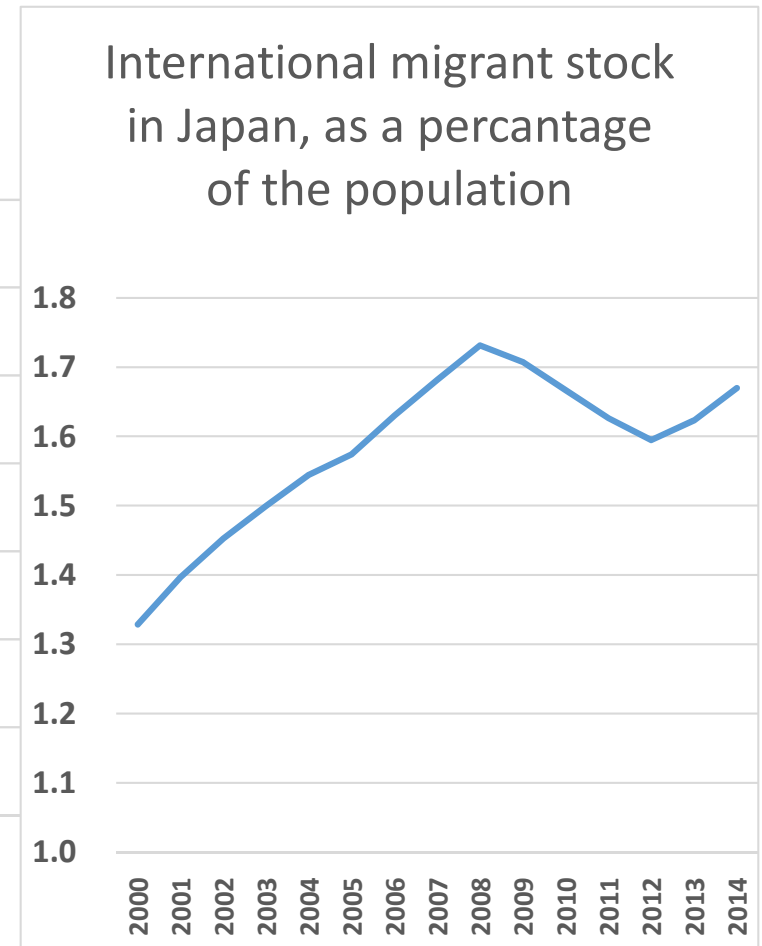
Source: Authors' estimation based on the *Population Census and Statistical Survey of Registered Foreigners*.

1. Recent immigration trends in Japan

The international migrant stock (as a percentage of the population) is still very small in comparison with other developed countries. But following the Lehman shock, Japan suffered a huge negative GDP gap and manufacturing firms accelerated the relocation of production abroad. Many migrant workers returned to their home countries.



Source: *Trends in International Migrant Stock: The 2013 Revision* (UN)

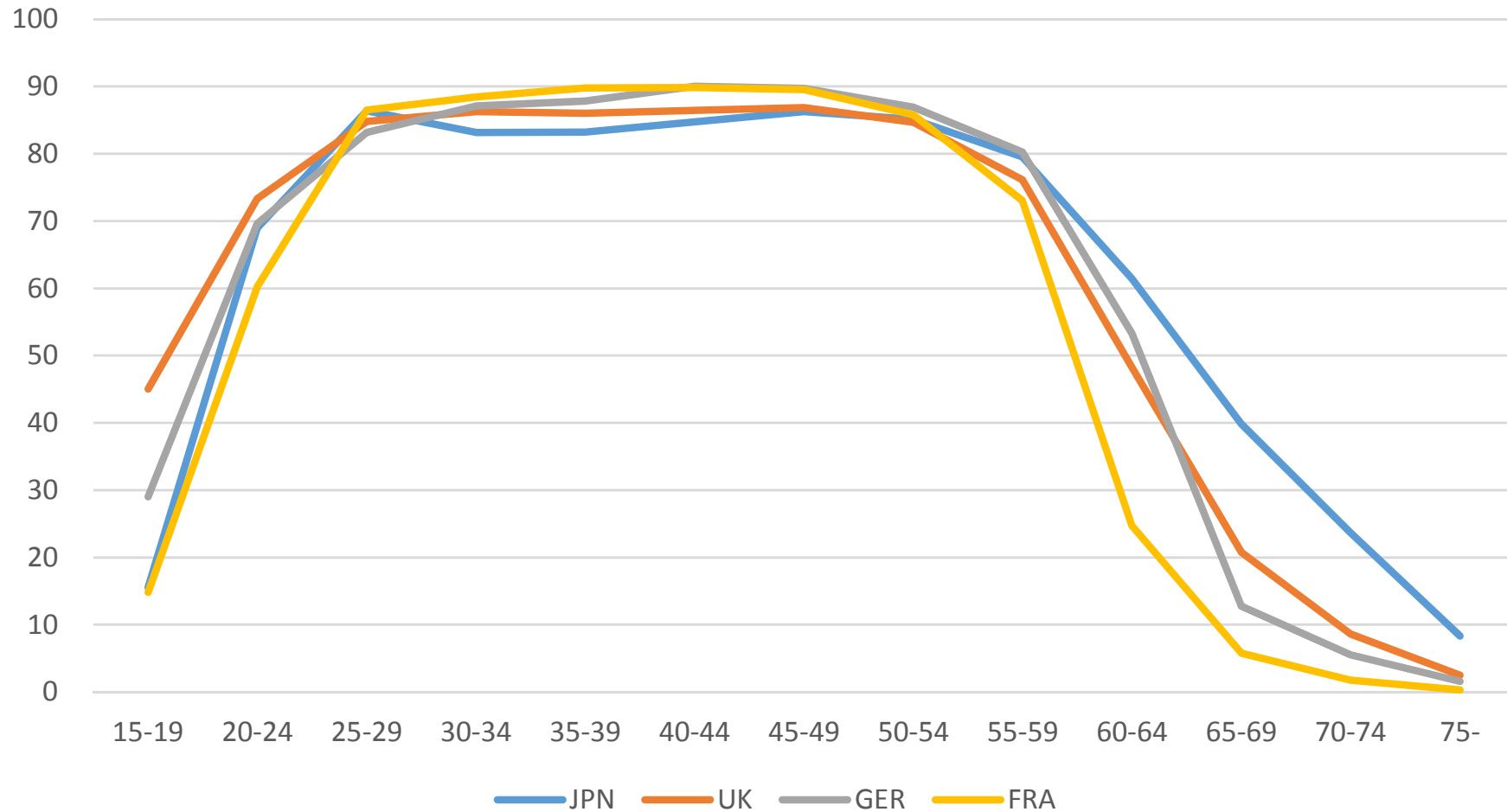


Source: Statistics on Foreign National Residents

2. Utilization of the domestic labor force

The labor force participation rate of aged workers is relatively high in Japan.

Labor Force Participation Rate by Age (%): 2013

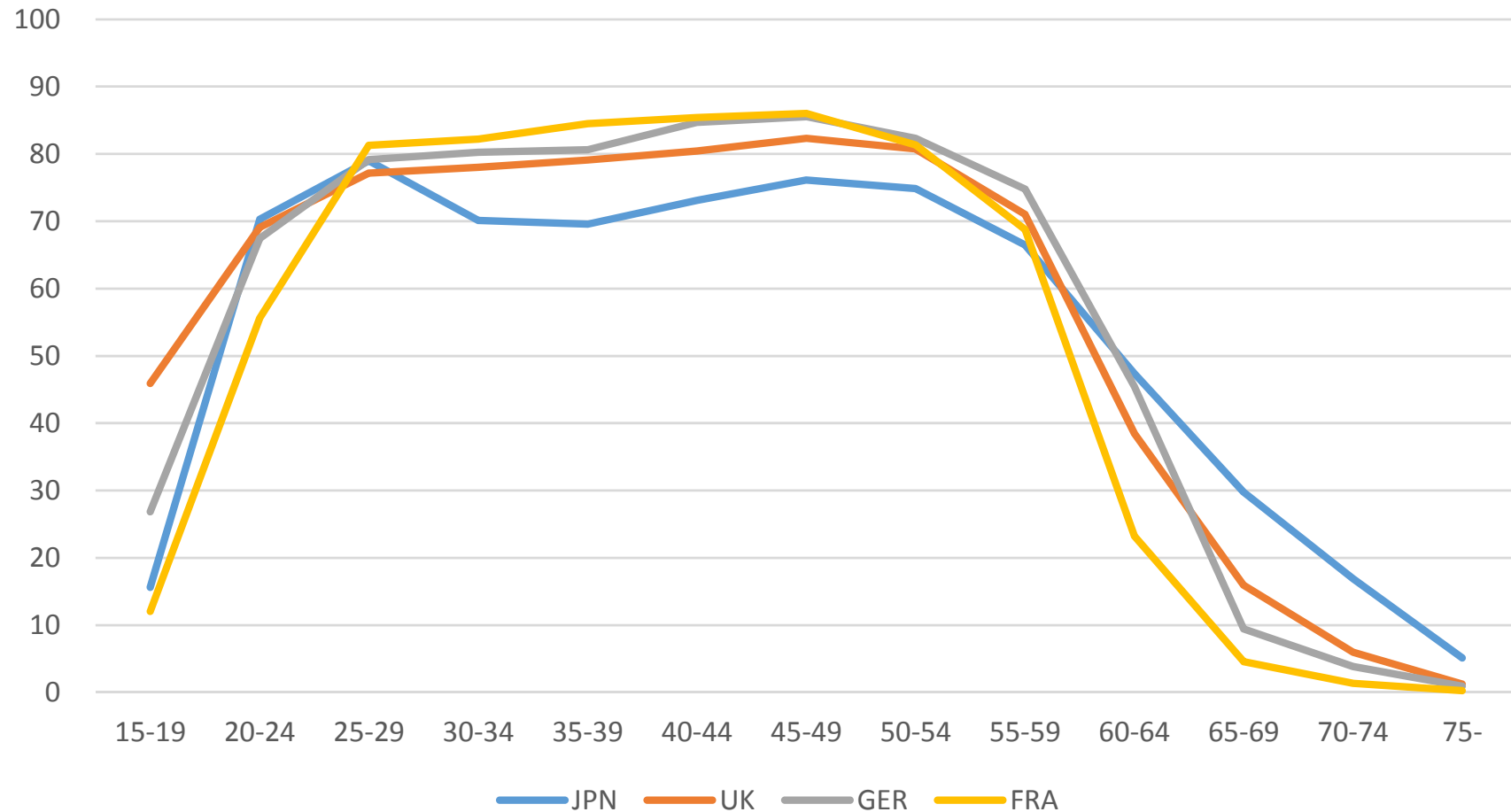


Source: *OECD.Stat* (UK, GER, FRA), *Labour Force Survey* (JPN)

2. Utilization of the domestic labor force

In the case of female workers in Japan, the labor force participation rate by age is M-shaped.

Labor Force Participation Rate by Age: Female (%): 2013

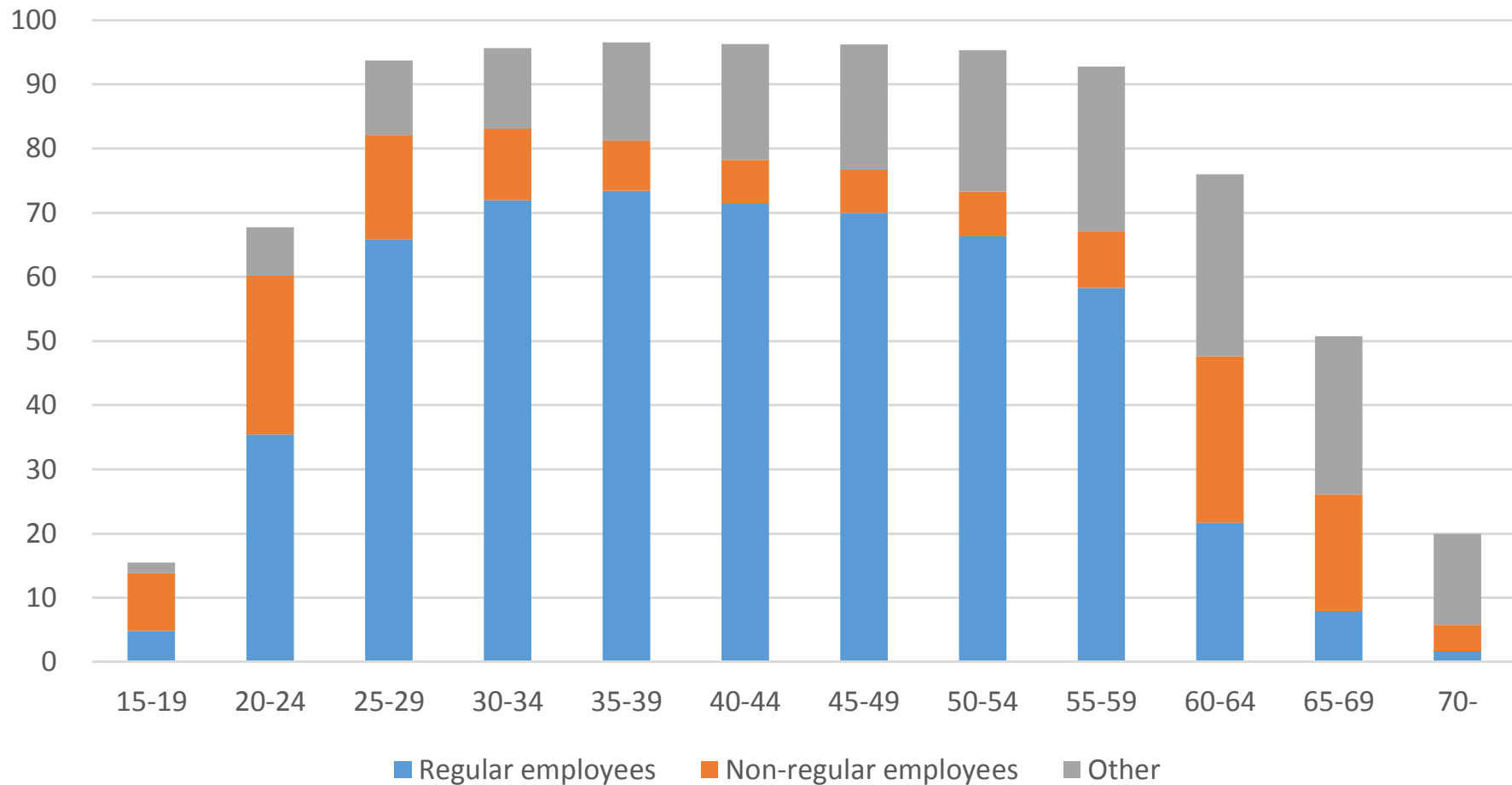


Source: *OECD.Stat* (UK, GER, FRA), *Labour Force Survey* (JPN)

2. Utilization of the domestic labor force

Most aged male workers are not regular employees.

Labor Force Participation Rate by Age and Status in Employment: Male
(%, 2013)

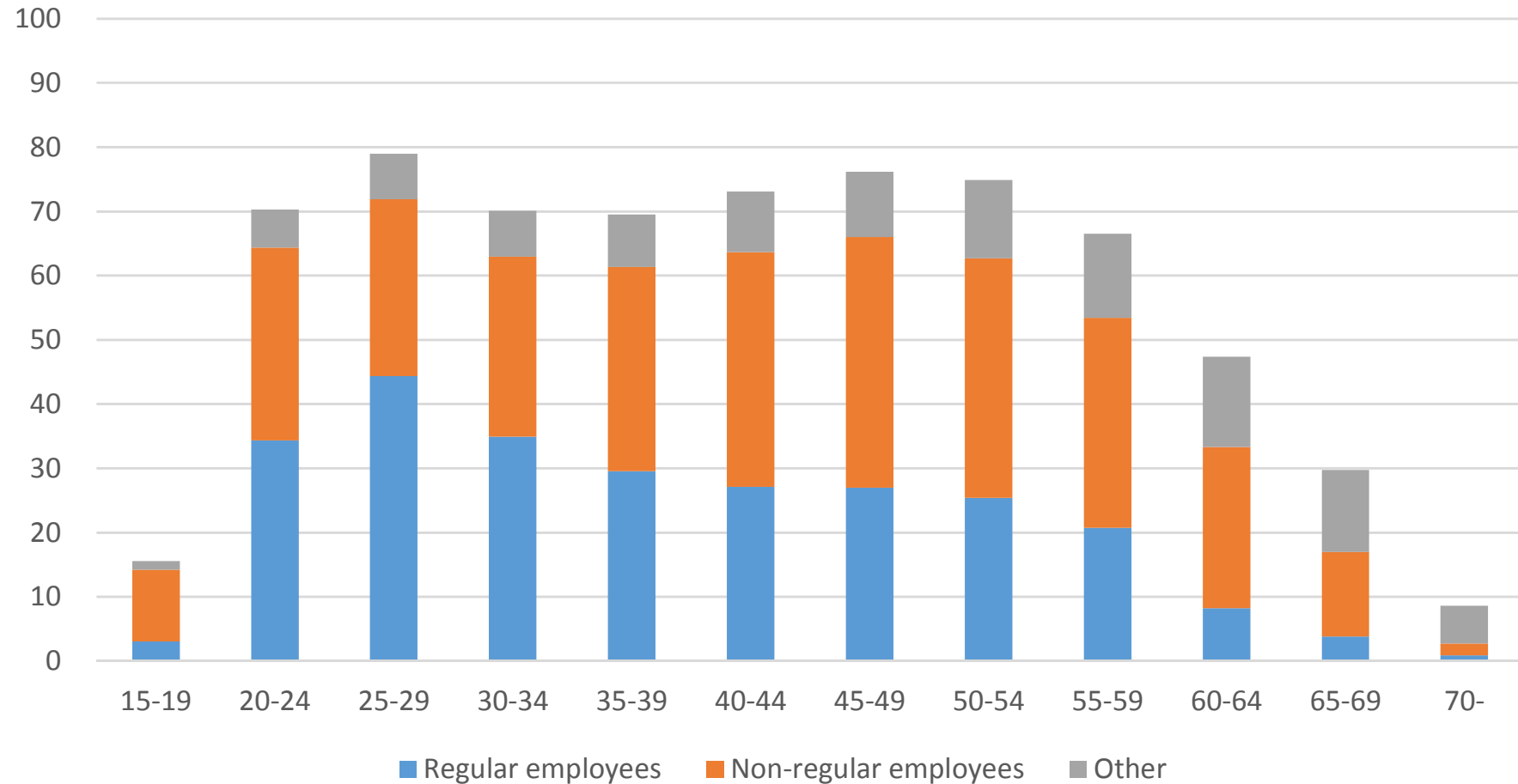


Source: *Labour Force Survey*

2. Utilization of the domestic labor force

Most female workers work as non-regular employees.

Labor Force Participation Rate by Age and Status in Employment: Female
(%, 2013)

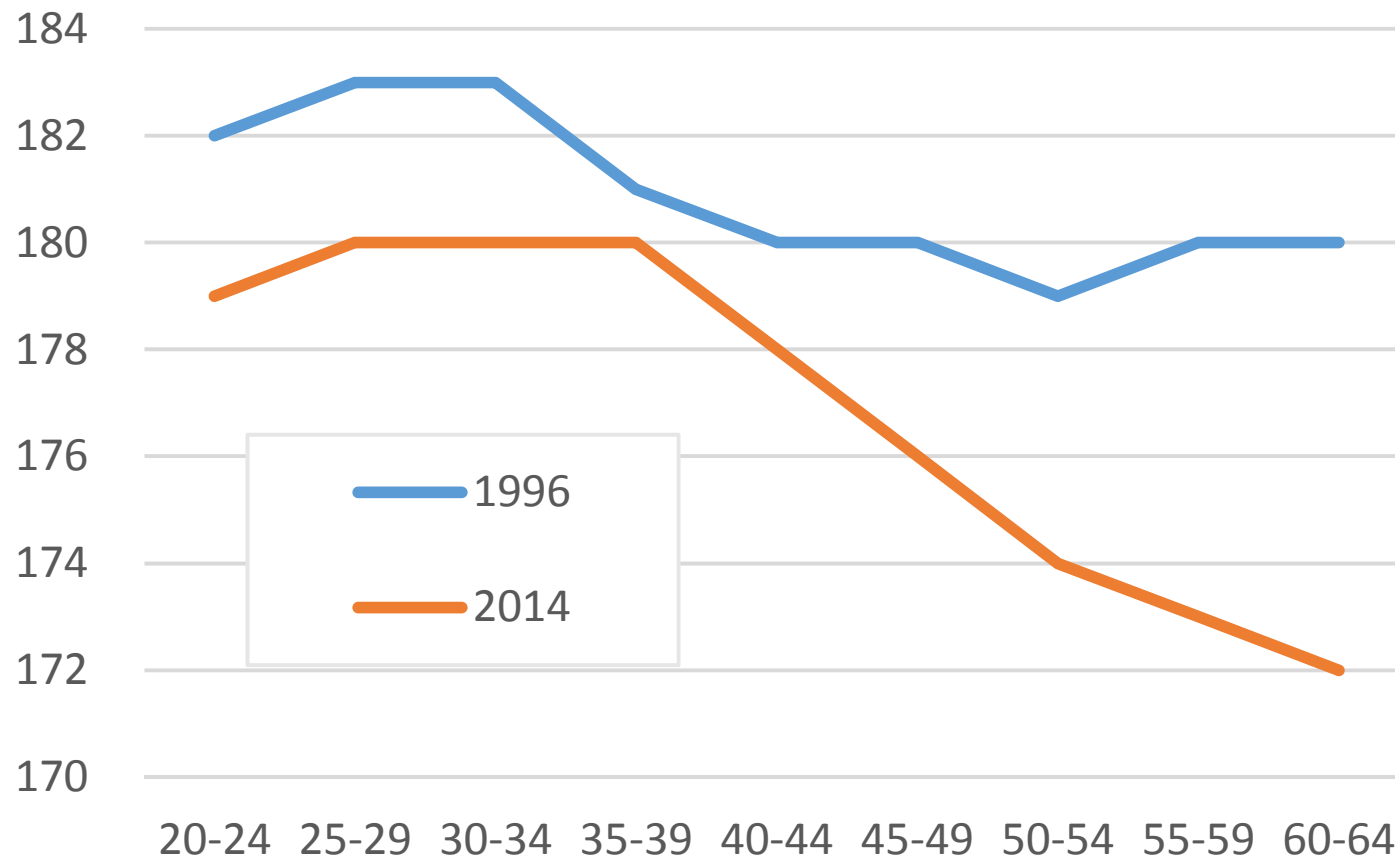


Source: *Labour Force Survey*

2. Utilization of the domestic labor force

Firms have increased the share of low-wage part-time workers and make young full-time workers work long hours.

Monthly hours worked by age:
Regular employees

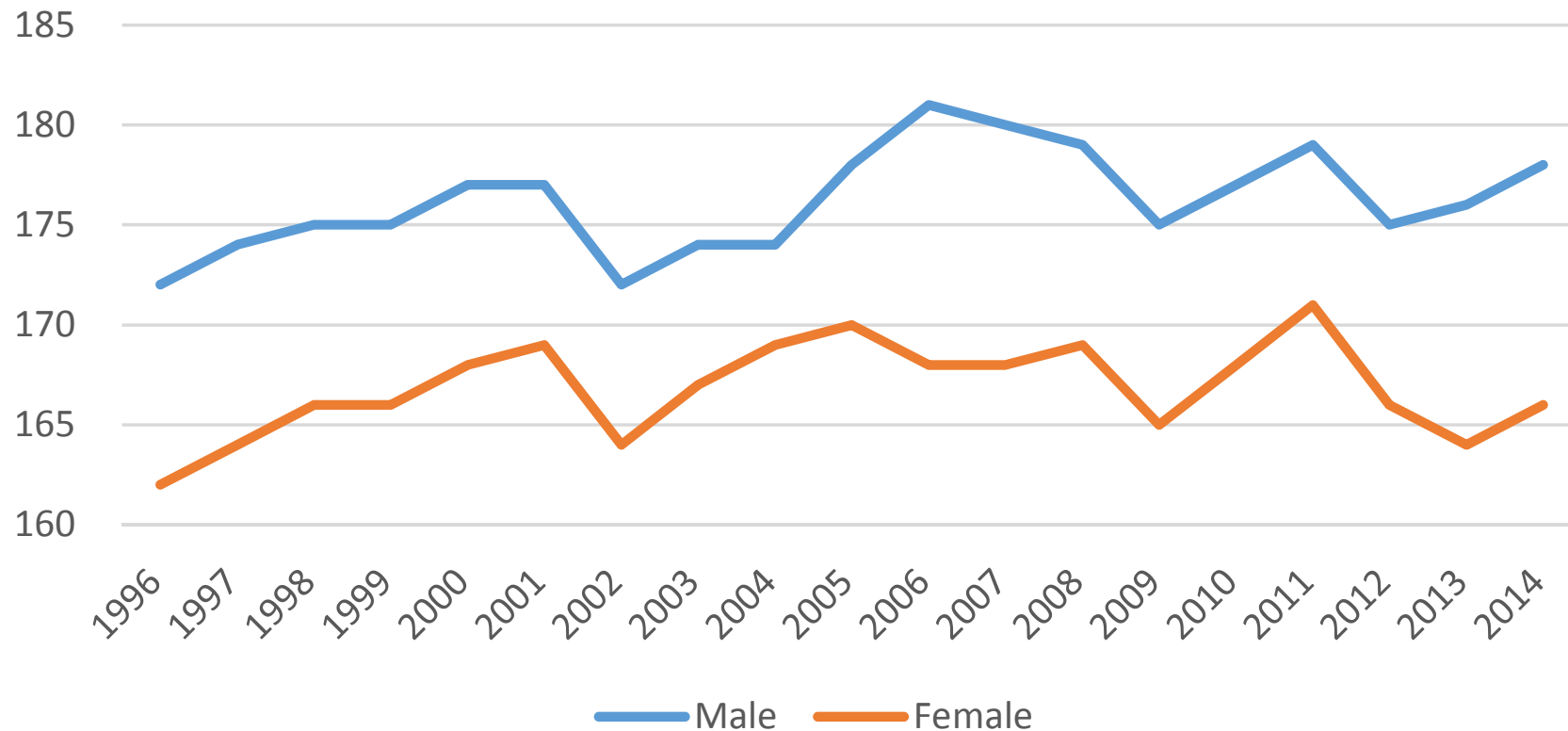


Source: *Basic Survey on Wage Structure*.

2. Utilization of the domestic labor force

Highly educated young full-time workers work long hours.

Monthly hours worked: age 35-39, graduates of universities or graduate schools, enterprises with 1000 employees or more

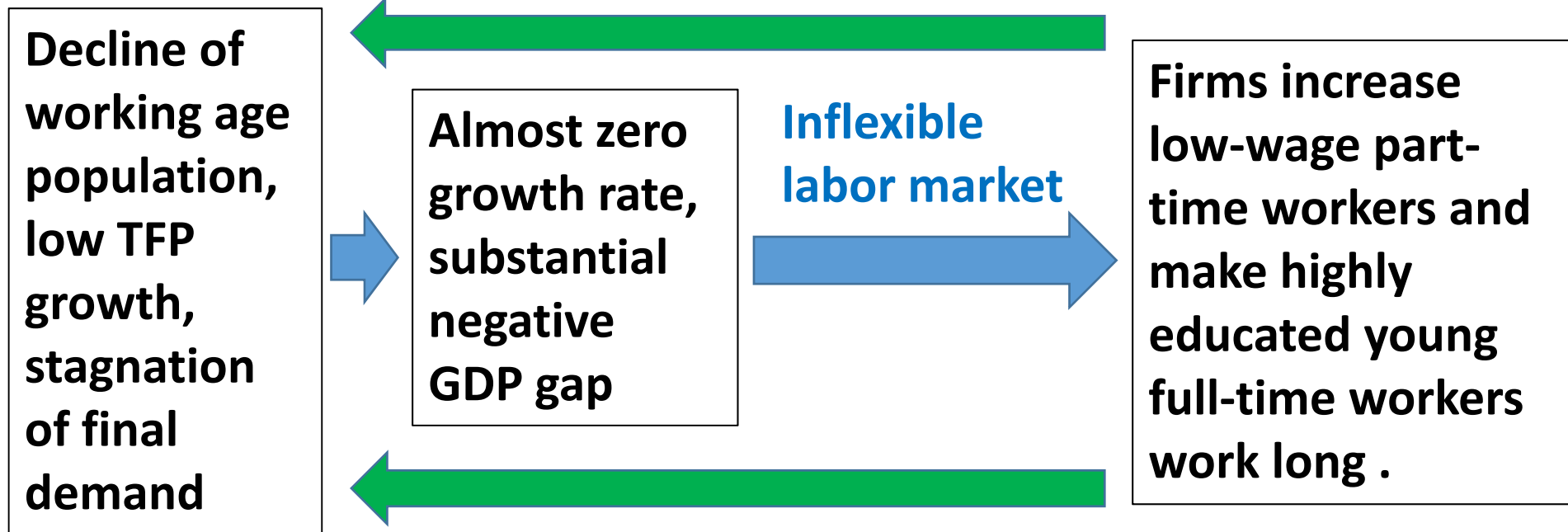


Source: *Basic Survey on Wage Structure*

2. Utilization of the domestic labor force

Demographic Vicious Cycle in Japan

Average age of first marriage increases
(Sakamoto and Kitamura 2008, Brinton 2015)



Part-time workers cannot accumulate skills (Fukao et al. 2008). Abundant supply of female and aged part-time workers reduces their wage rates. And with low wage rates, firms have few incentives to make efficient use of part-time workers.

3. Does Japan need more immigration?

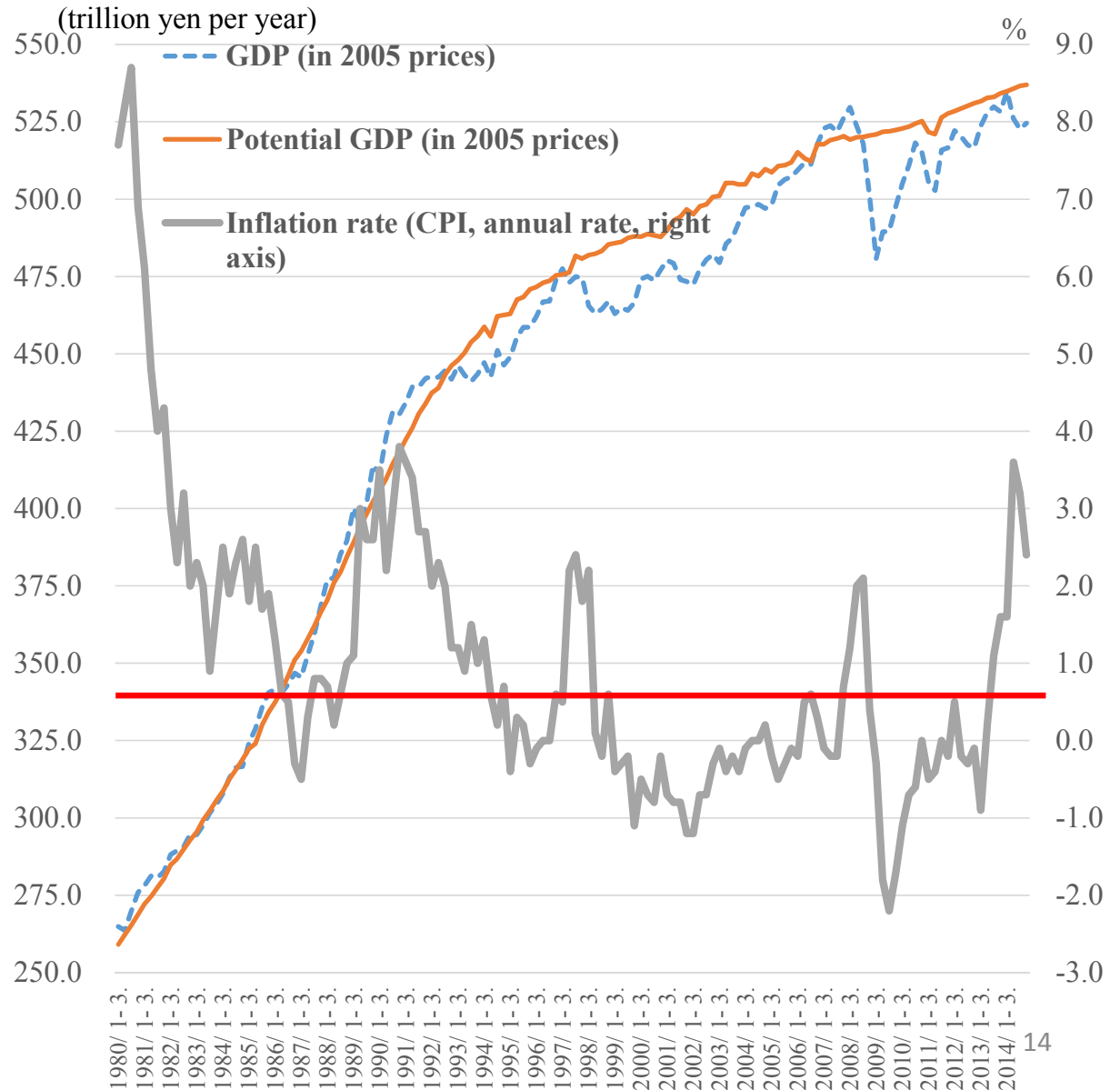
- Japan's working age population is declining rapidly.
- Over the medium term, immigration is a very important step to mitigate the negative effect of a declining and aging population.
- But, at present, Japan does not efficiently utilize its domestic workforce, especially female and older workers.
- Because of slow GDP growth and an increase in part-time workers, average working hours per worker are also declining



3. Does Japan need more immigration?

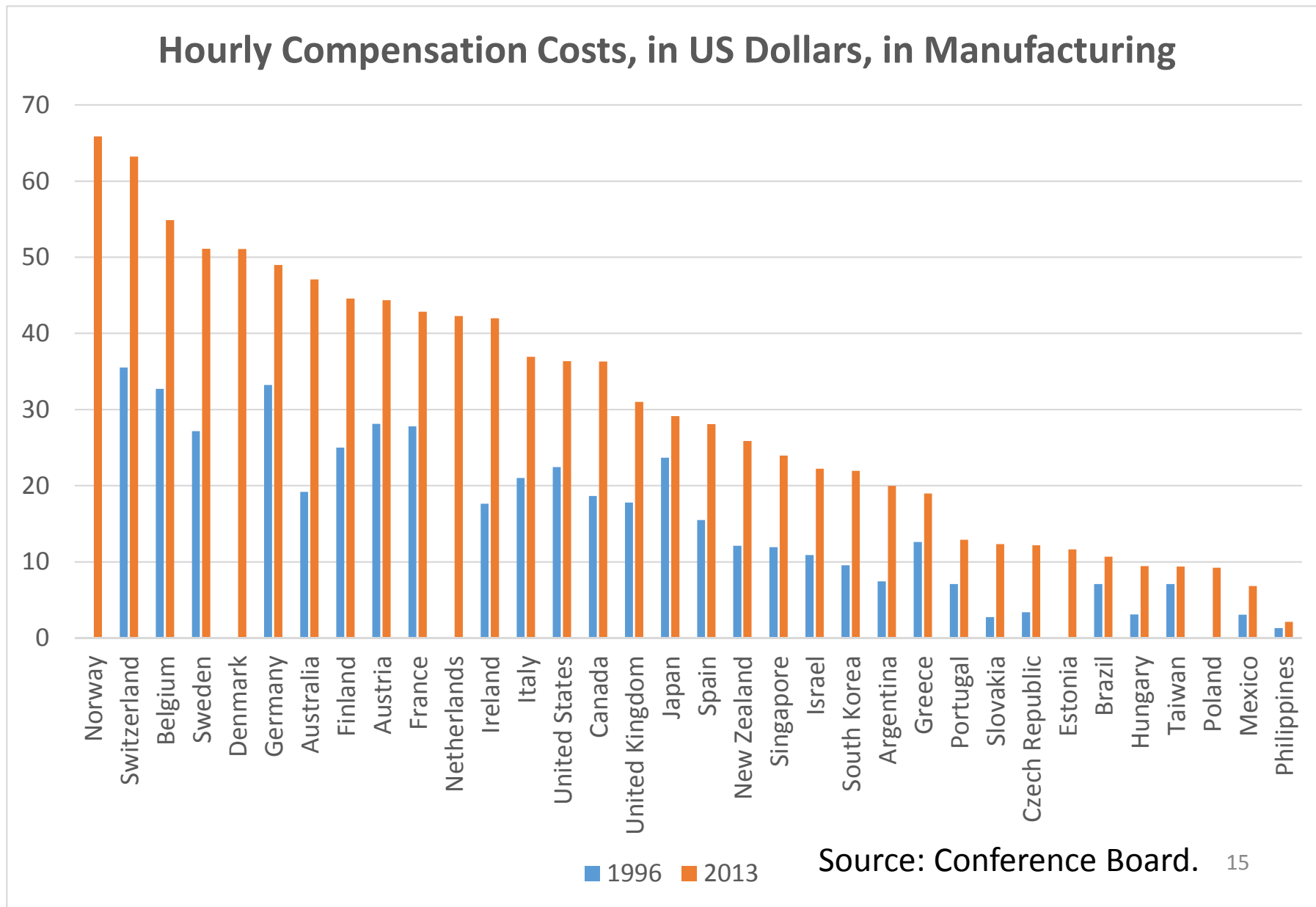
Japan's Real GDP Gap, Potential GDP, and Inflation Rate (%): 1980Q1-2014Q4

Japan still has a large negative GDP gap.



3. Does Japan need more immigration?

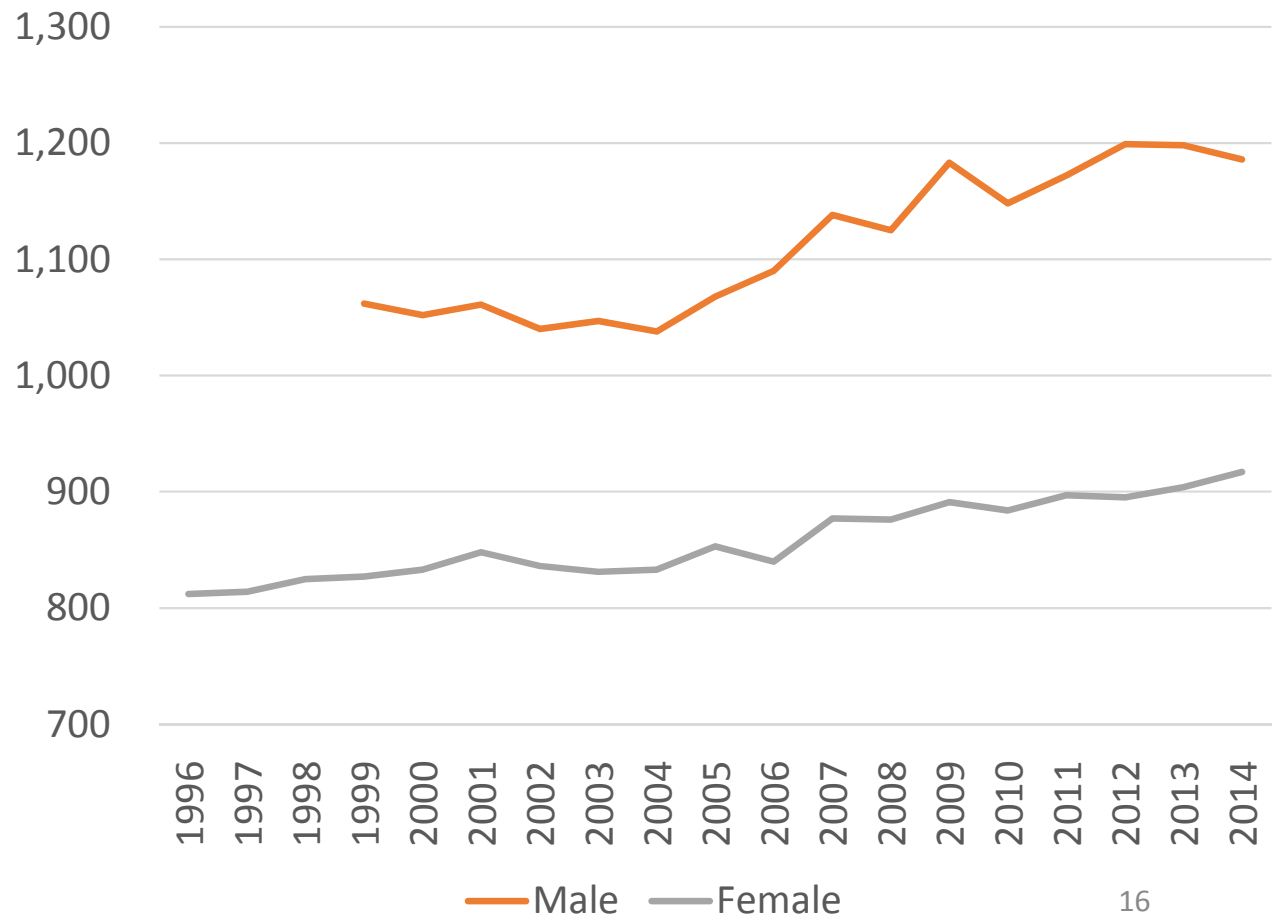
Japan is losing its attractiveness as a destination for migrants.



3. Does Japan need more immigration?

And wage rates for part-time workers are very low and have not increased much.

Scheduled earnings per hour (yen), part-time workers in manufacturing, establishments with 10 or more regular employees



Source: *Basic Survey on Wage Structure*.

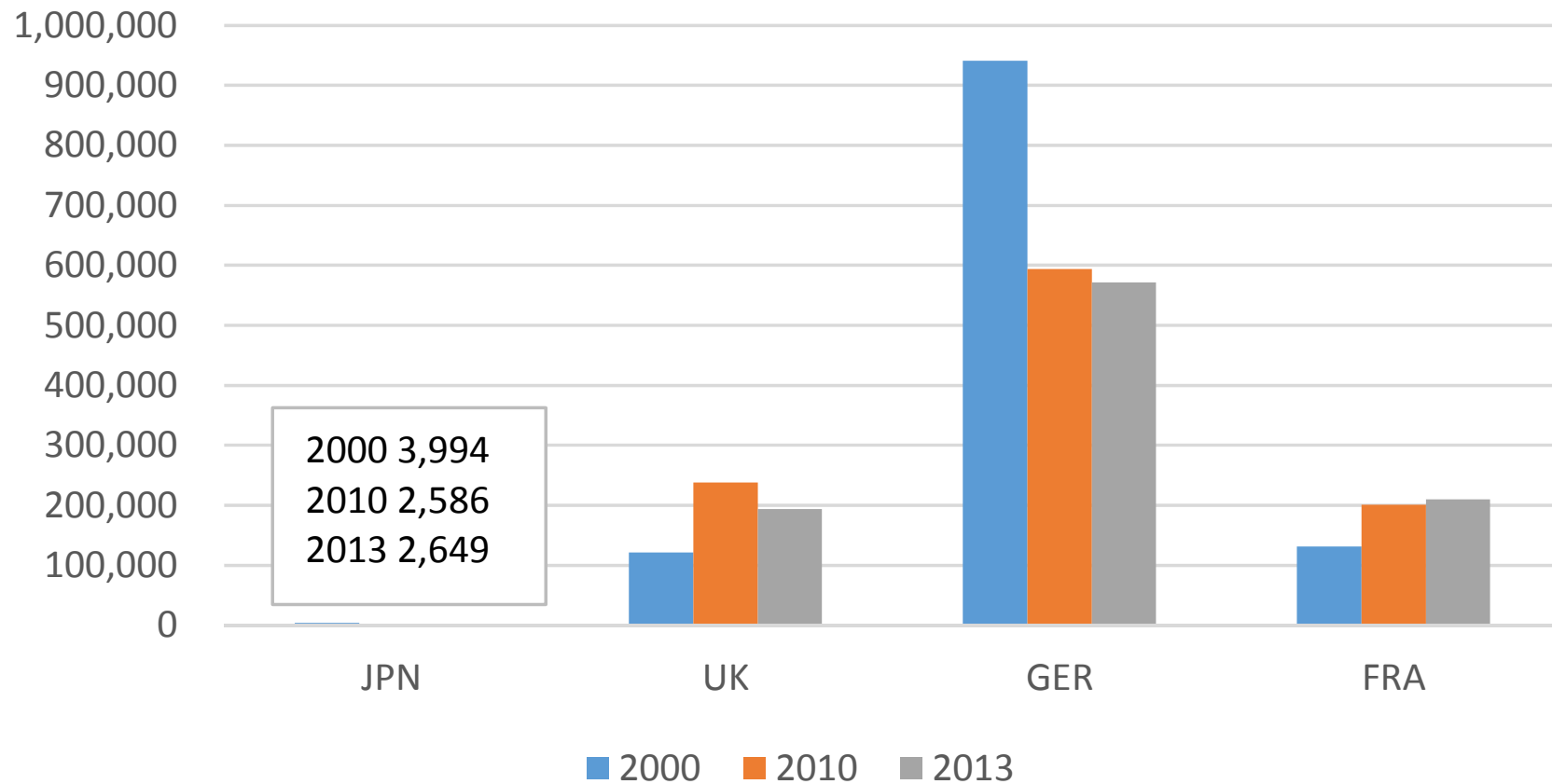
3. Does Japan need more immigration?

- Over the medium term, immigration is a very important step to mitigate the negative effect of a declining and aging population.
- However, at present, Japan is not able to efficiently utilize its domestic workforce, especially female workers and aged workers.
- Since the working age population is declining and the demand-side stimulation of Abenomics worked for a while, some economists had expected that the labor market would tighten and this would stop the vicious cycle by raising the percentage of full-time workers and real wage rates.
- However, with China's slowdown weakening economic growth in Japan, this hopeful expectation is now fading away.
- Before promoting immigration, Japan needs to reform its labor market and increase final demand.

4. Refugees in Japan

- The refugee stock in Japan is very small.

Estimated refugee stock at mid-year (persons)



Source: *Trends in International Migrant Stock: The 2013 Revision (UN)*.

4. Refugees in Japan

- Compared to Germany at the time of reunification, the relative gap in economic size and incomes between North and South Korea is very large.
- If the North Korean government collapses and there is a liberal and democratic unification process, there will be huge pressure on South Korean fiscal expenditure to reduce migration pressure.
- If the unification process becomes chaotic, Japan might face a large number of refugees from North Korea.

	Total population (million persons)	GDP per capita (thousand US dollars)
South Korea: 2015	49.8	30.3
North Korea: 2015	25.2	1.3
South/North: 2015	1.98	22.67
West Germany: 1989	62.7	20.9
East Germany: 1989	16.4	7.3
West/East: 1989	3.8	2.9

Source: Fukao, Inui and Kwon (2014).

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