



The 9th ADBI-OECD-ILO Roundtable on Labor Migration in Asia



# Population Aging and Skilled Migration in Japan

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**Innovative Approaches for the Effective Management of Labor Migration in Asia**  
24-25 January 2019 ,Tokyo, Japan

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# Introduction

- **Population Ageing → Shrinking Labor Force**

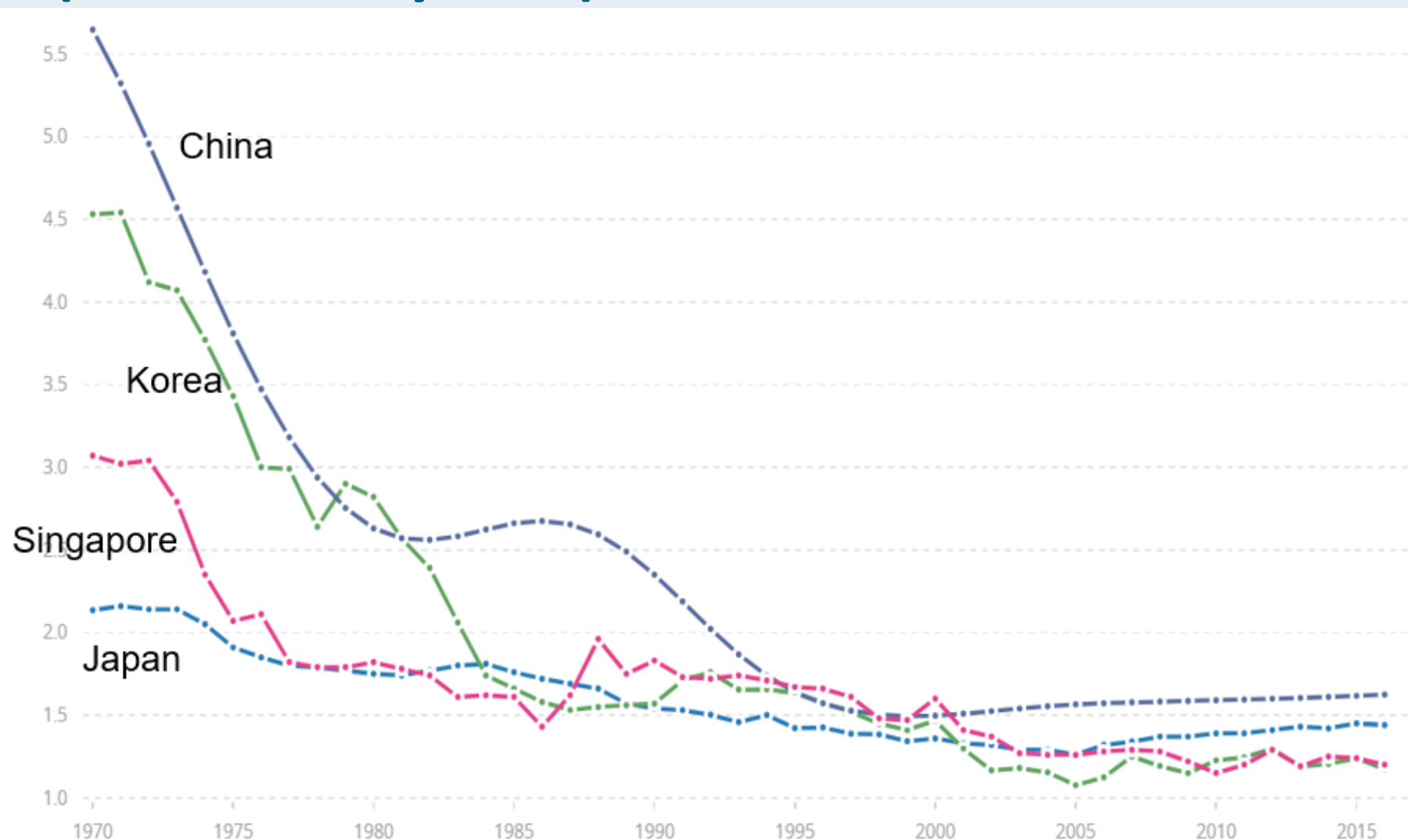
Ministry of Internal Affairs & Communications (2018)

- **Population:** Peaked in 2008 -- **25%** decline b/w 2005-2050
- **Labor Force:** Peaked in 1999 -- **42%** decline b/w 2005-2050

- ***Disappearance of Regional Areas*** (Masuda, 2014)

- 896 villages and towns were categorized as “possibly disappearing” municipalities due to the rapidly shrinking population.
- 80% of municipalities in Northern Japan (Hokkaido & Tohoku) and even **28% in Tokyo**

# Population Ageing in Japan & Asia (Total Fertility Rate)



Source: UN Population Division (2018)

# Serious Talent Shortage in Japan

## Countries and Territories Facing Difficulty Hiring

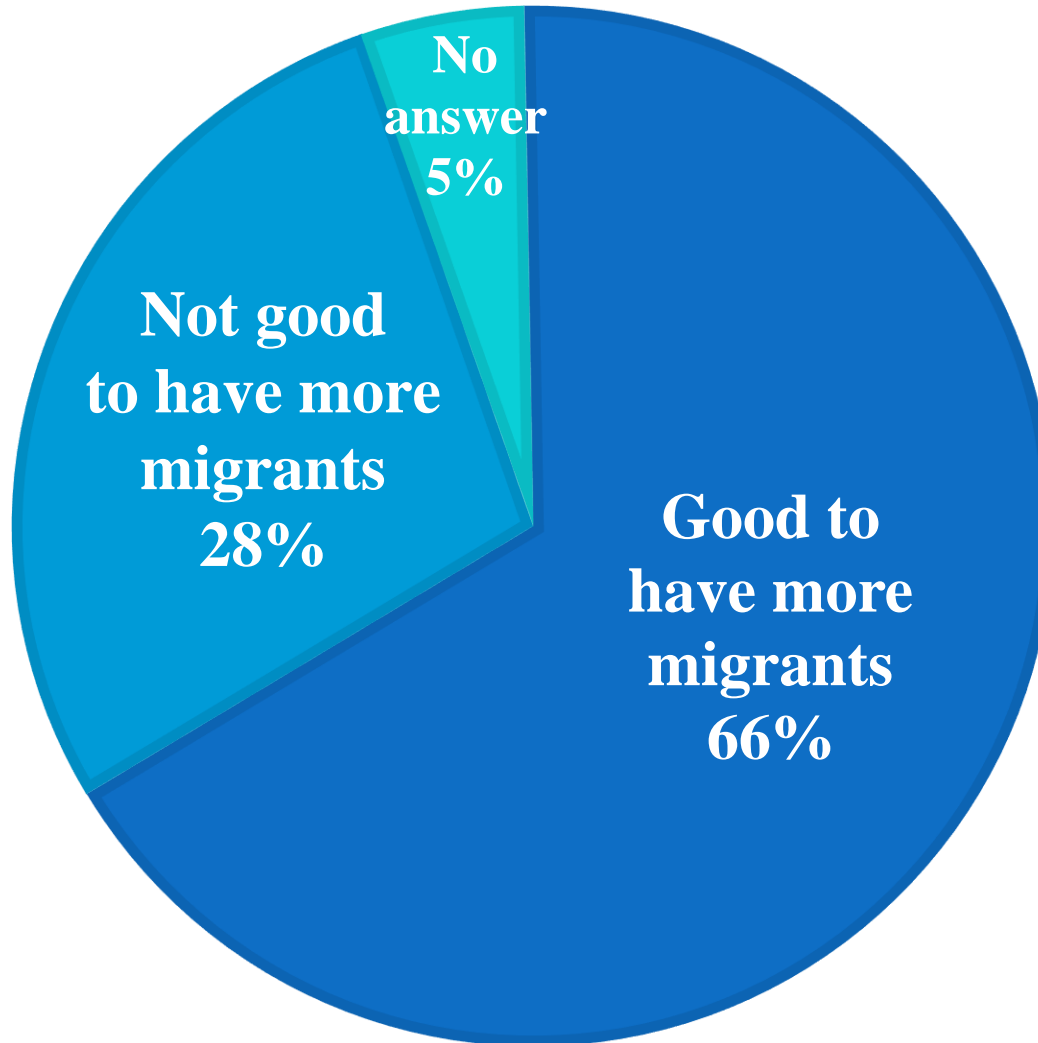
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Source: Manpower Group (2018) – Survey on 43 countries

# Global Competition for Talent

- Many countries have been competing to attract the best and the brightest through skilled migration policies.
  - US, Canada, AU/NZ, EU, Singapore, Korea, China (incl. HK)
- **Diversity in workforce → innovation & economic growth**
  - **More Market Shares and Corporate Revenues** (Herring 2009)

# The Public Support for Immigration



# Policy Developments in Skilled Migration

Year	Policy Measures	Focus
2001	E-Japan Strategy	IT engineers
2009	New Growth Strategy	Highly-Skilled
2012	Points System for the Highly Skilled	Highly-Skilled
2013	Revision of the Points System & New PR Status (effective in 2014)	Top-tier HS
2015	National Strategic Special Zones (NSSZ)	Medical doctors, entrepreneurs
2016	Further Revision of the Points System & PR (within one year)	Top-tier HS
2018	Revision of the NSSZ Law	Re-definition of “skilled workers”

# National Strategic Special Zones (NSSZ)

- Population decline & Regional economic development  
= The Japanese government's new policy focuses
- 2015: A new position “the Minister of State for the Promotion of Overcoming Population Decline and Vitalizing Local Economy” was established.
- **“National Strategic Special Zones” (NSSZ)**
  - Created to meet locally-specific labor demands
  - Under this scheme, local governments can bring migrant workers into specific sectors if their proposals are approved by the national government.



# Migration Schemes through National Strategic Special Zones

Newly approved Professions	Cities, Prefectures or Areas
Medical Doctors	Tokyo
<i>Washoku</i> (Japanese cuisine) Chefs	Kyoto
Agricultural Workers	Kyoto, Niigata, Aichi
Investors & Entrepreneurs	Tokyo, Fukuoka/Kita-Kyushu

# Skilled Migration in Japan

## Two Case Studies

- Regional Area: Niseko/Hirafu, Hokkaido
- Major City: the Tokyo Metropolitan Area



# Regional Revitalization and Migration

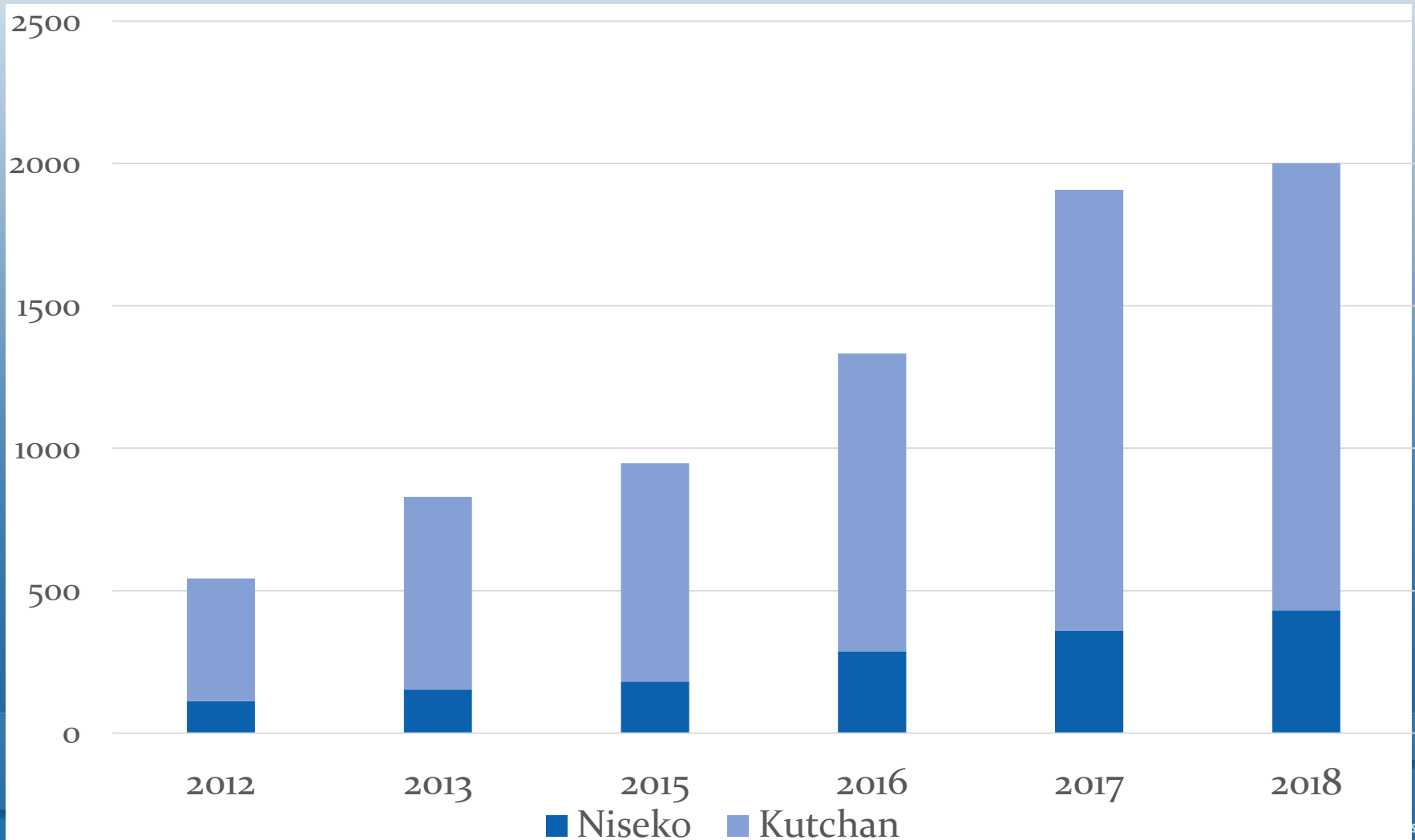
- Migrants are rebuilding depopulated regions

**Niseko-Hirafu Area (Hokkaido) = A “success story”**

- Australian entrepreneurs & investors began to settle in early 2000s. → **Global Tourism Hotspot**
  - Developed tourism industry, attracting global tourists from Australia, NZ, US, and Europe.
  - Hired international staff & bilingual Japanese staff → Young couples & kids → Population growth
  - International School
  - 2 Michelin-starred & 9 Michelin-listed restaurants
  - **Growing bilingual community**



# Growing Foreign Residents in the Niseko Area







# Growing Tourism and Investments

- **Tourists: 1.7 million (2017)** – More Asian tourists
- **Foreign investments: 112 million yen (US\$1 million) / year**
  - International Hotels: Ritz Carlton, Park Hyatt, Hilton, etc.
  - Premium Condominiums and Houses (e.g. US\$9 million)
- **Land price increased by 45.2% in 2018**
  - The highest increase rate in Japan





# The Challenges: Community Cohesion

- Growing number of **seasonal workers** and **seasonal residents** (3-4 months / year)
  - No membership in town associations (quasi-mandatory for long-term residents)
    - Very limited communications with locals
  - Many properties are empty most of the year
  - Town councils trying to encourage seasonal residents to join the town association
- Long-term foreign residents are well integrated

# The Challenges for Niseko:

## Retention of Skilled Migrants

- Difficult to retain skilled migrants since all-year-round employment opportunities are limited
- **Children's Education**
  - No public schools operating only in English
  - High tuitions for an international school
  - No international school after Grade 6
    - Either moving to an international school in Sapporo and living in a dorm –Very expensive
    - Immersion in Japanese school -- Very difficult



# The Challenges for Japan :

## Retention of Skilled Migrants

- The **retention** of skilled migrants is not just a problem for Niseko but for Japan as a whole.
- **90%** of skilled migrants leave Japan within 10 years. (i.e. **30%** in Australia, **40%** in NZ)
- **17%** of “highly skilled migrants” who entered through the new point system since 2012 have already left Japan.

# Migrants' Access to Social Services

Rights Access	Japan	Canada	Australia
National Health Insurance	Yes (For residents who stay for 3+months)	Yes (For residents who stay for 6+ months and staying for another 5 months)	No (For Permanent Residents & Citizens only)
National Pension Scheme	Yes	Yes (Only for those who stay for 10+ years)	No (Only for Permanent Residents & Citizens)
Childcare Allowance	Yes	No (Only for those who stay for 1.5 years)	No (Only for Permanent Residents & Citizens)

# What else needs to be done?

## (1) Local Inclusion

- **Children's Education**

- Assistance for migrants' children in public schools
- Public international schools with bilingual environment
- International schools tuitions: (\$10,000-\$30,000)/year

- **Language of Spouses & Partners**

- More language programs to integrate migrants' spouses & partners
  - In Australia, US\$3,000 spent on all permanent residents
- Legal entry of common-law and/or same-sex partners

- **Medical Interpreters & International Clinics**

- **Protection of Migrants' Rights**

- Anti-discrimination laws
- Hate speech law require penalties (currently none)

# What else needs to be done?

## (2) Corporate Reforms

- **Work-Life Balance**
  - Extremely important for young skilled professionals
- **Reform in Seniority-based Pay & Slow Promotions**

“Promotion takes too many years, and it is too connected to age and to the time spent at the company. It should be more focused on performance.” (Romanian engineer in Tokyo, 35)
- **“Diversity & Inclusion” (D&I)**
  - Tackling Glass Ceiling for Foreigners
  - More Diversity in Management Positions

# What else needs to be done?

## (3) Improving Institutional Systems

- **Limited Refund for Social Security Contributions**
  - If skilled migrants decide to leave Japan before retirement they can't get the full refund of their SS contributions
    - The longer they work, the more financial loss will be incurred.
- **Tax Systems**
  - **Income & Property Taxes**
    - High Tax (e.g. Hong Kong 15%, Singapore 16-20%, JPN 30+%)
    - Japanese Tax Policy: After 5 years of residency, the government will tax on foreigners' income earned from their overseas assets
  - **Inheritance Tax**
    - Living in Japan for 10 years → Families living overseas will be taxed (a very high tax rate)

# Concluding Remarks:

## For more skilled migration in Japan

- **More skilled migration is needed in Japan to cope with population aging**
- **Creating More Attractive Workplaces**
  - Work-life balance
  - Diversity & Inclusion – More role models for migrants
- **More Social/Tax Policy Reforms**
  - Improving the current pension scheme & tax systems
  - Multicultural education & local inclusion (social integration) programs
  - Human rights protections