

# **Management Mechanism and Practice after Receiving Foreign Workers in Japan**

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## **1 Objective and construction of the paper**

This paper aims at clarifying the management mechanism and practices of foreign workers in Japan based upon several new empirical analyses and discussions on regulatory reforms of migration policies.

First, we make an overview on the development of foreign workers in Japan and specify some urgent policy tasks in managing the labor markets related to foreign workers and their family members.

Second, the present legal system for managing foreign workers will be illustrated and the needs for reform will be discussed.

Third, the different types and functioning of the labor market for foreign workers according to status or skill level will be analyzed on the basis of mapping of foreigners as well as econometric analysis on determinants on their distribution.

Fourth, the relationship between foreign workers especially foreign workers as Japanese descendants and the technical intern trainees will be explored by estimating coefficients.

Finally, we draw some implications from such analyses and formulate future tasks for Japan as well as for East Asia.

## **2 Recent development of foreign workers in the labor market**

With the continuous growth of the Japanese economy (real GDP growth: 4.8% in the IV 2006) has been experiencing recovery since the middle of 2003 (Unemployment rate: 4.2% in January 2007).

At the same time, the labor market is undergoing new changes and faced with challenges. The labor turnover is gradually becoming higher in several sectors mismatches of demand and supply are becoming more evident reflecting the decline in the youths and growing in the aged. While the growing mismatches has been observed already since the middle of 1990's, here has been a tendency of continuous inflow of migrants into the Japanese labor market even though Japan is under the deflation.

Here, we define foreign workers as all the foreigners excluding Special permanent residents, who are working under employment contract and get paid by their employers. The foreigners with the status of residence for the purpose of working represents only one fifths of the total foreign workers. Be careful that the estimated number of foreign workers also includes those who acquired permanent residents status principally at least with ten years of legal stay (see Table 1)

The most urgent issues related to foreign workers according to the author's view are as follows.

□ The increase of foreigners of Japanese descendant including those who obtained the permanent resident status continues. There is a phenomenon that they concentrate themselves in specific local areas in municipalities, which creates more tasks for integration policies at local levels.

□ The disguised "subcontracting services of manpower" violating the Worker Dispatching Undertakings Law has been detected and become a political problem since last summer. The changes from subcontracting services to dispatching undertaking is very limited and the working condition and the coverage by social security of foreigners of Japanese descendant working in such undertakings could not be improved.

□ Almost three fourth of foreign youths aged from 15 years old are not attending any schools and estimated to be working in atypical employment. There are fears that they cannot be integrated to the Japanese society.

□ The inflow of foreign trainees as well as technical intern trainees has been so fast that the number has reached 160 thousand in 2005 with more misuse of this system and violation of laws and regulations by employers.

□ Implementation of the Economic Partnership Agreement (the free trade agreement with regional economic cooperation) with the Philippines has been delayed again until spring 2008. With all such agreements, the region-wide cooperation by the Government of Japan on human resources development as well as international migration, may not get high appreciation from the member countries of the “ASEAN+3 (Japan, China and Korea)”, which aim at establishing the “East Asia Community.

**Table 1 Migrant workers in Japan excluding Special Permanent Residents**

	1990	1995	2000	2002	2003	2004	2005 (6)
Status for working purposes	67,983	125,726	154,748	179,639	185,556	192,124	180,465
Technical intern trainees (1)	3,260	6,558	29,749	46,455	53,503	63,310	87,324
Student working part-time (2)	10,935	32,366	59,435	83,340	98,006	106,406	100,000e
Foreigner of Japanese descendants (3)	71,803	193,748	220,844	233,187	239,744	231,393	240,000e
4) Overstay	106,497	284,744	232,121	220,552	219,418	207,299	193,745
Unspecified activities		-	-	-	-	-	-
Permanent resident (5)		17,412	39,154	71,090	86,942	101,904	111,000e
Total	260,000 + $\alpha$	620,000+ $\alpha$	750,000+ $\alpha$	830,000+ $\alpha$	870,000+ $\alpha$	900,000+ $\alpha$	910,000+ $\alpha$

**Source: By the author in reliance upon statistics of Ministry of Justice and the estimates by the Ministry of Health.**

#### **Labor and Welfare**

Note 1) Including working holiday makers, house maids at home of diplomats etc. 2) When permitted as activities outside study for 28 hours per week. 3) The second and third generations of ex-emigrants from Japan with their spouses, especially from Latin America as well as from Asian countries. 4) Estimated numbers of illegal workers violating Immigration and Refugees Recognition Act 5) Other than Special permanent residents who has been staying before 1952 6) The figures with e are provisional.

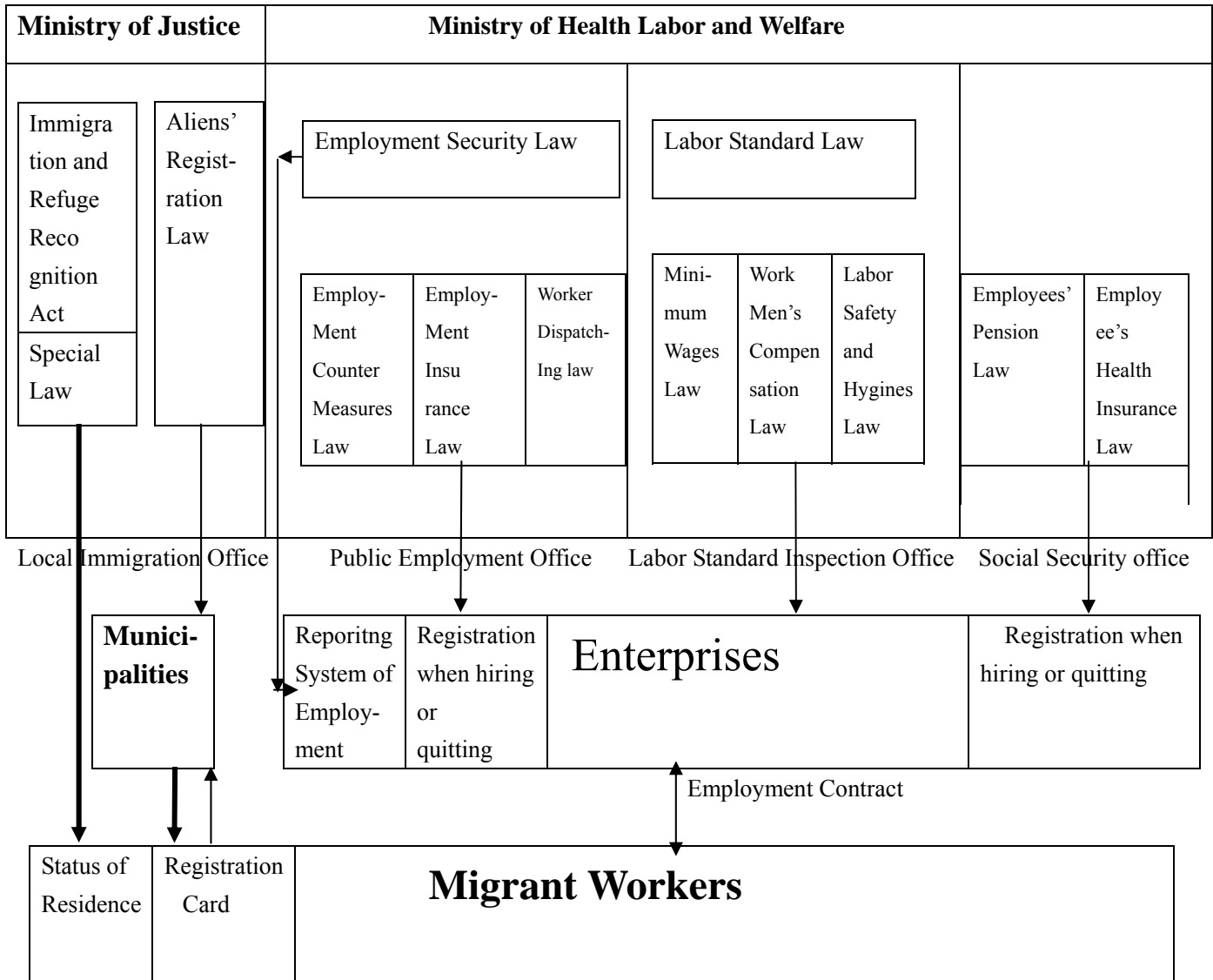
## **2 Laws and regulations implemented to foreigners**

The main laws and regulations, public organizations as well as enterprises which consist of the present system of managing foreign workers who are already staying and working in Japan, are described as a graphic (Graphic 1).

The Japanese immigration system can be regarded as a Anglo-Saxon type, because it has been established according to the US immigration laws after the Second World War. The immigration control laws and regulations have been supplemented by the Aliens' Registration Law, which originally aimed at fair control of the Koreans and Chinese etc. who had lost Japanese nationality after 1952 according to the San Francisco Peace Treaty, which recovered independence of Japan. Under such laws, immigration authorities issue the Status of Residence". The municipalities has just the power to issue "Alien's Registration Card", while there are no legal basis for municipalities to undertake specific policies for foreigners (such as integration policies). Ministry of Health, Labor and

Welfare has several functions to apply Labor Standard Laws, Employment Security Laws and Social Security Laws. However, there was no information sharing with the Immigration authorities and municipalities concerning rights and obligation of foreign inhabitants. Only one special mechanism of labor law was the “Reporting System on Foreigner’s Employment”, which has been limited in its function because it was established on a voluntary basis.

Graphic 1 Immigration Control and Employment as well as social security covering migrant workers in Japan (present)



Source: By the author

### 3 The Labor markets of foreign workers and determinants of distribution

In assessing management of foreign workers, it is important to identify different types of the labor markets of foreigners and identify geographic distribution. Based upon such empirical surveys and analyses, we may be able to evaluate functioning of the system and its problems as well as future tasks for reform.

In this paper, we classified the labor markets of foreign workers into almost four different types according to labor mobility as well as laws and regulations concerned

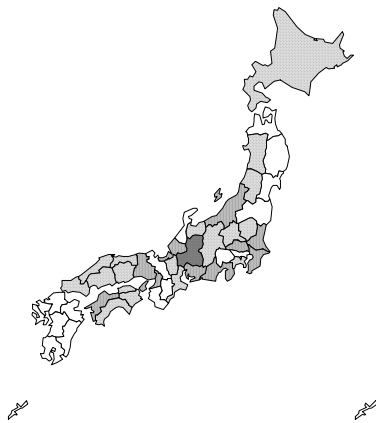
First, we make several mappings, second, we conduct econometric analysis to identify the

determinants of geographical distribution and then we evaluate the functioning of the managing system of foreign workers.

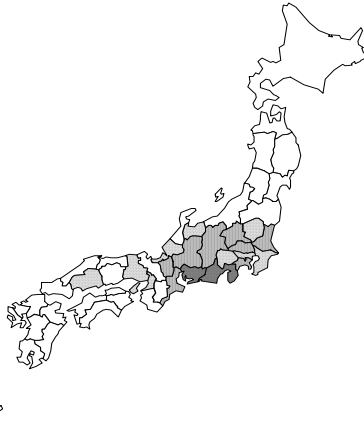
### (1) Mapping of foreign workers

The followings are the mappings of four different types of foreign workers including technical intern trainees who are regarded as workers according to the Labor Standard Law.

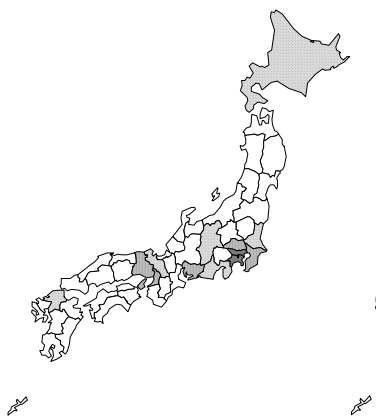
**Figure 1 Technical Intern trainees**  
**Rotation + mobility prohibited**



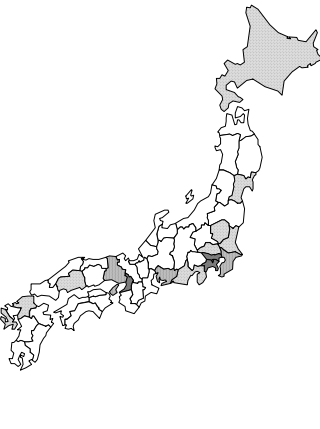
**Figure 2 Brazilians as Japanese descendants**  
**Mobility unlimited**



**Figure3 Corporate transferees**  
**Mobility limited**



**Figure 4 Engineer and specialist**  
**Mobility unlimited**



**Source:** By the author based on statistics from JITCO and Ministry of Justice (Alien's Registration)

**Note:** Prefectures with more black colors means higher concentration. See details in Iguchi and Shiho(2007) .

The technical intern trainees (Figure1) are permitted to stay in total three years, not allowed to change their firms for training or working and subject to rotation principle. There are also quota in accepting trainees at the first stage (5% per year).

The Brazilians, are the largest grope of foreigners of Japanese descendant (the second and third generation), who may conduct any kind of activities including working in Japan (figure 2). They are so mobile workers seeking for higher wages and better employment opportunities for unskilled workers in regions with automobile and electronic industries: namely in the center of Japan (Aichi, Shizuoka, Mie, Gifu and Nagano) as well as in the northern part of Kanto area

The highly skilled workers, especially corporate transferees (Figure 3) and engineers and specialists (Figure 4) are concentrating in the regions with large cities and their suburbs. Although corporate transferees are permitted to change their employers within multinationals, they are prohibited to change jobs in Japan. Engineers and specialists are permitted to change their jobs, insofar as they conduct activities by applying their high knowledge and technologies to such activities.

It is also interesting to note that the mapping on distribution of technical intern trainees is similar to the map on the speed of declining youths population. It might imply that the technical intern trainees are contributing to the economy of local cities which are losing the population of youths and faced with aging. Without limitation on mobility of such trainees, they would never continue working in such sectors and regions as is the case in mobile Brazilian unskilled workers (Annex 1).

## (2) Determinants of foreign workers' distribution

Among the highly skilled migrants, engineers and specialists are seeking for the higher wages and their distribution is concentrated in the Greater Tokyo area with high-level infrastructure.

However, the distribution of corporate transferees are determined by the location of the MNEs and they are not concentrated in areas with higher wages or in the Greater Tokyo.

The distribution of the three categories have also something to do with the low share of youth population. By the way, the Kansai area is not attracting the highly skilled (**Table 2**).

Table 2 Determinants of migrants' geographical distribution (Selected highly skilled)

	Engineer		Specialist		Engineer+ Specialist		Company transferee	
	Coefficient	t-value	Coefficient	t-value	Coefficient	t-value	Coefficient	t-value
Vacancy/Jobseeker ratio	39.390	0.174	1048.110	1.1932	1087.501	1.444	135.561	0.647
Wages	22.562***	9.328	38.747***	6.687	61.309***	7.620	13.291	0.000
Share of younger generation	-15.382**	-2.381	-41.397***	-3.559	-56.799***	-3.515	-11.382**	-2.532
Secondary sector dummy	-6.468**	-2.859	-15.236**	-2.812	-21.704	-2.884	-3.755	-1.807
Tertiary sector dummy	2.370	1.081	4.931	0.939	7.301	1.001	1.876	0.924
Greater Tokyo dummy	1067.520 ***	5.637	1995.164 ***	4.288	3012.685 ***	4.782	123.119	0.702
Greater Nagoya dummy	-36.843	-0.204	262.651	0.607	225.809	0.376	-85.586	-0.512
Kansai dummy	-815.937 ***	-5.244	-01.919 *	-2.151	-1617.856 ***	-3.126	-521.70 **	-3.622
Fukuoka dummy								
Constant	-3689.523 **	-2.381	-4189.318	-1.129	-7878.840	-1.529	-2210.793	-1.541
Adjusted R2	0.715		0.614		0.656		0.432	

Source: Iguchi and Shiho (2007) the number of samples: 235 Note: \* is significant at 10% level, \*\*is significant at 5% level \*\*\* is significant at 1% level Pool data from 2000 to 2004.

The determinants of geographical distribution of technical intern trainees are the vacancy-jobseeker ratio, lower wages and the ratio of high school leavers in the employment as well as some sector specific determinants.

The high vacancy-Jobseeker ratio can be interpreted as high share of small and medium-sized

companies or as high mismatches in the labor market. The lower wages might mean that the sector is exposed to price competition and wages cannot be raised to recruit workers, The low ratio of high school leavers in the employment may mean low availability of younger workforce in such regions (Table 3).

Table 3 Determinants of migrants' geographical distribution (Technical intern trainees)

	Variant 1		Variant 2		Variant 3		Variant 4	
	Coefficient	t-value	Coefficient	t-value	Coefficient	t-value	Coefficient	t-value
Vacancy/Jobseeker ratio	0.317***	5.039	0.434***	6.576	0.362***	5.559	0.401***	6.202
Wages	-0.405***	-5.560	-0.383***	-4.854	-0.372***	-5.140	-0.398***	-5.186
High-school leavers/ Employed	-0.214***	-2.948	-0.242***	-3.215	-0.202***	-2.789	-0.253***	-3.328
Food and drink dummy	-0.065	-1.114	-0.078	-1.285				
Oil and coal dummy	0.252***	4.217			0.259***	4.363		
Primary metal dummy	-0.089	-1.575					-0.093	-1.564
Metal products dummy			-0.021	-0.346				
Electric machinery dummy					-0.121**	-1.993		
Transport machinery dummy	0.070	1,182	-0.050	-0.778			0.007	0.111
Precision machinery dummy			-0.039	-0.662				
Constant	0.169***	5,394	0.163***	4.887	0.154***	5.038	0.165***	5.138
Adjusted R2	0.254		0.185		0.257		0.190	

Source: Iguchi and Shihō(2007) the number of samples: 235 \* is significant at 10% level, \*\*is significant at 5% level \*\*\* is significant at 1% level

Table 4 Determinants of migrants' geographical distribution (Japanese Brazilians)

	Variant 1		Variant 2		Variant 3	
	Coefficient	t-value	Coefficient	t-value	Coefficient	t-value
Vacancy/Jobseeker ratio	-0.055	-0.965	-0.054	-0.958	-0.051	-0.862
Wages	0.232** *	3.593	0.310***	4.364	0.263***	3.678
High-school leavers/ Employed	-0.132**	-2.071	-0.240***	-3.147	-0.133*	-1.970
Percentage of technical intern	0.258***	4.850	0.289***	5.353	0.270***	5.002
Number of emigrants	0.074	1.343	-0.089	1.616	0.080	1.388
Primary sector dummy			0.127	1.485		
Secondary sector dummy	0.447***	7.621				
Tertiary sector dummy			-0.474	-8.097		
Manufacturing dummy					0.465***	6.945
Construction dummy					0.133	1.762
Constant	-12.605***	-4.418	8.35***	2.218	13.970***	-3.868
Adjusted R2	0.433		0.446		0.417	

Source: Shihō(2007) Table in Chapter 5 number of samples: 235

The determinants of geographical distribution of Brazilians as Japanese descendants are higher wages, lower ratio of high school leavers in the employment, existence of technical intern trainees as well as manufacturing sector.

It is interesting that the Brazilians are seeking for higher wages and moving there while mismatches or small and medium sized companies are not explicitly contributing to the distribution. Low availability of youth also plays an important role. The community forming of Brazilians for the moment cannot be independent variable for the moment. It is totally different from the case of Special permanent residents from Korea who has formed community since 1930's (Table 4).

### (3) Relationship with changing age-structure of employment labor force

It is interesting to note that the ratio of younger generation is correlated with employment of foreigners in general. However, the distribution of technical intern trainees are negatively correlated with ratio of youth population.

It is also very instructive that the distribution of Brazilians are strongly correlated with labor participation and employment of the old aged and females. Therefore, we may say that Brazilian workers are employed in regions where the old aged and female are highly utilized by enterprises. In such regions, diversity of employment is much more advanced than in the other regions (Table 5).

Table 5 Correlation coefficients between Japanese labor force and foreigners

	Ratio of younger generation	Labor participation ratio of 50 years old and over	Employment population ratio of 50 years old and over	Labor participation ratio of female from 25 years old	Employment population ratio of female from 25 years old
Foreigners	0.301** 0.040	0.619*** 0.000	0.699*** 0.000	0.021 0.887	0.321** 0.028
Special permanent residents	0.340** 0.019	0.100 0.504	0.360** 0.013	-0.364** 0.012	-0.094 0.532
Japanese Brazilians	-0.054 0.718	0.686*** 0.000	0.504*** 0.000	0.410*** 0.004	0.474*** 0.001
Technical Intern Trainees	-0.437*** 0.002	0.217 0.142	-0.040 0.789	0.396*** 0.006	0.215 0.146

Source: estimated by the author See Iguchi and Shiho (2007).

Note: Co-relation coefficients and probability of significance

### (4) Functioning of and regulations on labor market of foreigners

Based upon empirical studies including those in this paper, we may be able to summarize functioning of the labor markets of foreigners. Here, we are able to take into consideration of permanent residents including Special permanent residents (Table 6).

The mobility of technical intern trainees are so limited. On the one hand, they devote themselves to language lessons and skill formation, while they are not able to flee from abuse stemming from relatively low wages and working conditions. It is important that overstay is a consequence of fixing employment at low wage sectors and regions in addition to no prospects for returning to Japan again.

Engineers and specialists as well as corporate transferees are concentrating in large cities and their

suburbs with employment opportunities for the highly skilled created by Japanese as well as foreign firms located there. They are able to enjoy highly developed infrastructures including education (international schools, culture and scientific institutions)

The Brazilians as Japanese descendants (including those who obtained permanent resident status) are also mobile, while they are now establishing communities and also seeking for better employment opportunities for unskilled workers created by automobile industries etc.

The Koreans as special permanent resident are theoretically very mobile, while they reside in specific areas with communities since 1930s. Their mobility might be principally limited to western part of Japan.

Table 6 Functioning of and regulation on Labor markets with foreigners

	Mobility	Duration	Wage-level	Quota Labor test etc. .	Distribution
Technical intern trainees	prohibited	3 years No extension	As semiskilled relatively low	5% regular employees	Mainly in local cities with less youths
Corporate transferee	Limited to within MNE	5 years max. extendable	As highly-skilled, Equivalent	None	High concentration to large cities
Engineer and specialist	Unlimited	3 years max. extendable	As highly-killed, equivalent	None	Large cities and their suburbs
Students working part-time	Near college or residence	3 years max.	Mainly paid as unskilled	28 hours per week	Near college or universities
Japanese descendants	Unlimited	3years max. extendable	Unskilled, but relatively high	None	Mainly Subcontracting undertakings
Normal permanent residents	Unlimited	Unlimited	Same as above	None	Almost the same as above
Special permanent residents	Unlimited	Unlimited	Equivalent to Japanese	None	Concentration to Western Japan

Source; Revised from Iguchi and Shiho (2007)

## 7 Conclusion

With the growing influx of foreign workers to Japan, reforming migration policy and improving management of foreigner workers are necessary based upon empirical findings like indicated in above.

First, while it is almost impossible to control geographical mobility of foreign workers except technical intern trainees, the present system lacks in monitoring function on foreigners in terms of place of residence as well as that of workplace. Such information is indispensable to guarantee their rights and obligations and provide services assuring consistency with immigration control and integrating migrants to local society.

The Japanese system of immigration control is of Anglo-Saxon type, which does not take into consideration of local initiatives for integration policy guaranteeing rights and obligations of migrants and encouraging language training as well as community forming. Therefore, the present Aliens ' Registration System should be amended and combined with more effective reporting system of foreign worker ' s employment and in cooperation with the inhabitants registration system for Japanese. In realizing this, a data base for inter-ministerial information sharing should be introduced with higher



data security.

Second the problems of fixing enterprises for technical intern trainees should be reconsidered. Mistreatment and evil abuse of the system should be effectively curbed. When necessary, mobility of technical intern trainees from one company to another should be enabled with some adequate procedures.

Third the subcontracting services which enable high mobility of Brazilians should be properly regulated. There should be coexistence of work flexibility and job security in such undertakings. This means that the working conditions and social security coverage of foreigners should be improved.

Fourth, it should be stressed that the geographical distribution of migrants has many things to do with declining youths labor force. Without proper acceptance of migrant workers, some local enterprises and local economies might not survive under declining and aging population.

Lastly, It is important to make reforms of personnel management of enterprises to allow the old-aged, female as well as foreign workers. Without introducing the “Diversity management”, local enterprises and industries cannot cope with the challenges of global competition and create employment in local cities and prevent widening regional inequality in terms of economic development.

The proposals from the Council of Regulatory Reform can be interpreted as in the Appendix 2. There will be more obstacles in realizing such a system by modernizing management of foreign workers and by creating a basis for integration policies in Japan.

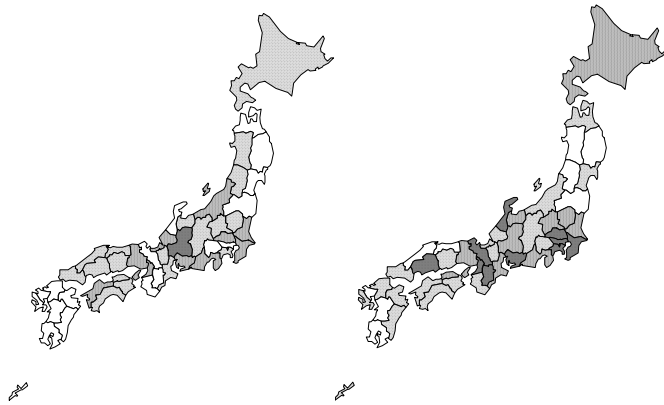
It is important to establish two pillars of migration policy. One is immigration control policy at national level, another is the coordinated integration policies on the local level. In realizing this, the inter-ministerial cooperation are indispensable: Not only between Ministry of Justice and Ministry of Health, Labor and Welfare, but also between Ministry of Justice and Ministry of General Coordination which should support municipalities.

These reforms will be serving for further policy developments in cooperation with countries in East Asia, by overcoming problems of protecting foreigners and integrating them to the society, but also by strengthening human resources development from long-term standpoint for this region.

(Selected references)

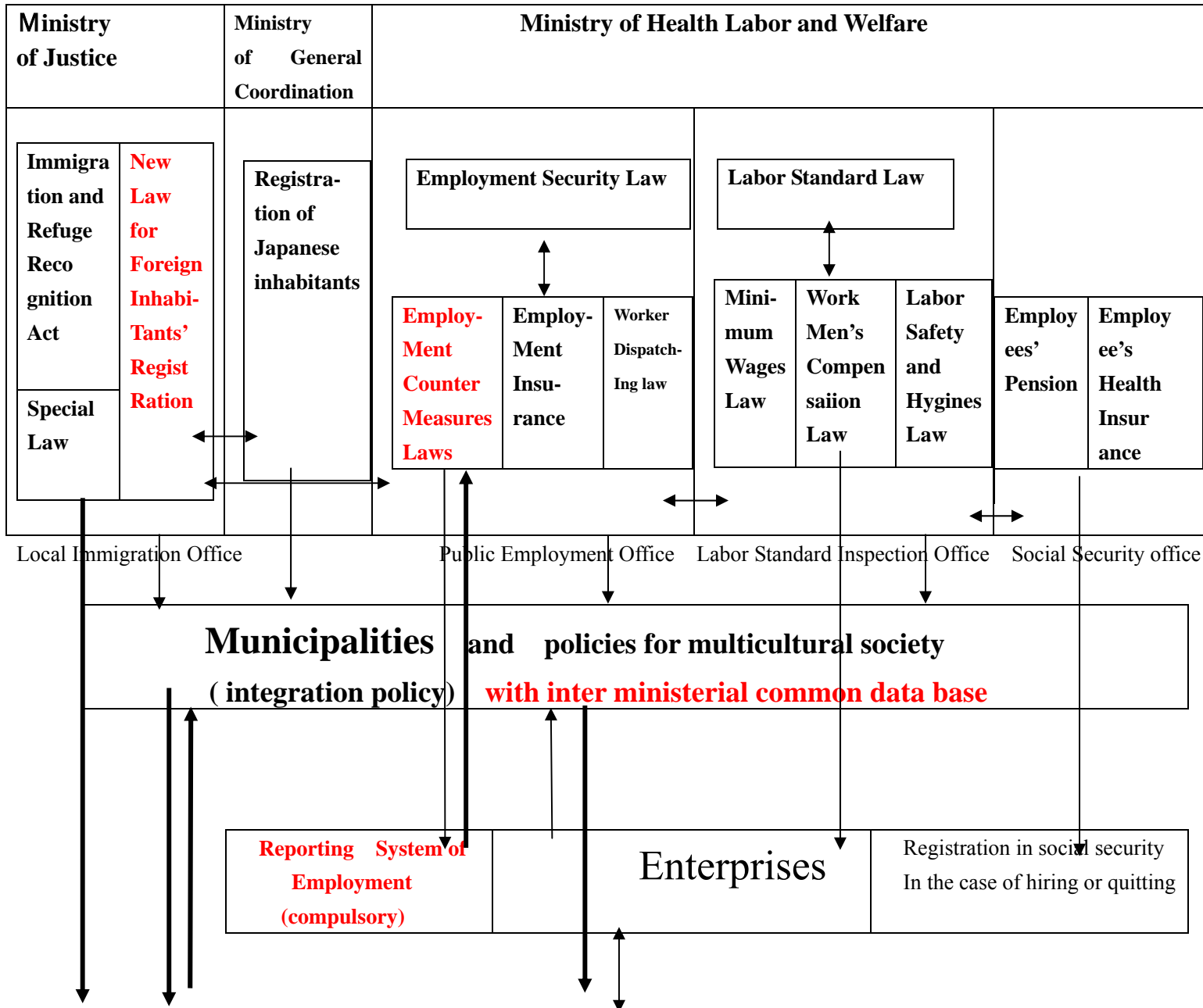
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**Appendix 1 Comparison between distribution of technical intern trainees (L) and of the rate of declining youth population (R)**



Source: By the author with JITCO (2000) and Ministry of General Coordination (National Census 1995-2000)

**Appendix 2 Immigration Control Policy and Integration Policy in Future**



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Employment Contract

Status of Residence	Aliens' Registration Card	<b>Migrant workers and families</b>
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Source: By the author based upon the "Three Year Plan of Regulatory Reform" decided by the cabinet.