

Thoughts on the Foreign-Workers Problem in Japan

The extraordinary session of the Diet held in December last year saw the enactment of the revised Immigration Control and Refugee Recognition Act, which opens the doors for the full-fledged hiring of workers who are foreign nationals. It newly establishes the statuses of residence of Specified Skills No.1 and No.2, and Japan plans to accept up to approximately 340,000 people granted these statuses in the five years from April this year. The envisaged targets for the Specified Skills No.1 status are 14 industries in which labor shortages are particularly serious within Japan, including construction, nursing care, and retailing, and this marks the first time that Japan will in earnest accept foreigners working in sectors such as these.

In part because it was decided to postpone discussion of the details, this revision of the act was widely criticized as having been too hasty, but it appears that, given the acuteness of the labor shortages, it has received strong backing from the industrial sector. Indeed, that acuteness was attested to by the fact that in November, the latest month for which data are available, the effective ratios of job offers to applicants in industries such as construction (5.75) and nursing-care services (3.55) were well above the average ratio of 1.52 (excluding part-timers, seasonally adjusted) in the industrial sector as a whole.

Compounded by the fact that the Japanese economy is expanding robustly with momentum exceeding the longest expansion period in the postwar era, numerous industries are suffering labor shortages, including the construction industry in the run-up to the Tokyo Olympic and Paralympic Games, nursing-care services plagued by staff shortages caused by the progressive aging of the population, and a retailing industry desperate to be able to cater to sharply increasing numbers of travelers from overseas. Meanwhile, the re-

duction in the size of the working-age population is currently unstoppable, and thus the natural course of events may be that there will be no alternative but to rely on foreign labor.

Nevertheless, we would like to think about this issue calmly. As everyone is already talking about, there would be quite a number of problems to resolve if non-Japanese people come to form part of the labor force in Japan, for example communication difficulties owing to language differences, friction with local residents arising from differences in lifestyles, and the need to resolve how to apply social-welfare systems such as those relating to pensions and medical care, but what should be considered more seriously is how this relates to the wage levels of Japanese workers.

With regard to the 14 industries targeted for granting the status of Specified Skills No.1, the figure shows an indexation and comparison of effective ratios of job offers to applicants and wage levels in six industries comparable with Ministry of Health, Labour and Welfare occupational classifications. As can be seen, the wages in the six industries in comparison with those in all occupations remain low relative to the height of the job-offers-to-applicants ratios. Could not this be said to show that these industries have fallen into a situation in which, because their wage levels are low, they are not able to attract people when they offer jobs?

Something that has long been pinpointed as a factor stifling Abenomics is that the improvement in corporate performances has not been reflected adequately in wage increases, thereby clogging up the virtuous economic cycle. In consequence, at the time of the *shunto* spring wage negotiations each year the administration has been calling on the business community to raise wages, and again this year it has made that

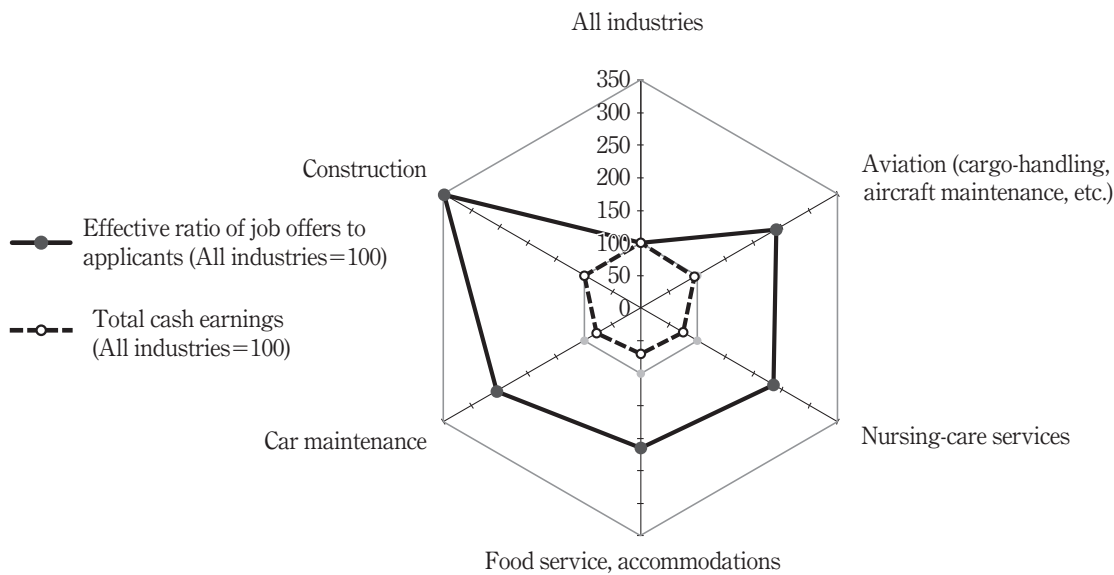
appeal for the sixth year in succession. If similar trends toward low wages were to occur in all of the 14 industries—including the eight other than the six in the figure—to which the Specified Skills No.1 status is to be applied and were to continue unchanged while relying on foreign workers, that would likely arouse concern as being a development that runs counter to the aim of Abenomics to raise wage levels.

A fact worth noting here is that although the working-age population is decreasing, the number of people in employment is actually increasing, as women and elderly people are returning to the labor market. In addition, although this is not related directly to the topic of this article, it has long been known that there is a brain drain of researchers from the natural-science field. In the social sciences too, for example the field of

economics, a recent phenomenon has been that talented young research personnel studying in the United States have been remaining there rather than returning to Japan, or have been taking up jobs in universities in Singapore and China. In this it appears that qualitative differences in working conditions, including as regards salaries, are one factor.

Shouldn't first priority be given to bringing about the return to the domestic labor market of the latent workforce within Japan and the human resources that have gone overseas and not returned by using increases in wage levels as leverage? The fact is that the overall ratio of job offers to applicants is above 1 and without doubt a discussion about foreign workers is unavoidable, but arguably the sequence in which this issue has begun to be addressed seems to be mistaken.

Job-offers-to-applicants ratios and wages in industries that will accept foreign workers



Notes: The effective ratio of job offers to applicants is the average monthly data from November 2017 to October 2018; total cash earnings are the aggregate values for the aforesaid period, and both are indexed. Part-time workers are excluded in both cases.

Sources: *Employment Referrals for General Workers*; *Monthly Labour Survey* by Ministry of Health, Labour and Welfare