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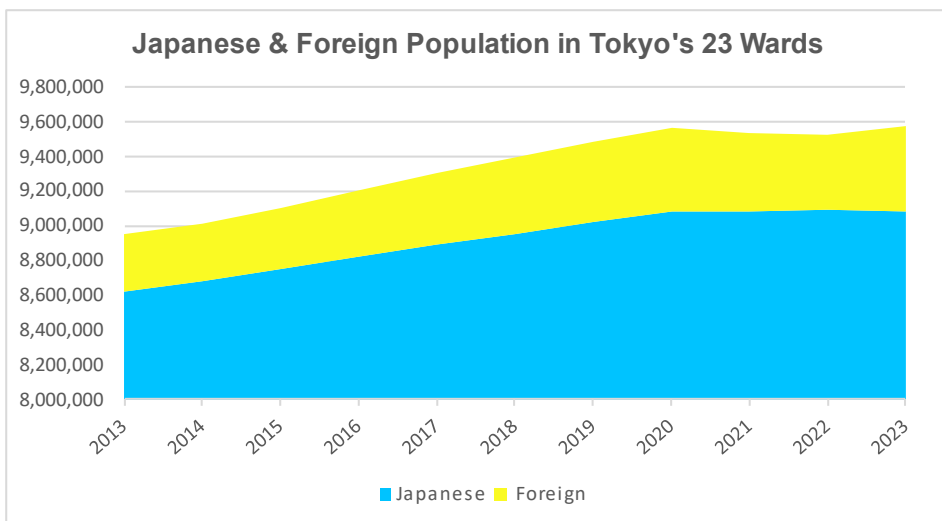
CEO Insight: Immigration as Japan's strategic response to population decline

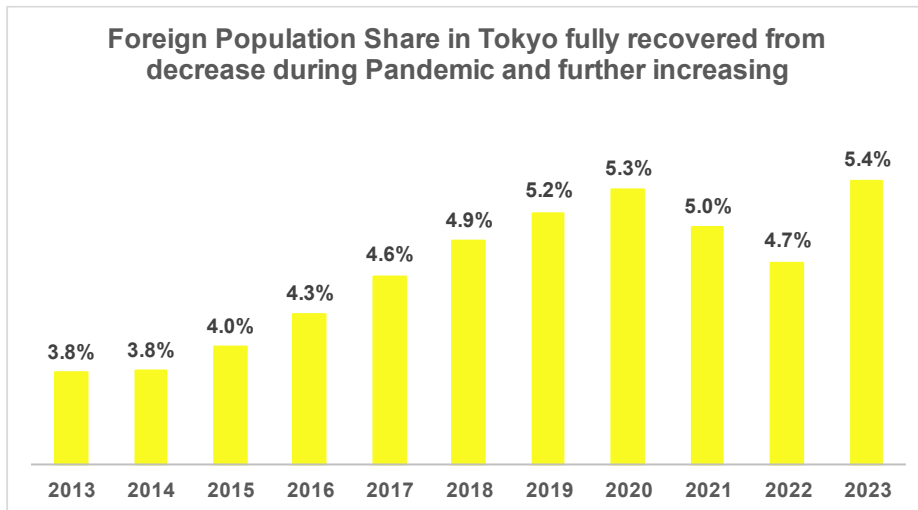
Prime Minister Fumio Kishida is opening the doors to foreign workers more than any government before him. Large segments of the population support this policy - because they consider it necessary.

The most visible changes in Japan over the past decade concern the presence of foreigners in public life. For one thing, the number of foreign visitors has more than tripled since 2013, to as many as 32 million. In tourist destinations such as Kamakura and Kyoto, the Japanese are often in the minority. For another, the number of foreign-born workers has more than doubled in the same period, as has the number of "technical interns." It is not uncommon to see Nepalese or Vietnamese at the cash registers of mini-supermarkets, for example.

Prime Minister Fumio Kishida is now promoting the recruitment of foreign workers with a new law and many individual measures that make it easier to enter Japan and obtain permanent residence more quickly. The focus is on sectors where workers are desperately needed, such as IT and services.

Kishida is responding to the demographic consequences of an aging society - despite record-high labor force participation rates among women and seniors, Japan is running out of workers. Citing the economic necessity of immigration, his government is calling for greater acceptance and tolerance. Foreigners "should be properly accepted as members of Japan's industry, economy and local communities," a government expert council [wrote](#) in May.





This development is remarkable because before the pandemic, "immigration" was a political and social taboo. To be sure, former Prime Minister Shinzo Abe was the first to open the gates to immigrants. He introduced two new visa categories in April 2019 to bring up to 340,000 foreigners to Japan as workers in nine economic sectors over five years, without using the word "immigration." But with an increased presence in daily life, Japanese are becoming more accustomed to living with the influx. Cities such as Kobe and Toyota City are already hiring foreigners as regular, full-time employees, setting the tone.

The facts can no longer be denied: According to the latest estimate by the National Population Institute, the number of Japanese [will decline](#) by 30% over the next 50 years, from 124 million to 87 million. Already, nearly one in three Japanese is over the age of 65, and the death rate is far higher than the birth rate, which stays at 1.26 children per woman. As a result, the Japan International Cooperation Agency [estimates](#) that 6.74 million foreigners will be needed by 2040 if Japan is to meet its economic growth targets.

Even after the increase during the past ten years, the proportion of foreigners in the labor force is still low at 3.1%. Of the 69 million people employed by the end of 2022, 1.82 million [were](#) regular workers and 343,000 were "interns". Three million foreigners hold a residence permit. But given the variety of new measures discussed and taken by Kishida, this foreign share will increase further in the next few years.

The scope of the Specified Skilled Worker visa was expanded in the new law passed in June to include more sectors such as agriculture, building cleaning, and car maintenance. These workers will be able to stay longer and will be allowed to bring family members with them from the start. So-called "top employees" earning more than 20 million yen (127,000 euros) a year will be granted permanent residency after just 12 months.

The review of visa applications from start-up founders has been partially transferred to private companies and local governments to speed up the process. The one-year residency period previously allowed for young entrepreneurs is expected to be extended. Foreigners with a degree from one of the world's top 100 universities will be allowed to stay for two years.

The government's strategy starts even earlier - with the side effect of good integration: Japan wants to attract more foreigners as students and, if possible, keep them in the country as wage earners after they graduate. The renowned universities of Tohoku and Tsukuba, for example, are aiming for a 20% share of foreign students. To achieve this, they plan to adjust their entrance exams accordingly.

Kishida is also responding to current developments. As a result of the pandemic, the number of taxi drivers has dropped by 20%. There is also a shortage of van and truck drivers, and overtime for them will be capped from April 2024. As a result, the transport sector is about to be opened up to foreigners. There [is already](#) an exam for truck drivers in various foreign languages.

To survive in the fierce international competition for workers, the government will certainly have to readjust its recruitment strategies. In the latest Organization for Economic Co-operation and Development (OECD) ranking of countries' attractiveness to global talent, Japan [ranked](#) 22nd out of 35, with Germany in 15th place. The weak yen also decreases the attractiveness, as unfavorable exchange rates depress Japanese salaries when foreigners convert them to their home currency.

It should be emphasized that the government's open-door policy always takes social peace into account. Immigration for purely economic reasons is not desired in Japan. Rather, the Japanese people should accept foreigners as colleagues and fellow citizens.

Leonard Meyer zu Brickwedde

Dr. Leonard Meyer zu Brickwedde

President and CEO

Kensho Investment Corporation

Sanno Park Tower 3F
2-11-1 Nagata-cho,
Chiyoda-ku, Tokyo 100-6162

Tel: +81(0)3-6205-3039
contact@ken-sho-investment.com