

# Is Japan's Foreign Workforce Really Growing Rapidly? Understanding the Government Statistics Behind the Myth

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The Japanese mass media has been reporting a rising number of foreign workers in Japan based on data published by the Ministry of Health, Labour and Welfare. The Ministry's data, however, is neither derived from a comprehensive database of foreign workers, nor is it a credible source of information about the foreign workforce. This paper explains how the ministry arrives at its figures, why the reported rapid increase over the past decade is incorrect, and pinpoints flaws in its data collection process. Finally, we suggest a new approach for estimating the total number of foreign workers in Japan at a time when the Japanese government has proposed a significant increase in the number of foreign workers.

Keywords: Foreigners, Workforce, Statistics, Immigrants Japan

## Introduction

On December 8, 2018, Japan's parliament passed a controversial bill that revises the nation's immigration control law by introducing a new work visa program for new categories of workers. Until now, official immigration policy has limited foreign workers to skilled and professional categories while restricting refugee intake to one of the world's lowest levels. The new bill opens the door to unskilled workers in an attempt to address labor shortages in various industries as the

workforce shrinks in step with Japan's graying population. The bill was pushed through parliament after only a few weeks of deliberations, reportedly upsetting members of the public and drawing criticism from opposition parties, which argued that the revisions would have a serious impact on society and could lead to exploitation of unskilled foreign workers (Osaki 2018). In response to demands from opposition parties for estimates of and limits on foreign labor, the government provided the figure of 345,150 unskilled workers to be accepted in the country over five years from April 2019 (Nikkei 2018). With the support of the Japan Business Federation (Keidanren), the ruling Liberal Democratic Party has been pushing for a larger foreign labor force, and the cabinet has recently called the growth of foreign workers to a total of 1.3 million an "achievement" under the so-called Abenomics program of economic measures (Cabinet Public Relations Office 2018).

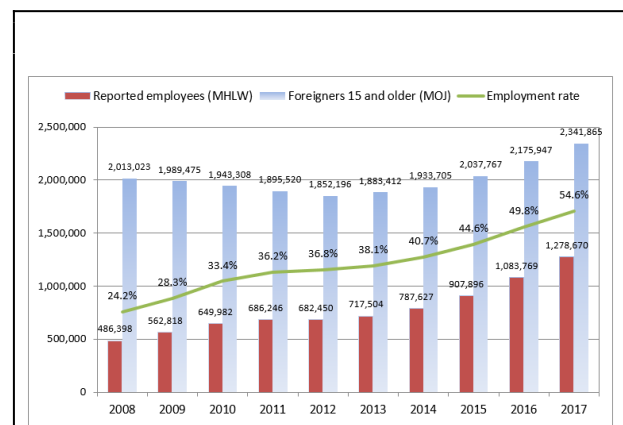
The figure of 1.3 million cited above comes from the Ministry of Health, Labour and Welfare (MHLW). In addition to being used by policy-makers, the MHLW's annually published data on foreign workers has been commonly treated by mass media as official government statistics on the country's foreign workforce. All of the country's major daily newspapers promptly report on the MHLW's annual results each year. For example, the Nikkei Shimbun (2018) reported the latest results on the same day they were released by the MHLW, noting an increase of about 600,000 workers over the past five years ("Foreign Workers reach 1.28

Million”, January 26<sup>th</sup> 2018) . Media outlets have been reporting that the number of foreign workers has more than doubled in the past decade based on the most recent MHLW data (MHLW 2018). This claim has also found its way into the country’s English newspapers and the international press. For instance, Reuters (2018) reported that “all types of foreign workers in Japan” more than doubled since 2008 (“Demand for foreign workers may soften immigration rules”, June 15<sup>th</sup> 2018).

Presumably, this reporting is fueling impressions among the Japanese public and policy-makers that the foreign workforce is growing at an extremely rapid and perhaps unmanageable rate. Adding to these concerns is worldwide reporting of serious conflicts over immigration in general and refugees in particular. We argue, however, that these news organizations have misinterpreted the MHLW’s data and, consequently, misreported the facts. It is essential to understand that the MHLW does not actually count the number of foreign workers. Rather, it compiles reports on employees submitted by employers. The Ministry itself has acknowledged that these tallies of reports do not correspond to actual numbers of employees. Furthermore, its notification system does not cover Special Permanent Residents, a visa status category that applies mainly to ethnic Koreans who were deprived of their Japanese nationality following World War II, and ignores self-employed and other workers who have no formal employers. Accordingly, the MHLW’s data is not drawn from an accurate or complete database of foreign workers as the mass media has implied in its reporting.

This is evident if the MHLW data is compared with the working-age foreign population. As shown below in Graph 1, while the MHLW’s totals for reported foreigners grew steadily from 486,398 to 1,278,670 between 2008 and 2017, the number of foreign residents aged 15 and older registered by the Ministry of Justice

(MOJ) was comparatively stable, gradually declining from and then returning to the two-million mark over eight years, and then rising from that level to 2.3 million only in the last two years. The dip in the foreign population can be attributed primarily to the global economic recession that began in 2008, followed by the Fukushima Daiichi nuclear disaster in 2011. If the MHLW data is to be believed, hypothetically, the employment rate of foreigners (calculated in relation to the MOJ figures in the graph) would have risen from a mere 24.2% in 2008 to 54.6% in 2017. Such an increase is unbelievable because the composition of the foreign population overall did not undergo any dramatic shifts during the past decade, even taking into account growing numbers of international students and technical intern trainees. The MHLW’s data on reported employees obviously does not resemble the foreign working-age population in Japan, and, therefore, appears implausible.



**Graph 1: Comparison of MHLW totals with working-age foreign population and hypothetical employment rate**

**Note: The employment rate was calculated using the figures in the graph**

**Source: MOJ 2009 - 2018; MHLW 2009 - 2018**

We maintain that the MHLW data is not a credible source of information about the number of foreign workers in Japan. We begin by discussing what the data actually represents based on MHLW explanations. As mentioned above, the MHLW counts notifications of foreign employees submitted by employers rather than individual people, and ignores significant categories of foreign workers. Secondly, we explain why the MHLW's figures have risen so sharply over the past decade. The MHLW was initially tasked with collecting information from all employers nationwide. Because it received this task on short notice, there was a demonstrably low total from the outset. Subsequent totals increased as more employers participated in the collection process. Thirdly, we demonstrate that MHLW figures do not even provide a reliable indicator of the number of employees in the workforce because, due to the rules of the notification system, employees can be unreported or reported multiple times in the same year. Finally, we conclude that the MHLW's annual reports should not be used as a source of data on foreign workers and suggest an alternative approach for estimating the size of the foreign workforce.

### **The limitations of the MHLW data**

Since 2008, the MHLW has annually published a report entitled *Gaikokujin Koyō Jōkyō no Todokede Jōkyō*, meaning “status of notifications on employed foreigners.” None of these annual reports state that the data represents official government statistics on the foreign workforce as a whole. On the contrary, the 2017 report describes the data as follows: “Since the figures herein were compiled from the total number of notifications submitted by employers as of October 31, 2016, they will not

entirely correspond to the total number of foreign workers” (MHLW 2017:1, translation by the authors). This is an admission that the data is based on a collection of notifications provided by employers and not a complete and accurate database of employees. In fact, the MHLW does indeed count notifications submitted by employers and not actual numbers of people (personal communication with the Osaka Labor Bureau on August 15th, 2018). Interestingly, while the explanation was repeated every year from 2012, the acknowledgement that the figures do “not entirely correspond to the total” was cut in the 2018 report, suggesting that the MHLW no longer considers its data to be incomplete. Below we show the limits of the MHLW data for gauging total foreign employment.

One obvious limitation of the data is the fact that foreigners with Special Permanent Resident status, primarily multi-generation ethnic Koreans who were born and educated in Japan, are not subject to the data collection. Although not explained in its annually published reports, the MHLW does not consider these residents to be genuine foreigners because they are comparatively assimilated (personal communication with the Osaka Labor Bureau on August 15th, 2018). Nevertheless, Special Permanent Residents do not have Japanese citizenship. They are classified as foreigners by the MOJ, and accounted for 329,822 (12.9%) of all foreign residents at the end of 2017 (MOJ 2018). Excluding multi-generation ethnic Koreans from foreign labor statistics effectively ignores their contribution to the workforce. The mass media, for example, citing MHLW data, has reported that there are more Vietnamese, Filipino, Brazilian, and Nepalese workers than Koreans, even though Koreans are the second largest minority ethnic group in Japan after Chinese.

Finally, since the MHLW data is directly based on notifications from employers, its figures

exclude foreign workers who do not have a formal employer, such as small business owners, self-employed workers, and people working for family businesses. Collectively, these categories of workers accounted for 8.9% of 2015 national census respondents who reported their occupational category (Hennings and Mintz 2017). In other words, the MHLW's data does not represent the entire foreign workforce in Japan, but is limited to official reports of employees excluding multi-generation ethnic Koreans. We argue that the data is not even a credible indicator of such employees because the number of employers reporting them has been highly inconsistent over time, and many workers have been unreported or over-counted as a result of the notification process.

### Unreliability of the data over time

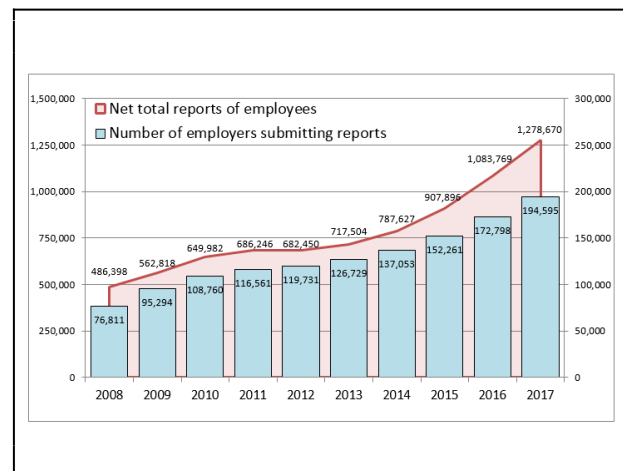
As mentioned earlier, the mass media has been reporting that the number of foreign workers in Japan has more than doubled over the past decade based on MHLW data. As we have shown, this data does not reflect the foreign working-age population. It indicates only the number of notifications submitted by employers, not the number of individual foreign employees. The apparent doubling was actually the result of an initially low count by the MHLW, followed by substantial growth in notifications as an increasing number of workplaces participated in the notification process after it commenced in 2007.

The MHLW began collecting information on employees from workplaces following a revision of the Employment Measures Act effective from October 1, 2007. Article 28 of the law states :

“If an employer newly hires a foreign national or if a foreign national employed by an employer separates from employment, the employer must... verify the foreign national's name, status of residence..., and other

particulars prescribed by Ordinance of the Ministry of Health, Labour and Welfare, and notify the Minister of Health, Labour and Welfare thereof” (Employment Measures Act, translation adopted).

Accordingly, the MHLW has been receiving two basic types of notifications from employers: hiring notifications and separation notifications. Initially, however, it carried out a preliminary data collection process to determine the number of foreigners reportedly working as of October 1, 2008, through which 76,811 workplaces provided information on 486,398 employees (MHLW 2009). Starting from that figure, each year the MHLW subtracted the number of separation notifications from the number of hiring notifications to reach a net total of notifications for the year, and then added that figure to the total number for the previous year (personal communication with the Osaka Labor Bureau on August 15th, 2018). In the first year of this process, for example, the total number of notifications amounted to 562,818 as of October 31, 2009 (MHLW 2010), meaning a net total of 76,420 was added to the original figure of 486,398. As the graph below shows, the annual total number of notifications has been rising almost every year, indicating that the MHLW has been receiving more hiring notifications than separation notifications.



**Graph 2: Comparison of total employers and notifications submitted to the MHLW**

**Source: MHLW 2009 - 2018**

In practical terms, the MHLW had about one year to carry out its preliminary data collection process from the enactment of the revised law, which involved notifying all employers nationwide of the new rules and requesting information on foreign employees. Considering the vast number of employers throughout the country, most of which are small and medium-size businesses, at the outset it was virtually impossible to reach all employers, so it can be assumed that not all employers were aware of the changes that occurred during the relatively short collection period. Inevitably, the original total of 486,398 employees was far too low. In fact, 772,375 foreigners responded in the 2005 census that they were working at the time of the census collection, followed by 759,363 in the 2010 census (Statistical Bureau of Japan (SBJ) 2008; 2013), and these figures were also undoubtedly low because the number of foreign residents who submitted census forms was approximately 20% lower than the totals registered by the MOJ in the same years. Nevertheless, the census results clearly show that many more foreigners were employed than the MHLW reported and the numbers of those workers did not change substantially during the initial years of the MHLW's data collection. In fact, the number did not rise substantially by 2015, when 807,996 foreigners reported working in the census conducted that year (SBJ 2017).

Given the similar census results for employed foreigners from 2005 to 2015, we can assume that the number of employers must have been relatively stable, in contrast to the large increases reported by the MHLW. Therefore,

we believe the upward trend in both employers and employees simply reflects the growing number of employers that participated in the notification process as they became aware of their reporting obligations under the revised law. As Graph 2 shows, the number of employers each year and the net total reports they submitted followed an almost identical pattern. Between 2008 and 2017, the number of employers rose by 2.5 times while the number of reports they submitted increased by 2.6 times, and the reports submitted per employer remained steady between 5.7 to 6.6 times over those years.

In other words, the MHLW's data over the past decade is the product of an inadequate and inconsistent collection of data from employers. As proven by census results, the number of foreign workers in Japan has been fairly stable and much higher than the figures published by the MHLW. Nevertheless, the MHLW is the only ministry that periodically releases data on foreign employment, and by citing this data, the mass media has incorrectly reported a very rapid rise in the number of foreign workers.

**Problems with the notification process**

In addition to lacking credibility over time, the MHLW's data is unreliable each year because employees can be unreported or reported multiple times due to the rules of the notification system. Specifically, the integration of these rules with the national unemployment insurance system combined with a lack of enforcement by the authorities creates conditions in which workplaces fail to notify employment offices, especially for short-term and part-time employees. For example, employees working more than one part-time job over a year may be counted for each job since the notifications from each employer are counted rather than the individual person.

According to the notification rules, employers

must notify a local employment office (known as Hello Work) when an employee has been hired or left the workplace by the 10th day of the following month in the first case or within ten days in the latter case. Along with a copy of the employee's residence card or passport, employers must fill in standard forms, shown below, that include various details about the employee, such as visa status and nationality. Furthermore, the employer must specify whether the employee will work more than 20 hours per week and is expected to be employed for 31 days or more, or will work less than 31 days or less than 20 hours per week by submitting a different form for each case (MHLW 2016b).

This distinction is due to the national unemployment insurance system, which requires employees to pay into the system if they work 20 hours or more per week for a period of 31 days or more (IPSS 2014). The employee's unemployment insurance number is only required in the case of employment of over 20 hours per week, and the employment office is obliged to check whether this number has already been registered. This verification procedure, however, does not apply to employees who work less than 20 hours. Consequently, an individual working less than 20 hours for several employers can be reported several times without the MHLW being aware that the reports concern a single individual. For example, a college student working three part-time jobs at the same time would be counted three times by the MHLW (personal communication, Osaka Labor Bureau, September 14, 2018). Actually, it is not uncommon for international students who independently finance their studies to work multiple jobs during their stay in Japan.

On the other hand, part-time workers may not be reported at all by their workplaces. Since employees who work less than 20 hours are not required to pay into the unemployment insurance system, their employers may be

inclined to skip the time and paperwork involved in reporting them. Likewise, a workplace hiring short-term contract workers for a period of less than 31 days has little incentive to report them if the work will be completed before or around the time of the deadline for notifying the local employment office. Such temporary work contracts are common in the manufacturing and construction industries, both of which employ substantial numbers of foreign workers. For example, Chiavacci (2016) has noted that many ethnic Brazilians are hired through agencies for only a few days at a time, and most are not enrolled in social welfare programs by their employers. Although every employer is legally required to notify the employment office, with a maximum fine of 300,000 yen (about 3,000 U.S. dollars) for failing to notify, in reality, employment offices are usually unaware of unreported foreign workers who are not required to pay unemployment insurance, and violations are normally unenforced (personal communication with the Osaka Labor Bureau on August 15th, 2018).

Based on the above, it can be assumed that for any given year, the total number of reports compiled by the MHLW does not indicate the number of employees subject to the notification system because not all employers notified the MHLW as required and, at the same time, some employers reported on the same individuals twice or more. Consequently, the annual totals do not correspond to actual numbers of employees, as the MHLW itself has admitted.

## Conclusion

We have shown that the MHLW's annually published reports on foreign workers are not an official, complete or reliable source of data on Japan's foreign workforce. In fact, the reports are not even drawn from a database of employees but rather from a compilation of notifications submitted by employers, whose

participation in the notification system is irregular or inconsistent. Moreover, due to the nature and rules of the reporting system along with its lack of enforcement, we can assume that some employees are not reported by their workplaces while others who hold several jobs are reported multiple times. For these reasons, we conclude that the MHLW's reports are not reliable sources of information about the number of foreign workers in Japan, and should not be cited as such by journalists, researchers, or policy-makers. With the recent revision of the immigration control law and resultant influx of foreign workers, it is more important than ever to provide the public and policy-makers with objective data on the foreign labor force in Japan in order to better inform public debate.

At present, no comprehensive source of government data on the foreign work force is available. The national census provides the most comprehensive data, but as pointed out, the number of foreigners recorded in the census is lower than the numbers of residents registered by the MOJ, whose data is actually used for foreign population counts because it is the most accurate. The MOJ keeps track of work and training visa holders but not the employment status of all foreign residents. Nevertheless, by combining both of these datasets, it is possible to make a reasonable estimate of the number of foreign workers. Applying employment rates from the 2010 and 2015 census results to MOJ data for the foreign working-age population, we have estimated the total number of foreign workers from 2009 to 2016.<sup>1</sup> During those years, our estimates indicate that the number grew by 16.5% compared with almost 92.6% that the MHLW figures suggest. Furthermore, our estimates of the number of foreign workers were significantly higher than MHLW figures suggest, starting at 1,258,308 workers in 2009, hovering around the 1.2 million-mark until 2013, and then rising to 1,465,333 workers in 2016 (Hennings and Mintz 2017). These figures mirror foreign working-age population trends

and are consistent with national census results. They were higher than the MHLW's totals mainly due to the underreporting of employees over time, as discussed earlier, and the inclusion of all foreign workers in our method, including Special Permanent Residents and non-salaried workers.

Based on the most comprehensive data sources available, these findings indicate that Japan's foreign workforce has not grown dramatically over the past decade but is larger than the government has publically admitted. Public debate will undoubtedly heat up in the coming months as the government prepares to accept unskilled foreign workers from April 2019. We hope that our method and findings will be helpful to further understanding the size and composition of the foreign workforce, making it possible to correct media and popular misunderstandings derived from the MHLW data, misinformation reported by the mass media, and the growing importance of foreign workers in Japan.

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## Notes

<sup>1</sup> The method for estimating the total number of foreign workers in Japan is explained in



“Hennings, Matthias; Mintz, Scott (2017): ‘Toward a Comprehensive Estimate of the Number of Foreign Workers in Japan.’ *Social Science Japan Journal*, Vol. 21 (1), pp. 103-115”. doi: 10.1093/ssjj/jyx045