

Case Study by Economy
Northeast Asia

Japan

Prof. Yasushi Iguchi

Kwansei Gakuin University

Revised Paper

After

*PECC-ABAC Conference on “Demographic Change and International Labor Mobility in the Asia Pacific Region: Implications for Business and Cooperation”
in Seoul, Korea on March 25-26, 2008*

The Conference on Demographic Change and International Labor Mobility in the Asia
Pacific Region: Implications for Business and Cooperation

March 25/26, 2008 in Seoul

Case study:

Declining population, structural change in the labor market and migration policy in Japan
(final)

Yasushi IGUCHI
Kwansei Gakuin University, Japan

Abstract

The author tried 1) to identify urgent policy tasks concerning migration in Japan, 2) to explore determinants of geographic distribution of migrant and functioning of the labor markets, 3) to analyze relationship with demographic changes 4) to analyze relationship with on-shoring or off-shoring of industries and 5) to draw implications for migration policy reform in Japan and intraregional cooperation on labor mobility in Asia Pacific.

Based upon several empirical studies, it is clear that social integration problems of migrants are becoming important domestic policy agendas. While there are growing mismatches between demand and supply of workforce, complementarities between native and foreign labor force can be identified in the case of Japan. There are also evidences that industrial fragmentation within Asia Pacific leads to creation of industrial agglomeration in local areas within Japan, which attract foreign workforce.

With such findings, the author stresses that there should be better combination of immigration policy and integration policy (“policy for multicultural coexistence”) with more involvement of municipalities. Furthermore, there should be mutually beneficial coordination between Japan and the neighboring economies in Asia Pacific, so as to facilitate movement of persons within this region in realizing “circular migration” from long-term perspectives.

1 Introduction

The Japanese economy has been experiencing recovery since 2001 with expansion of trade within the East Asian region and the labor market has been undergoing new developments: The labor turnover has been higher and the mismatches between demand and supply have been in increasing tendency with the result of growing foreign employment. For the past three years, the decline in

Japanese population has been compensated by the growing influx of foreign population¹.

During this period, Japanese enterprises continue their strategy on active relocation to China as well as ASEAN, with the background of declining population in Japan since 2005, while they also started to invest within Japan. Migration to Japan seems to be dependent upon such strategies as mixing off-shore and on-shore production not only in manufacturing sector but also in service sector (Table 1) .

Since the beginning of 21st century, social integration problems of migrants has become a serious concern for municipalities with high density of foreign population. This has led to the Cabinet decision in 2006 to undertake regulatory reform to amend the foreigner's registration and implement policies especially on the local level.

In this paper, the author is going 1) to identify urgent policy tasks concerning migration, 2) to explore determinants of geographic distribution of migrant and analyze functioning of the labor markets, 3) to analyze relationship with demographic changes, 4) to analyze relationship with on-shoring or off-shoring of industries and 5) to draw implications for migration policy reform and intraregional cooperation on labor mobility.

Table 1 Employment in Japan and that in Japanese multinationals overseas (thousand)

Year	1998	2000	2002	2004	2006
Real Economic growth (%)	2.0	2.9	0.3	2.7	2.4
Labor Force	67930	67660	66890	66420	66570
Employment	65140	64460	63300	63290	63820
Unemployment rate (%)	4.1	4.7	5.4	4.7	4.1
Foreign employees	660	750	830	900	930
Employees in Japanese MNEs	2,385	3,161	3,175	3,766	4,356
Employees in Japanese MNEs in Asia (Expatriates from Japan)	1,880 (26.6)	2,065 (25.5)	2,225 (26.2)	2,499 (25.4)	2,704 (27.4)

Source: Ministry of Internal Affairs and Telecommunication *Labor Force Survey*

Toyokeizaishinposha *Register on Japanese companies overseas* (2007)

Note; Foreign employees are estimates by the author and do not include those with special permanent

¹ The decline of Japanese population has begun since 2005 (127 million, -22 thousand) ,while the registered foreign population increased (2.01 million, +37 thousand) (MHLW, MOJ 2006). The net immigration is becoming more and more important for Japan, because it may prevent the total population from shrinking. In 2006, the foreign population compensated the loss of Japanese population again (2.08 million +70 thousand). In the long-run, Japan needs 300 thousand average annual net migration to maintain the size of the population until 2050 (UN 2005).

resident status.

2 Urgent problems of related to migrants in Japan

According to the estimates by the author, there are at least 930 thousand foreign workers in Japan excluding special permanent residents, while there are 2.08 million legal migrants at the end of 2006 (Table 2).

With the background of increase of foreign population, there are urgent problems as follows.

The increase of foreigners of Japanese descendant including those who obtained the permanent resident status continues. There is a phenomenon that foreign inhabitants concentrate themselves in specific local areas in several municipalities.

Disguised subcontracting undertakings have been cracked down and they have become a political problem since summer in 2006. The changes from subcontracting to worker dispatching undertaking has been still limited and the working condition and the coverage by social security of foreigners could not be improved.

Almost three fourth of foreign youths aged from 16 years old to 18 are not attending any schools and estimated to be working in irregular employment. There are fears that they cannot be integrated to the Japanese society.

The inflow of foreign trainees as well as technical intern trainees is so fast that the number has reached over 150 thousand (the sum of technical intern trainees and foreign trainees) in 2006 and there are growing number of mismanagement identified by the immigration authority.

The take-into-effect of the Economic Partnership Agreement (free trade agreement in combination with economic cooperation) with the Philippines (and Indonesia) has been delayed. Such agreements accompany schemes admitting nurses and care-givers from such countries under the framework of trade agreement and invoked discussions on the schemes on migration and human resources development in East Asia.

Before entering into discussions on policy measures, we should get to know the functioning of labor markets of migrants.

Table 2 Estimated number of foreign workers in Japan excluding special permanent residents

	1990	1995	2000	2003	2004 (6)	2005 (6)	2006 (6)
Foreign with the status of residents for working	67,983	125,726	154,748	185,556	192,124	180,465	171,781
Technical intern trainees etc. (1)	3,260	6,558	29,749	53,503	63,310	87,324	97,476
Undesignated activities of	10,935	32,366	59,435	98,006	106,406	96,959	103,595

foreign students (2)								
Japanese descendants (3)		71,803	193,748	220,844	239,744	231,393	239,259	241,325
Illegal working	Overstay (4)	106,497	284,744	219,418	207,299	193,745	207,299	193,745
	Undesignated activities	-	-	-	-	-	-	-
Orderly permanent residents (5)		-	17,412	39,154	86,942	101,904	113,899	128,441
Sum		260,000+ α	620,000+ α	750,000+ α	870,000+ α	900,000+ α	920,000+ α	930,000+ α

Source: Estimates by the Ministry of Health, Labor and Welfare (until 2003) and by the author (from 2004)

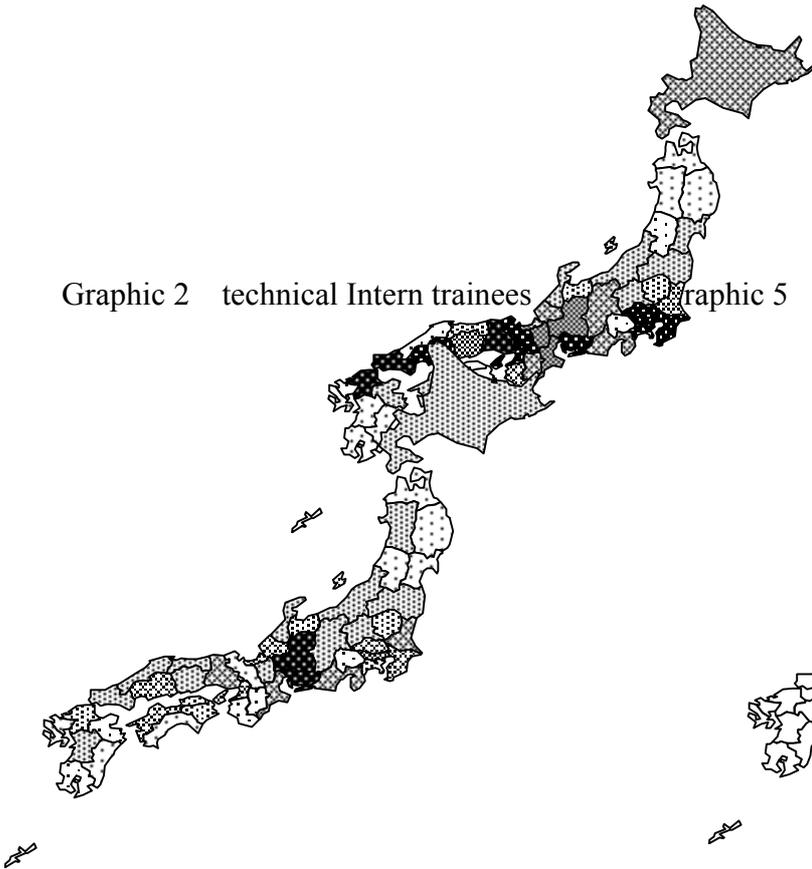
- 1) Including working holiday makers, house maids at home of diplomats etc.
- 2) When permitted as activities outside study for 28 hours per week.
- 3) The second and third generations of ex-emigrants from Japan with their spouses, especially from Latin America as well as from Asian countries.
- 4)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

Graphic 1 Special permanent residents

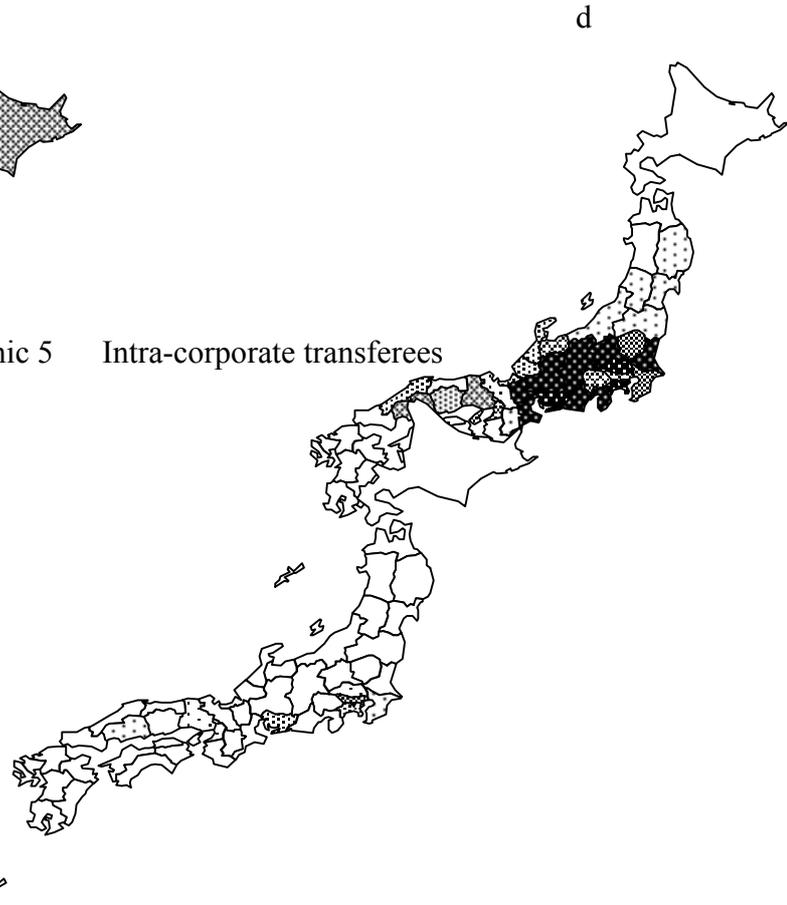
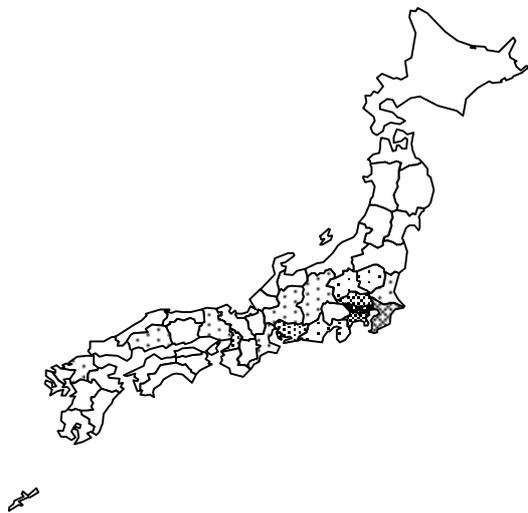
Graphic 4 Brazilians as Japanese descendants

Graphic 2 technical Intern trainees

Graphic 5 Intra-corporate transferees



Graphic 3 Engineers



Source: By the author

In reliance upon foreign residents statistics (2006)

Note: the color indicates the number of persons in a prefecture

7500~ (dark)

5000~7499

2500~4999

1000~2499

250~999

0~249 (white)

3 Distribution of migrants and functioning of the labor market

The backgrounds of growing migration are diversified according to different types of labor markets and its relation to demographic changes in Japanese population.

Actually, there are different groups of migrants residing or working in Japan with different historical backgrounds in different areas.

Therefore, we are going to make surveys on geographical distribution of migrants and estimate several kinds of factors influencing behind².

It is interesting that the “old comers”, namely Koreans with special permanent resident status who had flowed mainly into Kansai area (or Osaka) in the 1930s, are still highly represented in the western part of Japan, while they tend to concentrate themselves in large cities (Graphic 1).

Talking about “new comers”, here are almost four types of migrants who can be classified in terms of labor mobility as well as regulations in the labor markets.

The technical intern trainees (Graphic 2) are permitted to stay in total three years, not allowed to change their firms for training or working and subject to rotation principle. They can be accepted in regions or sectors where there are problems related to recruiting Japanese youths and aging of workforce. There are also quota in accepting trainees at the first stage (5% per year).

The Brazilians are the largest group of foreigners of Japanese descendant (the second and third generation) who may conduct any kind of activities including working in Japan (Graphic 4) They are so mobile and seeking for 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 (whose center is Tokyo).

The highly skilled workers, especially engineers (Graphic 3) or specialists in humanities are concentrating in the regions with large cities and their suburbs. Engineers and specialists are permitted to change their jobs insofar as they conduct activities by using their high knowledge and technologies. However, corporate transferees are not permitted to change their employers within the multinationals (Graphic 5).

As mentioned above, we may explore reasons why migrants are concentrating in some areas which have different types of mismatches in the local labor markets.

4 Measures to reduce mismatches and the role of foreign labor

Now we should examine why there is growing mismatches and what kind of measures have been taken. As already mentioned, the labor market in Japan is undergoing rapid changes, while the economic growth recovers.

It is the first time since 1991 that employment increases in manufacturing sector in 2005. The

² See Iguchi and Shiho(2007) makes several kinds of empirical analyses based on “location choice theory”.

number of regular employees has started to recover while atypical employment is continuously growing, reemployment of the old workers who reached retirement age have also increased and active hiring of school leavers is an new phenomenon.

Nevertheless, mismatches in the labor market are becoming more serious. Not only technical and skilled workers, but also sales, transportation workers cannot be easily recruited. In the sector of medical and welfare services, which were regarded as important employment opportunities during the long economic stagnation, cannot attract enough staffs any more and experience growing job-changers to the other sectors because of long-working hours and/ or low remuneration. There are cases where deregulation and severer competition lead to deterioration of working conditions, which induce loss of workforce especially transportation sector³.

With the increase of female labor force, mismatches of demand and supply also expand for female workers with difficulties to continue working with family responsibilities and care for the elderly. There are also concerns that youngsters who cannot stand severe working conditions may become inactive and stay home.

In general, the growing mismatches in the labor market under deflationary pressures cannot be reduced solely by measures to enhance wage levels, as simple economic theories anticipate. The Government of Japan has been trying to implement policies which may have influenced on growing mismatches in the labor markets⁴.

First, on the basis of Employment Countermeasures Law and with cooperation among several ministries, employment promotion of the youths has been strengthened. Under the framework of “the Youths Empower and Challenge Plan”, 250 thousand young workers under atypical employment contract (the so-called “Freeter”) seem to have obtained regular employment opportunities in 2006 and the assistance through “Job Café” to those who are not in employment, education or training (NEET) has been strengthened. The number of “Freeter” has been reduced to less than 2 million in 2006 for the first time since 2002.

Second, the amended Act on Employment Promotion of the Old-Aged obliges enterprises to promote employment of the aged 60 years and older to choose one of the following until 65 years old: 1) to postpone the automatic retirement age to 65 years old (for the moment 63 years old), 2) to assure employment opportunity for the old aged by rehiring after retirement age, 3) abolishing automatic retirement system. Many of the enterprises took the second measure and the so-called “baby-boomers” born between 1947 and 1949 has been reemployed and there is no “mass retirement” for the moment.

Third, there have been other legal measures introduced. The amended Law for Equal Employment Opportunity between Men and Women has taken effect since April 2007. It has

³ Iguchi (2007) is discussing on mismatches in detail.

⁴ See MHLW(2007) on the development of employment policies.

introduced measures to prohibit “ indirect ” discrimination for the first time. The Law for the Child Care and Old Age Care Leave has also been changed to extend the child care leave up to 18 months, when there is no capacity for child care after one year from the childbirth. The bill to amend the Law for Improvement of Part-time Employment has been adopted by the Diet to introduce measures to rectify discriminatory wage gaps between full-time and part-time employees.

Fourth, there have been administrative measures intensively taken to reduce unprotected employment. Since 2006, there have been criticisms against “disguised subcontracting” undertakings, which provide flexible workforces, including many foreign workers, especially to automobile or electronic companies with two months employment contracts to avoid coverage by the public pension and medical insurance. The labor standard administration has strengthened its inspection of establishment and give orders to change from subcontracting to worker dispatching. As a result, many vacancies registered by such undertakings at public employment services have been statistically disappeared. In addition, there are also establishments which reversed from worker dispatching to subcontracting.

Table 3 Correlation between demographic movement and employment

	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	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
Engineer and specialist	0.357** 0.014	0.293** 0.046	0.519*** 0.000	-0.131 0.380	0.207 0.163
Brazilians as descendant	-0.054 0.718	0.686*** 0.000	0.504*** 0.000	0.410*** 0.004	0.474*** 0.001

Source: estimated by the author See Iguchi and Shiho (2007). Note: Co-relation coefficients and probability of significance. *** indicates significant at 1% level, ** 5% at level and * at 10%level.

With all the measures by the Government of Japan, the mismatches in the labor market cannot be smoothly reduced. The Government of Japan declares that there is no intention to implement

migration policies so as to filling “shortages” in the labor market. Therefore, the Economic Partnership Agreements with the Philippines, Indonesia and Thailand allegedly have nothing to do with the “shortages” in the domestic labor markets.

However, according to our empirical survey, foreign workers of Japanese descendant, are complementary to old aged and female labor force as well as employment while worker with knowledge and technology are concentrating in regions with higher share of youth population and complementary to old labor force as well. In addition, the technical intern trainees are filling the gaps caused by declining younger generation (Table3).

Officially speaking, migration policy should be decoupled from labor market policy in Japan. In reality, migrants are playing an important roles in filling the gaps created by several kinds of mismatches in the labor market.

5 Off-shoring and on-shoring of production: its relation with migrant labor force

The effects of off-shore production is naturally dependent upon international trade regime as well as strategies of enterprises on fragmentation and agglomeration. The on-shore production may also have labor market conditions including availability of foreign labor.

First, we should define “fragmentation” as division of production process into several production blocs, which should be located in different countries or regions. This is enabled by lowering tariffs and service linkage costs. In addition, we define “agglomeration” as growing concentration of managerial resources, money, workforce, technology as well as economic and social infrastructures to a certain area. This is different from simple static notion of “industrial cluster”⁵.

The decision making on fragmentation and agglomeration is dependent upon some conditions of trade liberalization. When we observe effects of off-shoring from Japan especially to China, we should distinguish different time-periods with different stages of trade liberalization in China and with changing growth potentials in Japan. Especially important is the year 1995, when the WTO agreements took effect and the year 2001 as China joined the WTO.

From the year 1995 to 2000, we observed strong delocalization effects to China. The Japanese currency Yen has been evaluated to be 79 Yen against 1 dollar in April 1995. During such years of evaluation of Yen, direct investment to China has been intensified and many Japanese enterprises have started with “reverse importation” to cope with severe price competition. It was verified that within three to five years, foreign direct investment to China had negative impact on net exports as well as employment in Japan.

⁵ On the discussion on fragmentation and agglomeration see Chen L.K. et al (1999), Council on Competitiveness (2001), Cabinet Office (2006), Kimura (2006). On the reindustrialization, see also Iguchi (1997)m, JETRO (2008) and MITI(1999) etc.

From the year 2001 until now, we have been observing strong export effects to China. Irrespective of relatively underdeveloped *de jure* economic integration, the intra-regional trade recently occupies 50 % of total trade in ASEAN+3 (AST) (*de facto* economic integration). Intra-regional trade is attributable to dynamically expanding network of production (fragmentation) as well as “triangle trade” (ex. Japan-China-US) based on efficient distribution network promoted by FDI.

Really, trade liberalization and economic development in China is widely benefiting neighboring economies, namely Japan, Korea and ASEAN. From the year 2001, it has been acknowledged that fragmentation of industries in East Asia might give positive effects to the economies within this region, when they have agglomeration of industries in their territories.

Japanese industries, too, continue their strategy on active relocation to China as well as ASEAN, with the background of declining population from the year 2005. At the same time, they also lay more emphasis on assuring production sites in Japan so as to protect their intellectual property rights.

Actually, the declining employment has turned to increase in the middle of 2003. However, agglomeration effect has been still weak in Japan except Nagoya and its suburbs.

Then we are going to verify factors determining location of Japanese enterprises with the indicators of the number of establishments and that of employment as dependent variables.

Table 4 **Determinants of on-shore production for Japanese enterprises**

Dependent variable	Number of establishment		Number of the employed	
	coefficient	t-value	coefficient	t-value
Productivity	-4.032***	-4.117	-50.646***	-2.238
Average wage	0.042***	6.088	0.997***	6.223
Vacancy/Applicant	-0.220***	-4.419	-17346.6***	-6.163
Foreign trainees	2.005***	4.622	44.577***	4.449
Brazilian population	0.211***	7.375	8.718***	13.185
FDI to China	-0.359*	-1.793	-11.798**	-2.550
Land price	0.038***	7.178	0.542***	4.383
Exchange rate	89.710***	2.251	2573.769***	2.798
Constant	-18714.529***	-3.410	-485605.4***	-3.830
Adjusted R2	0.705		0.764	
Sample size	282		282	

Source: By the author Period from 2001 to 2006

Note: *** significant at 1% level, **significant at 5% level, * significant at 10% level

The effect of fragmentation may be positive or negative for home or host country. It is theoretically not predetermined. Empirically, the number of enterprises or domestic employment has been in declining tendency with several exceptions of local areas with agglomeration of industries.

As the result of econometric analysis (Table 4), we may conclude that enterprises have been trying to eliminate the number of establishment or employees. However, wages are correlated with the number of employment or establishment, which reveals *agglomeration effects*. Devaluation of Yen and lower land prices may have strongly promoted on-shore production sites, while FDI to China is promoting off-shoring. *Existence of foreign labor, either mobile or in rotation principle, may have contributed to agglomeration of industries.*

6 Regulatory reform of migration policies

In coping with urgent policy agenda pointed out in the chapter 2, *the Council on Regulatory Reform* of the Cabinet Office took initiative to undertake reforms of Japanese migration policies in June 2006. This was the first step towards the whole reform of migration policies in Japan.

The Japanese immigration system can be regarded as an Anglo-Saxon type, because it has been established according to the US immigration laws after the World War . The immigration control laws and regulations in Japan have been supplemented by the Foreigner's Registration Law, which originally aimed at control of the Koreans as permanent residents who had lost Japanese nationality after 1952 according to the San Francisco Peace Treaty, which recovered the independence of Japan.

Under such laws, the Local Immigration Bureaus, Ministry of Justice, issue the "Status of Residence". The municipalities has only the power to issue "Foreigner's Registration Certificate", while there are no legal basis for municipalities to undertake local policies for foreigners (so-called *policy for "multicultural coexistence"* or policy comparable with "*integration policy*").

There has also been criticisms that the information contained in the Foreigner's Registration was often incorrect, because the address and workplace of foreigners are not reported and the municipalities are not able to correct information based upon investigation or information sharing with some authorities concerned..

In addition, the 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 at all among the Immigration administration, labor and social security administration and municipalities concerning rights and obligation of foreign inhabitants. One special mechanism of labor law to grasp the employment of foreigners was the "Reporting System

on Foreigner s Employment ” , which has been limited in its function, because reports have been collected on a voluntary basis from employer to the Public Employment Office.

The reporting system by the employer has now become obligatory and contains individual data on foreign workers by amending the Employment Countermeasures Act in the Parliament and took effect in October 2007.

The Council on Regulatory Reform recommended to strengthen policies by the municipalities (for multicultural coexistence) in cooperation with government agencies.

Table 6 Comparison of different types of systems on the stay of foreigners

Typology	Immigration control	Power of local government	Register at local government	Management of tax and social security	Information Sharing
Anglo-Saxon type (US / UK /JPN / KOR)	Issuance of visa status registration of permanent residents	None	Election register for nationals	Social security number (US) tax number (UK)	Freedom of Information Act (UK)
Continental European type (France)	Issuance of entry permits	Permission of stay (Immigration bureau in prefectures)	Election register for nationals	Resident number of French and foreign nationals	Exchange within the prefecture offices
Continental European type (Germany)	Issuance of entry permits	Permission of stay (foreigner’s office at municipalities)	Registration of domestic and foreign nationals	Income tax number	Information sharing with network data base among authorities
Future in Japan (Proposal)	Issuance of status of residence (with <i>resident card</i>)	Checking rights and obligations amending the registration data if necessary	Registration of Japanese and foreign nationals	Reporting system / the introduction of social security number (under consideration)	Information sharing with network data base among authorities

By the author in reliance upon the documents of the Council on Regulatory Reform

7 Economic Partnership Agreement and beyond

To attain this goal, the Anglo-Saxon type system (as in the US and UK) of migration policy should also incorporate functions of the Continental European system (as in Germany, the Netherland and France) , which enables municipalities to take effective measures for “ integration policy ” to guarantee the rights and obligations of foreigners, which is a prerequisite for success of “ immigration policy ” According to the proposal A , the immigration authority should

maintain the power to issue “ Status of residence ” while “ Foreigner s Registration System ” should be changed to “Registration of foreign inhabitants ” which should be approximated to “Registration of Japanese inhabitants” with network data system. Important thing is that the information on workplace should be grasped by the “ Reporting System on Foreigners Employment ” and circulated from public employment office to the immigration office.

The Economic Partnership Agreement (EPA) with the Philippines would be the first case where the Filipino nurses might be admitted as an exception of the general principle of the Immigration and Refugees Recognition Act. However, the take-into-effect of this agreement has been delayed until now. It is not certain if the EPA will be starting within this year, because ratification of this agreement cannot be achieved by the Filipino Parliament.

In 1999, two years after the Asian Monetary Crisis, “ASEAN+3” agreed upon the direction towards regional integration initially through conclusion of free trade agreements. Although Japan strengthened its negotiation with the neighboring countries including Korea, the Philippines, Thailand, Malaysia, Indonesia and Vietnam, it has met with several difficulties⁶.

One big focus of the negotiation between Japan and the Philippines was abolition of tariffs on automobile or automobile parts from the side of the Philippines. Another one was reduction of tariffs with some quota on agricultural and products especially those of sugar and poultry from the side of Japan. In the field of trade in services, the both parties did not make substantial improvement beyond “ stand still” .

Therefore, the negotiators could not achieve any “ equilibrium of interests ” without the offer from Japan in response to strong requests from the Philippines to admit Filipino nurses and care workers to Japan. The Government of Japan imposed the condition that the Filipino nurses should acquire Japanese qualification and master Japanese language. The numerical quota will be one thousand (600 for nurses and 400 certified care workers) for the initial two years.

In September 2006, Japan signed the Economic Partnership Agreement with the Philippines, which was the fourth agreement following those with Singapore, Mexico and Malaysia.

The Government of Japan (MHLW) insisted during the negotiation with the Philippines that the supply of Japanese nurses or certified care workers would be sufficient to meet the demand for them. The ministry also argued that there were no reasons at all for Japan to admit nurses and care workers from overseas. Nevertheless, Japan would offer an exceptional admission of such professionals in order to avoid disagreement on the negotiation as a whole.

The two parties already agreed upon “mutual respect for national qualification system ” . Those Filipinos who may able to work as nurses or care-givers for the elderly should acquire ability of Japanese language, have work experience and pass the Japanese national examination. After having passed examination, they may be able to work for three years and extend their duration of stay.

⁶ See the Council on East Asian Community (2007).

According to the EPA, there should be two different ways for acquiring admission of Filipino nurses or certified care workers. First one is the “examination course” for both nurses and certified care workers and the second one is “schooling course” for the certified care workers only. By the way, this clause on “schooling course” does not exist in the agreement with Indonesia.

As we have already examined, the labor market in Japan has undergone rapid changes since the middle of 2003. There are growing mismatches between demand and supply of health professionals including medical doctors, nurses as well as care workers etc., although the aggregate numbers of such professionals have been estimated to achieve a balance in the medium or long term. Nowadays, people are becoming skeptical if the balance between demand and supply of health professionals can be achieved in the long-run.

There are concerns whether Filipino nurses or certified care workers may be able to pass the examinations, because they are not easy for even Japanese candidates.

From the standpoint of enriching human resources in East Asia as a whole and meeting the growing demand for health professionals, the scheme of EPA is very limited. The candidates from the Philippines should be registered nurses or certified care workers in the Philippines already. There is no room to create more health professionals in this region and this might bring about “brain drain” effect. At the same time, language courses should be provided in Japan, whose disadvantage is high cost. Furthermore, the qualification acquired in Japan has no mutual recognition within the East Asian region.

Anyway, the admission of the Filipino (or Indonesian) nurses to Japan in the EPA would be an important step. The scheme should undergo evaluation processes and be improved from wider perspectives including domestic labor market and community forming in East Asia.

8 Conclusion

(1) Direction of domestic regulatory reforms

With the urgent policy agenda, the regulatory reform of migration policy has finally started. The Cabinet has decided that the bill to renew the Foreigner’s Registration Act should be submitted at the beginning of 2009, which should also incorporate standardized data base on foreign inhabitants and some inter-ministerial information sharing systems.

At the same time, trainees should be treated as “workers” according to labor laws, when they are engaged in “on-the job-training” under the new legislation. The “hot line” to rescue trainees as victims will be introduced from April 2008.

Anyway, there should be more involvement of municipalities, which is expected in the reform package to be realized in the near future. This reform process of the migration policy can be regarded as establishing institutional infrastructure for “integration policy (in Japan, “policy for multicultural coexistence”).

However, the first stage is transitional and is expected to go to the second stage, where the scope of accepting foreign labor should be reexamined on a basis of better combination of immigration policy and integration policy.

(2) Towards Mutually beneficial migration policy

It is also expected that, with several regulatory reforms of migration policy, there should be mutually beneficial coordination between Japan and the neighboring economies in Asia Pacific, so as to facilitate movement of persons within this region taking into consideration of “circular migration”.

It is desirable for Asian Pacific economies to have more dialogues to create intra-regional framework for cooperating between receiving and accepting countries in the field of migration policies as well as human resources development from long-term perspectives, because it should be an important part of community building in this region ⁷.

The followings are the policy recommendations for regional cooperation in the field of migration policies based upon this case study.

1) Monitoring migration and migration policies and maintaining a network

It is important to maintain networks of authorities and think-tanks in this region to periodically monitor the migration movement and migration policies, which will be an important basis for policy coordination and cooperation in this region. It is important for such a network to make cooperation with the international organization

2) Creating a regional guideline on labor migration to encourage measures for protection and social integration of migrant workers

It is important to exchange experiences on bilateral labor arrangements and to seek for regional guideline in protecting migrant workers and in encouraging human resources development.

In the guideline, measures to rescue migrant workers and to protect migrant workers by themselves from evil conduct of employers as well as establishing “hotline” should be considered.

Within this frame, it is important to reach a consensus for eliminating high commissions paid by migrant workers to intermediaries and to create cooperation between immigration, labor market and police authorities.

Furthermore, it is important to create institutional infrastructure to guarantee rights and obligations of migrants in the host country. To achieve this goal, social integration programs, especially orientation courses, minimum language standards and language courses, should be drafted by some participating countries.

⁷ On detailed discussions, see Iguchi (2005a), (2005b) (2005c) (2006)

- 3) Strategically combining human resources development programs with migration policies especially traineeship programs

In order to strengthen competitiveness of industrial basis in Asian Pacific region, it is important to reinforce human resources development programs, including foreign traineeship programs, to create more skilled workers in local industries in developing countries, especially supplying parts and devices. There are interesting cases in automobile sector in Thailand.

It is important to reduce mismatches from the regional point of views and fully utilize traineeship programs to overcome them. .

- 4) New initiatives for “circular migration” by encouraging second generation migrants

It is important to encourage education of second generation migrants to catch up with the natives and to achieve higher educational attainment. It is sometimes necessary to assist them by the hand of bilingual teachers, to motivate them and to identify themselves in the host country.

These initiatives should be regarded as the part of a long term strategy for “circular migration” or collaboration between sending and receiving countries, both of which should be able to benefit from long-term migration. Naturally, the whole idea of “circular migration” should be developed for this region.

- 5) Promoting “diversity management” in the countries of this region

Personal management in enterprises should take into account of diversity of personnel and provide equal opportunities for migrants and natives. This is important basis for maximizing the power of migrant workers in the host country. Therefore, it is meaningful to promote diversity management in line with creating regional guidelines on migration in this region.

- 6) Combating against human trafficking on a regional basis

Institutionalizing systems to combat human trafficking and organized crimes and cooperation among related authorities for police and border control within the region.

- 7) Promoting measures especially for skilled or highly skilled workers

It is also important to think measures on a regional basis especially for

- Further harmonizing immigration regulations for corporate transferees in Asia and Pacific region based upon the consensus made by the Uruguay Round on movement of natural persons.
- Encouraging intra-regional study abroad by creating more recognition of study results, introduction of double credit systems and scholarship as well as deregulation of immigration regulations,

- Enlarging universities and institutions especially for science and technology and encouraging multinational companies to establish R&D centres in the developing countries, so that they are able to accept more experts as returnees from developed countries.
- Monitoring demand and supply of medical and health staffs who may be migrating within the region to facilitate human resources development of such staffs,
- Facilitating movement of business travellers by utilizing APEC Business Travel Card and enlarging its scope to researchers and post graduate students.

(References)

- Cheng L.K and Kirerzkowski H, (1999) *Global production and trade in East Asia*, Kluwer Academic Publishers, Boston
- Congress of Municipalities with High Density of Foreign Inhabitants (2004) *Declaration in Toyota City*, 29.Oct.2004
- Council on Competitiveness (2001) *Clusters of Innovation : Regional Foundations of U.S. Competitiveness*
- Council of East Asian Community (2007), Record on the 19th General Meeting “ After ASEAN+3 Summit and East Asian Summit ” January 30, 2007
- Cabinet Office (2003) *Local economies :Creating growth with industrial clusters-*
- Iguchi Y, (2006) “ For realizing the Human Resources Development and Circulation Strategy in East Asia ” Report by Japan Economic Research Center June 2006, pp71-89
- Iguchi Y.(2007c) “Labor shortage and policy responses in Japan -Challenges for labor market policy and migration policy- “ paper presented to the International Symposium on Managing Labor Migration in East Asia: Policies and Outcomes- A Joint Project of the ILO and Wee Kim Wee Centre of Singapore Management University , on May 16-17, 2007
- Iguchi Y. (1997) *International migration and Labor Market*, JIL Tokyo
- Kimura F (2006) “ International production and distribution networks in East Asia: ” *Asian Economic Policy Review*, Vol, 1, (2) 326-344
- Iguchi(2005a) “Determinants of Intra-Regional Migration and the Effects of Economic Partnership Agreement in East Asia”, Korea Labor Institute, *Quarterly Journal on Labor Policy*, Vol2, No2, pp1-24
- Iguchi Y.(2005b) “Leading Role of Japan in Human Resources Development and Migration” in Japan Economic Research Center, *Japan’s Economic Contributions to East Asia*, Dec 2005, pp179-194
- Iguchi Y. (2005c) “Foreign Workers-Prospects for Changing Course of Policies and Tasks of Legal System”, in NIRA *NIRA Policy Research*,

May 2005, Vol 18, No.5 pp17~22

- Iguchi Y.(2005d) “Possibilities and Limitations of Japanese Migration Policy in the context of Economic Partnership in East Asia”, paper presented to the Experts Meeting on Migration and Development, at the Population Division, United Nations, on 7~9July 2005
- Iguchi Y and Shiho (2007) “Determinants of migrants geographical distribution and their implication for migration policy reform ” to be presented at the employment seminar in Lille on March 8, 2007
- JETRO (2007), *White Paper on Trade and Foreign Direct Investment*.
- JITCO (2007), *White Paper on JITCO 2007*
- Ministry of Health, Labor and Welfare (MHLW) (2007a), *The Analysis of Labor Economy*, Japan Institute of Labor.
 - Ministry of Health Labor and Welfare (MHLW) (2005) *Tasks of Employment and Labor Policies under Population Decline* by the study Committee on Employment Policy
 - Ministry of Justice (MOJ) (2007a), *Annual Report of Statistics on Legal Immigrants*, Tokyo
 - Ministry of Justice (MOJ) (2007b), *Immigration Control 2007*, Tokyo
 - OECD (2007), *International Migration Outlook*, Paris.
- United Nations, Population Division(2005) *World Population Prospects*