
Mizuho Economic Outlook & Analysis

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First-year landscape of the new “Specified Skilled Worker” residence status system

Accumulated challenges keep the number of accepted foreign workers much smaller than expected

< Summary >

- ◆ In April 2019, the new “Specified Skilled Worker” status of residence was established in Japan as part of its efforts to accept more overseas workers.
- ◆ Only 1,621 foreign workers had acquired this status by the end of December 2019, although more than 30,000 Specified Skilled Workers were expected to be accepted in FY2019.
- ◆ Japan has progressed gradually in making better arrangements to accept such skilled workers. Several measures taken include giving applicants more frequent opportunities to take the required tests, but only a limited number of workers are likely to be accepted in the short term because of the difficulties prospective workers face in changing their residence status from Technical Intern Training or Student to Specified Skilled Worker.

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1. Newly created “Specified Skilled Worker” status of residence found to be less effective than expected in accepting more human resources from overseas

In April 2019, the new residence statuses of “Specified Skilled Worker (i)” and “Specified Skilled Worker (ii)” were established as part of the Japanese government’s efforts to accept more human resources from overseas who will engage in simple labor in Japan (**Chart 1**). The most conservative estimate showed that more than 30,000 foreign workers with the Specified Skilled Worker (i) status would be accepted in the first year, FY2019, but only 1,621 foreign residents had acquired this status as of the end of December 2019 (**Chart 2**). Moreover, the number of foreign nationals accepted as Specified Skilled Workers after passing the skills and Japanese language evaluation tests remained as few as 115 at the end of December 2019. (In this report, “skills and Japanese language proficiency evaluation tests” refers to the tests required for applicants for the Specified Skilled Worker (i) status.)

Chart 1: Outline of the “Specified Skilled Worker” system

	Permitted period of stay	Proof of skills	Proof of Japanese language proficiency	Can be accompanied by family members?
(i)	Up to 5 years	Skills evaluation tests required (those who completed Technical Intern Training (ii) are exempted)	Japanese language test required (those who completed Technical Intern Training (ii) are exempted)	In principle, not permitted
(ii)	No limit	Skills evaluation tests required	Japanese language test not required	Permitted (spouse and children)

Note: Initially, all Specified Skilled Workers (i) were not allowed to come to Japan with their family members. This rule was relaxed on humanitarian grounds partly because foreign nationals with Student residence status are permitted to bring their family members. Now, foreign workers who change their status from Student to Specified Skilled Worker (i) can be accompanied by their family members.

Source: Made by MHRI based upon releases on the website of the Immigration Services Agency of Japan.

Why has the number of foreign nationals accepted into Japan with the widely publicized “Specified Skilled Worker” residence status remained at a level far lower than initially expected? There are three possible factors. First, only a handful of applicants have actually passed the Specified Skilled Worker (i) evaluation tests. In principle, foreign nationals must pass the skills and Japanese language proficiency evaluation tests to obtain this status of residence. In all specified industrial fields, applicants must pass the N4 or higher level of the long-established Japanese-Language Proficiency Test (demonstrating that they have reached the proficiency level to read hiragana with some difficulty), or the Japan Foundation Test for Basic Japanese (JFT-Basic) launched in 2019 and administered overseas by the Japan Foundation. As of the end of February 2020, 10,212 examinees out of 17,398 passed the skills and Japanese language proficiency evaluation tests, constituting

only 59% of all applicants. These figures exclude the data of the field-specific Japanese language evaluation test required in the care worker industrial field.

This low rate of successful applicants is partially the result of their low Japanese proficiency level. The JFT-Basic, one of the tests evaluating the Japanese proficiency of prospective Specified Skilled Workers, has been conducted in the Philippines, Cambodia, Indonesia, Nepal and Mongolia, where Chinese characters (kanji) are not used. The pass rate was as low as 33% at the end of February 2020. In addition, many of the skills evaluation tests are given in Japanese (with “ruby,” kana syllables, written alongside the Chinese characters to help reading). Therefore, it is difficult to pass the skills exams without a certain level of Japanese language ability, especially for foreign nationals from non-kanji countries.

Chart 2: Expected and actual numbers of accepted “Specified Skilled Workers (i)”

Specified industrial fields	Expected number of accepted workers for FY2019	Actual number of accepted workers at the end of December 2019	Number of successful applicants (total applicants) of the skills and Japanese language proficiency evaluation tests at the end of February 2020
Care worker	5,000	19	Skills test: 1,949 (4,029) Japanese test : 1,988 (3,900)
Building cleaning management	2,000-7,000	13	495 (709)
Machine parts & tooling industries	3,400-4,300	193	4 (23)
Industrial machinery industries	850-1,050	198	(total number in three fields: machine parts & tooling industries, industrial machinery industries, and electric, electronics and information industries)
Electric, electronics and information industries	500-650	38	
Construction industry	5,000-6,000	107	Tests not conducted
Shipbuilding & ship machinery industry	1,300-1,700	58	7 (14)
Automobile repair & maintenance	300-800	10	18 (22)
Aviation industry	100	0	194 (340)
Accommodation industry	950-1,050	15	1,140 (1,852)
Agriculture	3,800-7,300	292	274 (325)
Fishery & aquaculture	600-800	21	8 (19)
Manufacture of food and beverages	5,200-6,800	557	1,180 (1,826)
Food service industry	4,000-5,000	100	4,949 (8,221)

Note: The figures are compiled from data published on the websites of relevant organizations as of March 25, 2020. For some industrial fields, the examinations were held but the numbers of total and successful applicants have not been released. The care worker field conducts a field-specific Japanese language test.

Source: Made by MHRI based upon data released on the websites of the Immigration Services Agency and Specified Skilled Worker test organizations.

The second factor is the slow progress in changing the residence status from Technical

Intern Training to Specified Skilled Worker. The Technical Intern Training status features categories (i), (ii) and (iii). A technical intern with the status of category (i) is permitted to stay for a period up to one year with no restriction on job types; with the category (ii) status for a period up to two years after completing Technical Intern Training (i) with restriction on job types; and with the category (iii) status for a period up to two years after completing Technical Intern Training (ii) with restriction on job types. Those who complete the category (ii) training are able to change their status of residence to Specified Skilled Worker (i) without taking any tests as they are recognized as having acquired the knowledge, skills, and Japanese language proficiency sufficient to work in their fields.

At the end of January 2020, the number of applicants obtaining permission to change their status of residence to Specified Skilled Worker (i) from other statuses, including Technical Intern Training, was 1,751. This figure is markedly low given the fact that nearly 150,000 foreign residents with the Technical Intern Training (ii) status were working in the industries designated as specified industrial fields for Specified Skilled Workers (i) at the end of June 2019.

The strict requirements imposed on companies accepting foreign workers are apparently one of the reasons for this low number. These companies are required to comply with Japanese labor, social insurance and tax laws and regulations; they also have to demonstrate that none of their workers engaging in the same types of jobs as Specified Skills Workers have left their employment involuntarily, and that they have had no cases of missing workers in the past. These conditions are very stringent for businesses that have accepted technical interns and experienced some trouble with them.

The third factor is the difficulty of changing the residence status from Student to Specified Skilled Worker. Foreign students applying for this change must prove they have complied with Japanese laws and regulations. International students are permitted to work part-time for up to 28 hours a week during the semester and up to 40 hours a week during semester breaks. In reality, however, quite a few student-visa holders stay in Japan mainly to work part-time. We often see cases where a student works several jobs, exceeding the permitted working hours, or a working student does not pay taxes and/or social insurance premiums.

The Ministry of Justice has announced on its website and in other media that foreign nationals applying for a change of residence status from Student to Specified Skilled Worker must verify their compliance with Japanese laws and regulations. For international students who have not paid taxes and/or social insurance premiums as prescribed in the relevant regulations, it is difficult to correct their behaviors retroactively.

2. Prospects for the outcomes of Japan's efforts to accept more foreign workers

We saw a significant fall in the number of foreign residents in Japan in the aftermath of the collapse of Lehman Brothers in 2008 and the 3.11 earthquake and tsunami disaster in 2011, and today we cannot ignore the impact of the spread of novel coronavirus disease (COVID-19) on the prospects of foreign workers in Japan in the short term. In particular, the food service and accommodation industries, which employ many foreign workers who have passed the skills and Japanese proficiency evaluation tests, are heavily affected by COVID-19. As a consequence, the number of foreign nationals accepted as Specified Skilled Workers is expected to remain smaller than initially expected as long as the effects of COVID-19 persist.

In the medium and long term, however, Japan must, to some extent, rely on human resources from overseas mainly in terms of simple labor because of the declining number of young Japanese workers. Now that the new visa program requires foreign workers to obtain the Specified Skilled Worker residence status to engage in simple labor work in this country, those who wish to do such work will necessarily seek the status; therefore, the number of international “students” staying in Japan mainly to engage in simple labor is expected to decrease.

Many foreign students who work part-time are now employed in service industries in large cities. Under these circumstances, service industries will face even more serious labor shortages if they lose student part-timers with no offsetting increase in the number of Specified Skilled Workers. Not included in the 14 specified industrial fields for Specified Skilled Workers, the wholesale/retail and transport industries, which are facing particularly serious labor shortages, may apply for designation as an industry eligible for accepting Specified Skilled Workers if the current 14 designated industries succeed in hiring more foreign workers with the Specified Skilled Worker status. But as these 14 industries have failed to meet the targets for such an increase, designation of the wholesale/retail and transport industries as eligible for the Specified Skilled Worker system is likely to be delayed. As a result, it will become more difficult to predict when the two industries can resolve their labor shortage issue. In particular, convenience stores in large cities, which rely heavily on student part-timers from overseas, will need to rework measures to cope with their short-staffed operations.

In the meantime, it should be recognized that not only foreign nationals but also Japanese language schools and companies have experienced some difficulties in understanding the Japanese residence status system that is complicated and subject to frequent changes. In the years to come, third-party coordinators and coordinating organization will probably play an important role in providing foreign nationals, Japanese language schools, and companies with appropriate advice about the residence status system

and matching services to meet their respective needs.

To conclude, two measures can be suggested to improve the Specified Skilled Worker system. First, foreign nationals and accepting companies should be exempted for the next two years or so from allegations of non-compliance with the requirements for a change of residence status relating to labor management, taxes and social insurance premiums. As it is not easy to win new workers from overseas at this point due to COVID-19, it is important to work out arrangements on how technical interns and foreign students who are already working in Japan can continue to work here.

Second, the Japanese government should make steady progress in its institutional updates to the Specified Skilled Worker (ii) status, which defines *de facto* immigrants. While the 14 specified industrial fields are eligible for accepting Specified Skilled Workers (i), who can stay in Japan only for a period up to five years, only the construction and manufacturing industries are entitled to hire Specified Skilled Workers (ii). The Specified Skilled Worker system is scheduled to be reviewed in two years' time. By then, the scope of specified industrial fields permitted to accept Specified Skilled Workers (ii) should be significantly expanded with a view to securing stable, long-term employment for foreign workers.