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## Foreign Workers in the Bubble and Post-bubble Economy in Japan

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### Abstract

The 1990 immigration policy reform brought about substantial changes in migration inflows to Japan. “Nikkei”, meaning people of Japanese ancestry, were welcomed as new resources to fill expanding labor needs in unskilled jobs. They formed one of the major segments of the labor inflow in the 1990s. Thanks to the favorable treatment they received under the new system, they were able to choose comparatively better jobs within unskilled work than were undocumented workers. The reform brought about a significant dichotomy among foreign workers engaging in unskilled jobs. The labor market for unskilled foreign workers became segmented.

The drastic changes in the Japanese economy in subsequent years, however, had a major effect on foreign workers, as they did on others. This paper discusses Nikkei employment during the bubble and post-bubble period, with special regard to their job placement within the dynamic changes occurring in the Japanese economy.

### Prologue

Human beings, from the very beginning, have moved for many reasons: to search for food, or to escape flooding or droughts caused by changed climate, or war and religious persecution. Modern history tells that a considerable number of citizens have continued to cross borders for many reasons even after the emergence of the Nation State.

As economic globalism has strengthened ties among nations, people have become more apt to move to faraway regions of the globe. It is estimated that “around 80 million people now live in foreign lands (not counting the former Soviet Union and ex-Yugoslavia). And their numbers are rising steadily. One million people emigrate permanently each year” (Stalker, 1994, p. 3).

Unlike the European permanent immigration to North America and the Chinese and Indian emigration to Southeast Asia and the Middle East, the current international flow of target workers has initiated temporary movements, with savings or remittances as objectives. In Germany, where the foreign population has already reached 8 per cent of the total population, foreigners were originally invited as guest workers under bilateral contracts between Germany and sending countries to fill the

growing labor shortages which developed under the high economic growth in the post-war period. The Japanese government adopted a so-called “rotation policy” for foreign workers since the 1980s. The intent of the policy was to “rotate” visitors, and this basically prevented or at the least failed to promote, the settlement of foreigners in the country.

As is expressed by Max Frisch’s aphorism, “We asked for workers, and human beings came”, however, it is living human individuals who perform the act of crossing the national border. Despite the intention of the policy makers, newly arrived foreigners tend to settle in their host countries either by bringing their families or by forming new families, thus molding a particular ethnic community based on their respective social networks in the host society. This, then, spontaneously leads the host society to become a multinational and multicultural society. In this sense, the way in which multinationalism and multiculturalism are formed as a conception opposing the nation state seems to be a quite interesting current issue to explore.

## **I. The 1990 Immigration Policy Reform and Nikkei Workers**

Japan emerged as a relative newcomer among labor importing countries in the arena of the international labor flow. It was not until the second half of the 1980s that a massive number of foreigners began knocking the door in search of jobs. Among these newcomers, quite a few landed in Japan legally as, for example, short term visitors, and then stayed illegally beyond the period of time they were granted upon entry.

The huge income gap between neighboring Asian countries acted as a pushing factor, on one hand, and the tight labor balance which prevailed at that time acted as a pulling factor on the other, and these together led to an amazing increase in the number of “overstaying” newcomers in Japan beginning in the second half of the 1980s. Small-size firms in the construction and manufacturing sectors, which suffered from the most serious labor shortages, were their main employers.

The new Immigration Control and Refugee Recognition Act (hereinafter referred to simply as the “Immigration Control Act”) which was enforced in July 1990, ushered in a new epoch in Japanese immigration policy and practice. While curbing the further accumulation of undocumented foreign workers by enacting penal provisions against illegal workers, employers and mediating agents, the government dug new channels for the legal introduction of foreign workers into unskilled jobs by providing for new “long-term resident status (*teiju-sha*)” and by reorganizing the traditional trainee system.

Japanese immigration policy in the 1990s has been characterized by a dual character: while maintaining the so-called “rotation policy”, the government has endeavored to introduce designated categories of foreign laborers through intentionally opened side doors. This policy can be termed as a “side-door policy”, because the government granted access to the Japanese labor market to limited categories of foreign workers, such as Nikkei, who are of Japanese descent, and to trainees, while for other unskilled foreign workers the front door was firmly shut.

The burst of the bubble economy in the beginning of 1991 and the ensuing prolonged recession, incidentally, has brought about a huge drop in labor demand.

According to Ministry of Justice estimates, however, the number of undocumented foreign residents recorded only a slight decrease from its peak of 299,000 in May 1993, to 277,000 in January 1998, despite the drastic change in the labor market conditions. Data on Brazilian immigration, which can be taken as a substitute variable for all Nikkei emigration, demonstrates a net outflow of roughly 4,000 in the years 1993-94. This was, however, reversed by a net annual inflow exceeding 10,000 in subsequent years.

The Japanese labor market experienced a drastic change in the 1990s, from a tight labor balance during the bubble period to the attenuated labor demand in the post-bubble period. Despite the shrinking labor demand in the macro-economic sense, a certain segment of foreigners has actually expanded its stockpile, indicating that foreign workers have already been structurally incorporated into the Japanese labor market.

This paper aims to examine how the changes in the labor market conditions during the bubble and post-bubble period affected Nikkei employment, which is now one of the core segments of foreign workers in Japan.

## II. Nikkei Employment during the Bubble Period

### 2.1 The 1990 Revision of the Immigration Law and Nikkei Employment

Table 1 shows the trend of Brazilian migration flow since the late 1980s, together with the share of Brazilians in net annual inflow of foreigners.

This table shows that the number of Brazilians staying in Japan has increased remarkably since 1988 and that they accounted for more than a quarter of the total net annual inflow of foreigners in 1990. Although incomparable with Brazilians in scale, there was also an increase of visitors from South American countries such as Peru and Argentina, with a certain time lag. The overwhelming majority are believed to be second- and third-generation Nikkei, often accompanied by their spouses.

As is well known, the new Immigration Control Act which was put in force in June 1990 accounts for this massive arrival. In the late 1980s, when the law amendment was being prepared, the number of undocumented foreigners, mostly from

**Table 1 Trend of Brazilians' Migration Flow**

year	landings	departures	(A) net inflow	(B) foreigners' net inflow	A/B (%)
1987	12,126	11,726	400	55,427	0.7
1988	16,789	14,325	2,464	101,387	2.4
1989	29,241	16,931	12,310	94,716	13.0
1990	67,303	24,607	42,696	161,970	26.4
1991	96,337	41,389	54,948	257,687	21.3
1992	81,495	59,828	21,667	143,630	15.1
1993	70,719	73,104	-2,385	58,780	-4.1
1994	72,236	74,135	-1,899	56,137	-3.4
1995	90,322	79,139	11,183	46,784	23.9
1996	94,068	75,280	18,788	89,110	21.1

Source: Immigration Statistics, Ministry of Justice

Asian countries such as China (PRC), Pakistan and Bangladesh, who had come to earn money, was increasing on an unprecedented scale. In order to cope with this pressing issue, government decided to stipulate new penal provisions. Although even under the previous law people could be punished for staying illegally or engaging in illegal activities, no legal sanctions could be imposed on persons who assisted illegal workers by offering employment or other assistance. Under the amended law, the punishment for illegally overstaying or engaging in activities outside of their visa's permission, was extended to up to one year. Persons who aided illegal workers by offering employment or other assistance, kept them under their control while they engaged in illegal work, or mediated in these activities, could now be punished with imprisonment for up to three years and/or fines of up to 2 million yen.

Together with the new penal provisions, the system of residency status was drastically rearranged in order to meet foreigners' diversified aims of entry. Among other things, a "long-term resident" status was introduced, and this had a remarkable influence on migration to Japan. The status was created basically to authorize residence for Indochinese asylum seekers, and war-destitute returnees, mainly from China, who could not be recognized as Japanese. It was, however, also applied extensively to Nikkei who intended to reside in Japan in order to work. Since the status is listed in "Annex Table 2", which allows foreigners to engage in otherwise prohibited activities, such as unskilled labor, Nikkei were welcomed as a new labor source to fill the then expanding needs for unskilled workers.

The effects of the immigration system reform were not limited influence on the subsequent migration flow. It also exerted extensive influence on foreign employment not only in firms which employed illegal workers to do jobs that Japanese were loath to do, but also in those which had been hesitant to employ illegal workers. Thus, due to the institutional legitimacy given to them, Nikkei emerged as an effective labor source to fill vacancies in unskilled jobs in firms with serious labor shortages.

Strangely enough, the commencement of the massive inflow of Nikkei did not coincide with the enforcement of the amended law, but rather preceded the institutional change. A specific characteristic of the law-making process was responsible for this seeming inconsistency.

The first draft of the amendment was submitted by government authorities to the then ruling party as early as in March 1988. After approval by a cabinet meeting in March 1989, it was brought up for discussion in the National Diet. Due to the ongoing political upheaval, however, it took more than 2 years for the bill to move from the initial submission to its final implementation.

During this period of inaction, crucial points of the new legislative framework, especially the prospect that Nikkei residence conditions would be considerably relaxed in order to meet existing labor needs, were leaked by concerned parties to employers who were looking for new ways to replace illegal workers with legal ones in order to cope with the penal provisions under the pending law. The unexpected delay in the passage of the law offered then sufficient time to adapt their foreign employment to the new framework.

## **2.2 Characteristics of Nikkei Employment in the Bubble Period**

### **2.2.1 Nikkei Employment by Firm Size**

Table 2 highlights Nikkei employment by firm size.

**Table 2 Foreign Workers' Employment by Firm Size**

	Brazilians	Asians*	Others	Total
1-9	0.0%	68.5%	31.5%	100.0%
10-19	9.3	66.4	24.3	100.0
20 plus	45.1	33.8	21.1	100.0

Note\*: Includes Bangladeshis, Chinese, Filipinos, Iranians and Pakistanis.

Source: Inagami et al., 1992, p. 204

These data show that Brazilians tended to be hired in larger-size firms compared to Asian workers. The administrative records of the Oota Labor Standard Inspection Office, which exercises jurisdiction over one of the regions where Nikkei are employed on a massive scale, also support the above finding. That is, firms with more than 50 regular employees hire exclusively Nikkei as foreign workers. Smaller-size firms with 10~49 employees show a mixed employment pattern of Nikkei and non-Nikkei, although three quarters of them are Nikkei. Finally, small firms with up to 9 employees provide job opportunities exclusively to non-Nikkei. This dichotomy in the employment of unskilled workers in terms of firm size is seen as an economic consequence of employers' reactions to the new institutional framework.

Since the reform allowed Nikkei to perform unskilled jobs legally, large-size firms, which had once been hesitant to employ undocumented foreign workers, emerged as their new employers. In middle-size firms, where illegal workers from Asia shared works with elderly Japanese or part timers under the growing labor demand of the bubble economy, Nikkei have partly replaced their illegal counterparts. And the many Asian illegal workers, who were driven from their jobs by the Nikkei influx, were obliged to move either to smaller firms where working conditions were generally less favorable, or to unstable work such as food processing, construction and services. Even in cases where undocumented workers were able to keep their jobs, they were more likely to work in less visible tasks such as in night or supplementary work. But the bottom layers of all the industries continued to hire undocumented workers.

Incidentally, there were a set of industries and categories of firms which never turned to hiring foreign unskilled workers throughout the entire period under study, when others were vying for foreign employment. Sectors such as banks and securities and a handful of big manufacturing businesses constituted a particular set of exceptions.

Big businesses and even mid-size firms with technological advantages had followed international business expansion strategies during the rapid appreciation of the yen in the period after the 1985 Plaza agreement. Increasing involvement in international business activities required firms to gain expertise in foreign laws, accounting, technical staff and to hire managers with legal work permit status. As far as laborers in the production process were concerned, however, big businesses enjoyed a sufficient supply of native labor force, including seasonal workers even in the period when other firms faced serious labor shortages. Since young graduates from secondary education and technical schools, on one hand, and young job hoppers, on the other, a category which has grown in number lately due to altered job placement behavior, have filled the vacancies, production lines in big businesses did not really have to depend on unskilled foreign workers.

As revealed from the above discussion, foreign employment in unskilled jobs demonstrates a wide spectrum in terms of firm size reflecting many factors such as the work preferences of young native workers, working conditions and legitimacy or illegitimacy under the immigration system. Thanks to the legal status provided by the new institutional framework, Nikkei became able to take better jobs under more favorable conditions than other categories of unskilled foreign workers. The 1990 immigration policy reform has worked to create a dual structure in the unskilled segment of foreign workers.

### 2.2.2 Sectoral and Regional Aspects of Nikkei Employment

Table 3 shows occupational profiles by category of foreigners: Nikkei, students and undocumented workers engaging in unskilled jobs, and is based on a set of survey results. These data seem to demonstrate a marked difference in occupation by category. In other words, each category of foreign workers forms a distinct labor market.

The Nikkei, among others, are heavily concentrated in laborers. It is assumed that they are especially concentrated in industries such as automobile and electrical appliances, where they work mostly in assembly jobs on production lines. Despite their massive arrival during the bubble period, they demonstrated little occupational spill-over into other sectors such as construction and services.

Foreign registration data also support the notion that the occupational characteristics of Nikkei are quite distinctive from other foreigners. Table 4 compares the occupational profiles of Brazilians with those of newcomers, with the latter estimated by deducting the number of registrants by occupation as of 1984 from that of 1996.

Incidentally, registration data provide more comprehensive information on the regional distribution of foreigners than does the population census. Unlike most Asian newcomers, the residential distribution pattern of Brazilians is particular in its suburban nature. They tend to inhabit the regions surrounding the Tokyo Metropolis, such as Kanagawa and Saitama prefectures, which are located along the ring route No. 16, and the peripheral districts of greater Tokyo (the southern parts of Gunma, Tochigi and Ibaragi prefectures). Cities stretching from Shizuoka through Nagoya

**Table 3 Occupational Profiles by Category of Foreigners**

(percentage)

	Nikkei	College students	Pre-college students	Illegal workers
Professionals and technicians	4%	13	7	3
Language teachers and interpreters		19	4	1
Salesmen			2	
Clerks	3	11	4	1
Store clerks			13	2
Laborers	83	} 13	10	19
Longshoremen				6
Cleaners				5
Deliverers			5	1
Cooks	1		6	3
Waiters/waitresses and dish-washers		44	32	9
Hostesses/hosts			3	
Construction workers	5			40
Others	3		7	

Source: JICA, 1992, pp.116-7, TMIL, 1991, pp.124-5 and Tsukuba University, 1994, p. 198

**Table 4 Comparison of Occupational Profiles of Brazilians and Newcomers**  
(percentage)

	Brazilians	Newcomers
Technical workers in medical health	0.0	0.5
Technicians	0.2	1.7
Teachers	0.0	2.8
Artists, entertainers	0.1	0.9
Authors	0.0	0.1
Journalists	0.0	0.1
Scientists	0.0	0.4
Religious workers	0.0	0.0
Other professionals	0.2	1.6
Managers	0.1	1.6
Clerical workers	6.0	8.1
Traders	0.0	0.2
Sales clerks	0.4	0.5
Agricultural, forestry and fishery workers	0.2	0.0
Mining workers	0.0	0.0
Workers in transport and communications	0.2	-0.4
Craftsmen and production process workers	58.0	25.3
General workers	2.0	0.5
Service workers	2.6	4.1
Students, housewives and other inactive persons	29.7	51.9
Unknown	0.1	0.3

Note: The massive withdrawal of old-comers from the labor market due to aging may offset, or sometimes overwhelm, newcomers' involvement in some particular industries. See for example "transport and communications".

Source: Calculated from the Immigration Bureau, Ministry of Justice, Foreign Registration Statistics 1984; 1996

down to those in Gifu prefecture are also remarkable for their large concentrations of Brazilians. In addition to these areas, Hiroshima forms a unique exception of mass population in western Japan. Figure 1 illustrates how Brazilians, together with Peruvians, who are of the second largest Nikkei population, domicile in central Japan.

These regions are remarkable as being the sites of automobile assembly plants (marked "△" in the figure) associated with innumerable subcontractors. The electrical appliance industry also provides jobs for Nikkei, especially female workers. Thus, the residential distribution of Nikkei corresponds to the location of such industries.

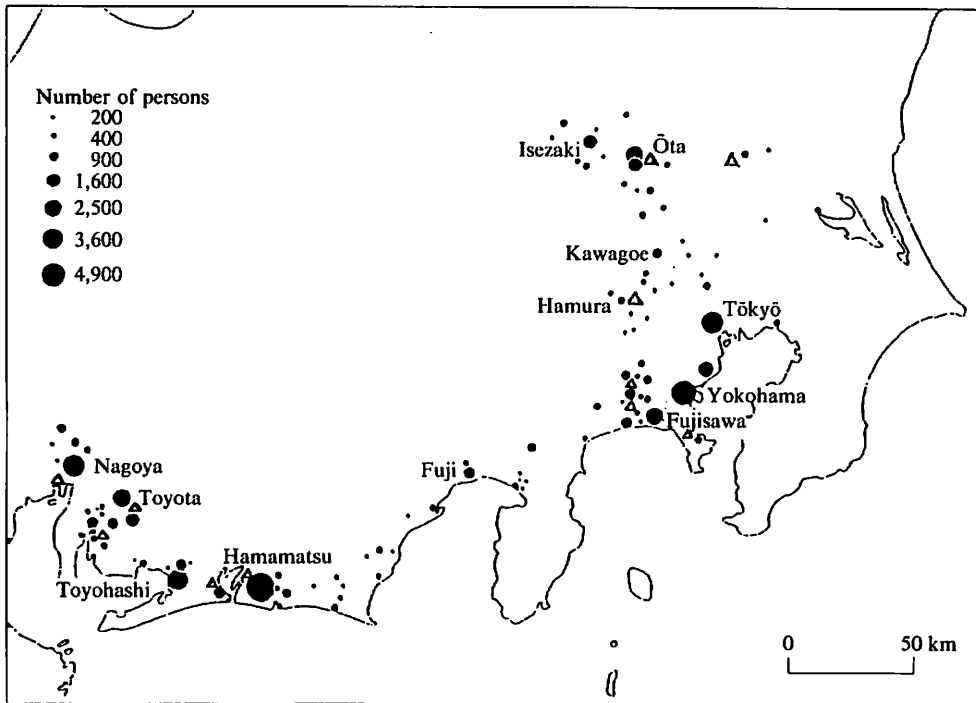
### 2.2.3 Direct and Indirect Employment

There are two types of employment for foreign workers, especially Nikkei: direct and indirect employment. When employers hire workers under direct employment contracts, whether written or oral, this is called direct employment. There is, however, another type of contract that an employer concludes not with workers but with agents who keep workers under their control, and this is called indirect employment. In indirect employment contracts, wage are paid not directly to the workers who actually perform the work but rather through agents, after deducting various charges and margins. According to a survey conducted by the Japan International Cooperation Agency (JICA) in 1991, sixty three per cent of Nikkei workers were employed under indirect employment contracts (JICA, 1992, p. 23). Another recent survey by the Institute of Comparative Economic Studies (ICES) gave a slightly higher rate, 76 per cent, for 1997 (ICES, 1998, p. 25).

Even in cases when workers are employed under direct employment contracts,



**Figure 1 Regional Distribution of Brazilians and Peruvians**



Note: The notations △ in the Figure, suggesting the location of automobile plants, were added to the original figure.

Source: Chiba, 1995, p. 192

they are not always recruited directly by the employer. Some find jobs through personal information networks such as family, friends and local ties, while others apply through the recruitment columns either in Portuguese newspapers published in Japan or Japanese newspapers circulated among Nikkei society in their home countries. Employers form a specific local industrial site occasionally take concerted action in recruiting activities in sending countries.

As will be shown by later data, the wage rates paid by employers to agents per worker are higher than those paid to workers who are employed directly. Although indirect employment is unfavorable in terms of the hourly wage rate, many employers depend on it. A set of factors inherent in Nikkei employment accounts for this hiring behavior.

In addition to various recruiting costs, employers usually prepare dwelling for the Nikkei whom they hire directly. Due to conservative attitudes among landlords regarding renting rooms to foreigners, it is quite difficult for workers to find accommodations to settle in Japan. Thus, newly arrived Nikkei as well as employers, tend to depend on brokers who provide accommodations. Accompanying workers to hospitals or to local immigration offices are also time-consuming burdens on employers. Employers must also supervise the off-time lives of employers, to ensure they do not come in conflict with native neighbors as a result of differing lifestyles.

Employers are currently exposed to the potential threat of losing their recruited work forces. Since single workers are more likely to quit and move, employers have adopted a policy of welcoming family workers, in marked contrast to the general rule

of early migration. The higher percentage of Nikkei accompanied by children reflects this employment policy. Negotiations with local school authorities to get them to accept their school-aged children also creates additional time-killing work for employers which they otherwise would not have to do.

Among other reasons for depending on indirect employment, one of the largest is the difficulty in recruiting workers in bulk, say in the tens or hundreds. Thus, large firms which require a large number of non-regular workers are obliged to rely on dispatching agents. Relief from additional labor costs, which would otherwise be required in curtailing labor under shrinking demand is another good reason for dependence on brokers. Nikkei play a similar role to Japanese non-regular workers, such as seasonal employees and part time workers, as an adjustment buffer to cope with changing labor demand under business booms and busts. Using indirectly employed Nikkei allows employers to make timely adjustments without additional labor costs. When one takes these factors into account, one may safely conclude that indirect employment is not always more costly for employers than direct employment.

#### 2.2.4 Wage Rates

Wages are usually paid on an hourly basis for production process and service workers, while day-wages are popular in the construction industry. In either case, however, wages are generally paid monthly.

Variables such as age, educational attainment, sex, length of service and in-house training are regarded as factors determining wage rates for Japanese employees. Education, however, does not influence the wages of unskilled foreign workers. Instead, whether they have legal status or not, were hired under a direct employment contract or not, time of arrival, together with work performance, regulate their wage levels (Mori, 1997, pp. 179-82).

Table 5 shows the results of a survey carried out by the People's Finance Corporation Research Institute in 1991, giving foreign workers' average hourly wage rates by type of employment and nationality.

Although the results show slight differences by nationality, *per capita* wage costs paid to mediating agents is 200-500 yen higher than that to workers hired directly. Indirectly-hired Brazilians cost more than their Iranian or Bangladesh counterparts by 150-250 yen in terms of hourly wage.

Brazilians generally fall far behind Bangladeshis not only in their period of stay in Japan but also in Japanese proficiency (Mori, 1997, p. 629). These factors should support the senior Asian visitors' advantages in wage. The fact that the wage rate of Brazilians is paradoxically higher than, say, Bangladeshis and Iranians, indicates that

Table 5 Average Hourly Wage by Nationality and Form of Employment

	direct employment	indirect employment
Brazilians	1,198	1,621
Bangladeshis	1,055	1,375
Iranians	1,010	1,500
Chinese	1,381	1,538
All foreigners	1,131	1,547

Source: Inagami et.al., 1992, p. 209

the legitimacy gained by Brazilians due to their favorable treatment in the reformed immigration system more than offset their disadvantages in other wage determinants.

The above discussion seems to support the following remarks regarding Nikkei employment. First, the 1990 reform has distinguished Nikkei from other categories of foreign workers by providing them legitimacy in engaging in unskilled jobs. Second, due to this legitimacy, they have become able to enjoy more favorable working conditions than their Asian forerunners in the Japanese labor market, and thus have taken over the better jobs in the expanding labor demand: jobs which are less "3D" (dirty, dangerous and demanding) in larger-size firms.

### **III. Labor Turnover of Nikkei in the Post-bubble Period**

Labor demand has fallen in the protracted recession of the post-bubble period. The process, however, has not necessarily proceeded uniformly, but in a so-called "mosaic" pattern. While large-size firms have slashed labor demand, steps toward adjusting actual labor needs have been more lenient among smaller-size ones.

Structural changes in the macro-level labor market have naturally affected foreign employment. According to the foreign employment reports by the Ministry of Labor, while industries such as services, construction, transport, wholesale, retail trade and restaurants have continued to attract foreign workers, manufacturing, which was always their largest employer, decreased employment by 7.3 per cent in 1993-94. One can observe remarkable variance among different sized firms. Small-size firms with 5-29 regular employees, for example, have increased foreign employment by 18 per cent, while mid-size firms with 300-499 employees and large-size firms with more than 1,000 employees have cut it, in the corresponding years, by 14 and 24 per cent, respectively (Mori, 1997, p. 76).

Since employment has most faithfully adjusted to actual labor needs in large-size firms, Nikkei, who were mainly employed in such firms, have been more seriously affected than other categories of foreign unskilled workers, although non-Nikkei were also affected by Nikkei intruders into their inherent jobs. In the following paragraphs, we will discuss how Nikkei employment adjusted to the business setbacks after the collapse of the bubble economy.

#### **3.1 Nikkei Employment by Industry**

Industrial profile data on Nikkei employment, in Table 6, show that manufacturing employment shrank by 2 per cent in the years 1994-95 compared with the previous year, although this trend reversed in 1996.

The application of modern technology tends to save labor, but sometimes creates additional job opportunities. A new delivery system supported by POS (point of sale system) has been widely introduced into modern merchandizing systems such as 24-hour retail stores, where freshly prepared foodstuffs are one of the main sales items. The frequency of delivery to retailers has not only created additional jobs for deliverers, but also lots of works in food processing. Although daytime work can be performed by native female part-time workers, the night shifts have tended to be filled by undocumented foreign workers.

Thus, industries such as food processing, transport and services have appeared as

**Table 6 Nikkei Employment by Industry (direct employment)**  
(number and percentage)

	1993	1994	1995	1996
Manufacturing	48,665 (82.0)	43,508 (79.8)	46,442 (79.9)	49,970 (83.1)
Services	4,998 ( 8.4)	4,865 ( 8.9)	5,895 (10.1)	4,545 ( 7.6)
Wholesale, Retail and Restaurants	1,335 ( 2.2)	1,304 ( 2.4)	1,005 ( 0.2)	1,186 ( 2.0)
Others	4,384 ( 7.4)	4,817 ( 8.8)	4,808 ( 8.3)	4,462 ( 7.4)
All industries	59,382	54,494	58,150	60,163

Source: Foreign Employment Report, Ministry of Labor

new employers for Nikkei who have had to move out of manufacturing. The reverse sectoral flow in 1996 supports the idea that these industries played a role as a temporary job refuge during the recession for Nikkei ordinarily working in manufacturing industries.

### 3.2 Job Offers and Placements

Table 7 shows job offers accepted at the Tokyo Nikkei Employment Service Center by firm size. These data show that a majority of offers come from mid- and small-size firms with fewer than 100 regular employees. The data demonstrate an interesting shift in job offers presented from different sized firms during the period under study. While those from firms with fewer than 100 regular employees accounted for 56 per cent of the total number in 1991, the rate increased to 71, 75 and 78 per cent in the subsequent three years. On the other hand, while 23 per cent of job offers were from larger-size firms with more than 300 regular employees, the rate dropped drastically to 9, 8 and 6 per cent in the corresponding years. Interestingly, job offers from either of the two categories of firms reversed their previous trends in subsequent years.

These data tell us that the year 1995 marked a turning point in Nikkei employment. Although the proportional importance of job offers presented to Nikkei at the Employment Service Center experienced a notable shift to smaller-size firms in 1992-94 given the attenuated labor needs of large-size firms, the number of jobs offered by large-size firms showed a remarkable recovery in 1995-97. Foreign Employment Report and Employment Service Center data are almost identical in informing changes in Nikkei employment in the post-bubble period.

Let us examine Nikkei job placements. Table 8 shows job placements of Nikkei by firm size since 1993.

As these data illustrate, Nikkei have shifted their work places, in terms of firm size, during the period under consideration, as a result of changes in labor demand depending on firm size. While three quarters of Nikkei found jobs in firms with fewer than 100 regular employees in 1993, the rate dropped to 48 per cent in 1995 and to 34 per cent in 1997. The Recovery of employment in larger firms in 1995 can also be observed in the placement data. Among Nikkei applicants in the Center, only 4 per cent were able to find jobs in firms with more than 1,000 regular employees in 1993. The rate recovered to 23 per cent in 1995, followed by an amazing increase to 53 per cent in 1997.

As is clear from the above observations on job offerings and placements, homogeneity has not necessarily governed post-bubble Nikkei employment. Rather, it has

**Table 7 Trend of Job Applications by Firm Size**

(number and percentage)

	1991	1992	1993	1994	1995	1996	1997
fewer than 30	69 (26.1)	326 (35.9)	251 (37.4)	498 (43.1)	311 (42.0)	290 (37.8)	263 (36.3)
30~99	79 (29.9)	320 (35.2)	250 (37.2)	403 (34.9)	210 (28.4)	248 (32.3)	236 (32.6)
100~299	56 (21.2)	177 (19.5)	120 (17.9)	184 (15.9)	131 (17.7)	140 (18.3)	116 (16.0)
300~999	28 (10.6)	53 ( 5.8)	35 ( 5.2)	48 ( 4.2)	45 ( 6.1)	44 ( 5.7)	38 ( 5.3)
1,000 plus	32 (12.1)	32 ( 3.5)	16 ( 2.4)	23 ( 2.0)	43 ( 5.8)	45 ( 5.9)	70 ( 9.7)
Total	264	908	672	1,156	740	767	723

Source: Nikkei Employment Service Center data

**Table 8 Job Placement by Firm Size**

(number and percentage)

	1993	1994	1995	1996	1997
fewer than 30	145 (28.5)	179 (38.1)	90 (32.7)	42 (28.4)	42 (16.2)
30~99	236 (46.4)	100 (21.3)	42 (15.3)	24 (16.2)	47 (18.2)
100~299	87 (17.1)	99 (21.1)	73 (26.5)	27 (18.2)	26 (10.0)
300~999	23 ( 4.5)	31 ( 6.6)	8 ( 2.9)	4 ( 2.7)	8 ( 3.1)
1,000 plus	18 ( 3.5)	61 (13.0)	62 (22.5)	51 (34.5)	136 (52.5)
Total	509	470	275	148	259

Source: Nikkei Employment Service Center data

a sophisticated nature, with a sub-cycle with slight ups and downs.

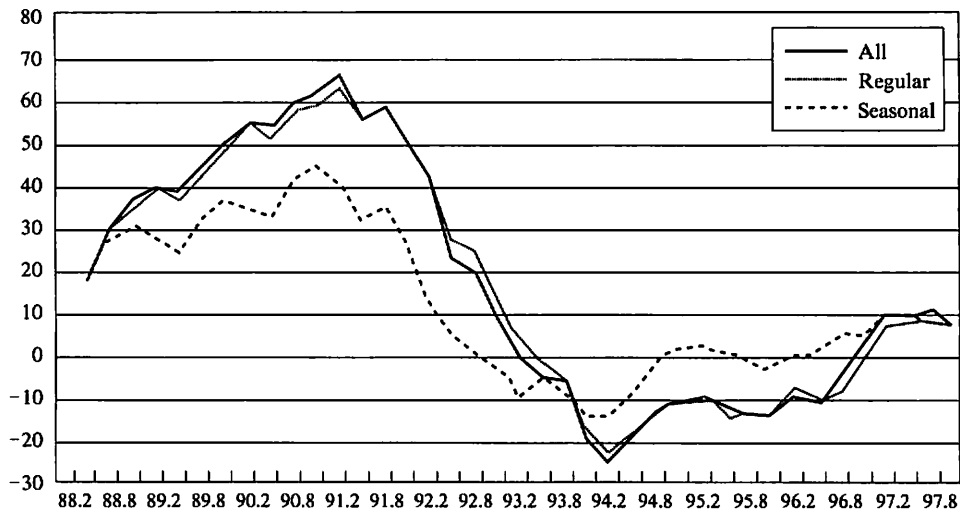
Changes in Nikkei employment have reflected the transition of labor market conditions in the bubble and post-bubble periods. The following labor shortage indicator, which assess potential labor deficits in a macro-economic dimension, describes labor market conditions since the bubble period.

As Figure 2 illustrates, the labor balance for seasonal workers in manufacturing industries tells a different story from that for regular employees. Labor demand for regular employees tends to fluctuate more than that for seasonal workers. Seasonal workers became redundant in manufacturing industries as early as in 1993. According to the trend of labor shortage (DI), however, they were redundant for only two years. The demand for this category of work force came into balance in early 1995. In comparison, the indicator for regular employees demonstrates a larger fluctuation. It was not until early 1997 when three years of superfluous labor period finally ended.

As illustrated in Figure 3, labor shortage (DI) demonstrates a concerted trend, though different in intensity, in terms of labor balance, between two types of workers

**Figure 2 Trend of Labor Shortage (DI)\* by Type of Employer**

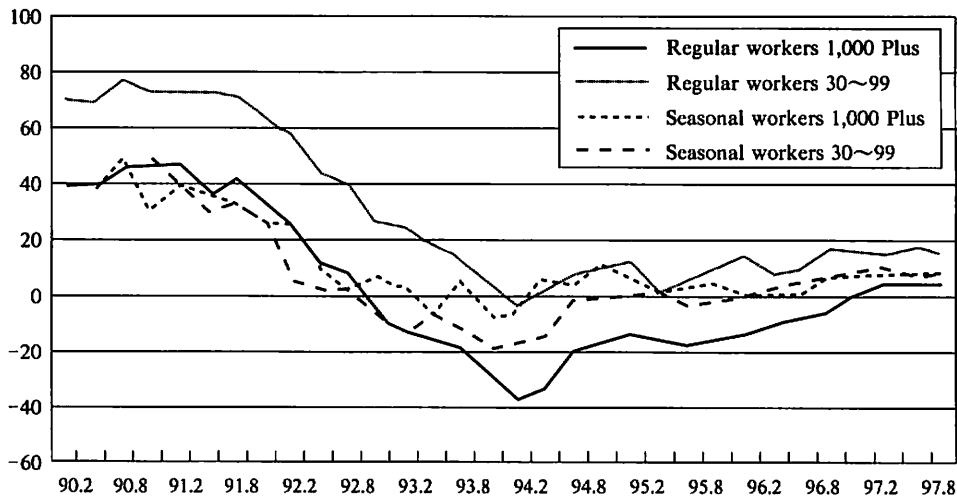
(manufacturing)



Note: \*Labor shortage (DI) is calculated by deducting the percentage of respondent firms with superfluous personnel from those with a labor shortage.

Source: Labor Economic Trend Survey (*rodo keizai doko chosa*), Ministry of Labor

**Figure 3 Trend of Labor Shortage (DI) by Firm Size**



Source: Labor Economic Trend Survey (*rodo keizai doko chosa*), Ministry of Labor

employed in different sized firms. Seasonal workers were consistently in short supply in smaller-size firms despite the overall attenuated labor demand in the post-bubble period, although regular employees were regarded as redundant since early 1993 in large-size firms.

### 3.3 Nikkei Employment Conditions in the Post-bubble Period

The change in the labor balance in the post-bubble period has inevitably affected the employment conditions of Nikkei workers. How has the metamorphosis of the labor market affected Nikkei employment conditions? The following paragraphs will

**Table 9 Average Wage Rate for Jobs Offered, Job Applicants and Placements**  
(Monthly: 10,000 yen)

year	Jobs offered		Job Applicants		Placements	
	men	women	men	women	men	women
1991					27.2	17.2
1992					22.0	17.1
1993	21.6	—	26.8	18.3	21.6	15.9
1994	22.0	—	25.6	18.1	21.4	16.1
1995	23.5	16.6	24.8	17.8	22.3	16.6
1996	22.4	17.2	27.3	18.9	20.9	17.0
1997	22.3	16.5	27.8	19.4	22.2	16.9

Source: Nikkei Employment Service Center data

discuss their employment conditions, with a special focus on their wage rate.

Table 9 shows trends in the average wage rate measured by statistical medium in jobs offered, expected rate by applicants and actual placements by sex.

Unfortunately, neither wage data for job offers nor applicants' desired wages are available in the years prior to 1993. These two sets of data are in marked contrast to one another. While the average wage rate offered has gradually increased since 1993, applicants have tended to refrain from presenting their full desired wage. Consequently, gaps between the two indicators narrowed from 50,000 in 1993 to 10,000 yen in 1995 for male workers and from 35,000 to 15,000 yen for females. It is noteworthy that the years 1996-97 are distinguished by different trends from that of preceding years. Although nearly comparable or even lower wages were presented by firms, applicants expected substantially higher wages, which more than doubled the gaps. Applicants' consciousness toward higher wages seems to correspond to the general trend that the unemployment rate tends to rise in the initial stages of economic recovery due to job hoppers' swelling appetite for better jobs.

The trend of existing gaps between desired and actual wages in the placement seems to tell an interesting story. In 1993 Nikkei applicants were bullish enough to expect higher wages, although the market could no longer afford to do so. The closing of the gap in subsequent years suggests that they have a particular behavior of adjusting their desire to the reality promised by actual labor market conditions.

According to Table 9, although applicants generally desire wage rates 10,000 to 50,000 yen higher than those offered, Nikkei tend to take jobs with wage rates nearly comparable to those offered. Wage rates in placement seem to have reflected labor market conditions by recording a sharp drop in 1991-92, followed by a subsequent staggering recovery.

It is interesting to note a strong correspondence between Nikkei and national workers in terms of the wage improving (or loss) effect of job turnovers in the early 1990s. Table 10 shows macroeconomic data on percentage of employees whose wage rates have changed more than 10 per cent from that paid by a previous job.

The macroeconomic figures on wage change by job turnover show that job changes tended to improve wage rates in the years 1990-91, while they had less favorable effects on wages in the years 1991-93. Survey data for 1994 suggest a subtle recovery in the effect.

The above observation indicates that the trend of actual wages for Nikkei in placement in the post-bubble period shows similar pattern to that witnessed in the

**Table 10 Change of Wage Rate by Changing Jobs**

	increased	unchanged	decreased
1990	33.5	46.4	20.1
1991	38.4	44.6	17.0
1992	33.4	45.4	21.2
1993	31.6	44.4	24.1
1994	32.2	44.9	22.9

Note: "Increased": increased by more than 10 per cent by changing jobs.

"Unchanged": changed less than 10 per cent in either direction.

"Decreased": decreased by more than 10 per cent.

Source: 1994 Survey on Employment Trends, Ministry of Labor

entire Japanese labor market. Although the Employment Service Center data cover only Nikkei, actual wages in placement reflect the 1995-97 "business sub-cycle" which was incorporated into the protracted post-bubble recession.

## Concluding Remarks

Quite unlike in other labor importing countries, the foreign population in Japan still accounts for a marginal part of the total population, exceeding just over one per cent even if one includes the old-comer Koreans and Chinese. However, foreign workers are distributed not uniformly among sectors, occupations and regions but some of the sectors and jobs attract them in intensity far beyond the national average. They have been incorporated structurally into some segments of the Japanese labor market. The fact that certain categories of foreign workers, such as those overstaying and Nikkei, did not show a notable decrease during the protracted recession of the 1990s, also supports this idea.

International migration flow is generally characterized by three different phases: rotation, settlement and integration. After a decade or more of residence in Japan, it is now believed that foreign newcomers are stepping into the second phase. The so-called "side-door" (Mori, 1997, p. 195) which characterizes Japanese immigration policy, based on the idea that migrants should rotate, has been ruptured, since foreign workers did not contract substantially in number despite the falling labor demand. Migrants have reacted to the deteriorating conditions not by repatriating themselves but by somehow finding means of subsistence in the host country. It is said that they have tended to prolong their stays under diminished earnings. This paper has been devoted to highlight how changing labor market conditions in the bubble and post-bubble period have affected especially Nikkei employment, which is one of the key segments of the contemporary foreign labor market in Japan. Followings are the major findings:

First, the 1990 Immigration Control Act has brought about a marked dichotomy among foreign workers engaged in unskilled labor. The favorable treatment afforded to Nikkei compared with undocumented workers is responsible for the former choosing better jobs in manufacturing, which was the major employment sector during the boom period.

Second, this advantage, however, came to bring them hardship once the business



cycle changed. Due to the higher employment costs resulting from legitimacy, many Nikkei in industrial employment were hurt at the early stage of economic setback. Nikkei male workers have been laid off in greater number than females under the shrinking labor demand, due to the wage differentials. Some Nikkei who were loath to do unfavorable jobs left Japan, and others who made up their mind to remain in order to achieve their earning objectives were forced to take less pleasant jobs in sectors such as food processing, construction and various services, or in jobs with less favorable working conditions in smaller-size firms. It is interesting to note that diminished income did not necessarily occasion their repatriation but rather led them to opt to stay longer to achieve their savings or remittance aims.

Third, the post-bubble period was not totally monolithic in terms of business activities. It had recorded a small hump in business cycle terms in the years 1995-96, though this hump was thoroughly smashed by the diminished consumption due to the consumption tax increase in April 1997. A partial restoration of Nikkei employment was remarkable during the short recovery period. The reactivated labor demand induced Nikkei to move from sectors which had provided them with temporary refuge to their previous major employment sector, namely to the automobile production related sector.

As these observations elucidate, Nikkei employment has demonstrated a remarkable transition as Japanese economy changed dramatically from the overheating brought about by the virtual prosperity of the bubble period to its bursting in the early post-bubble period, followed by the subsequent weak recovery.

Fourth, the observation of this paper is that the Nikkei labor market is distinct in a dual sense. First, because of the favored institutional treatment, it is distinct in the labor market formed by foreign unskilled workers. Second, as the discussion on the job placement of Nikkei in the course of business cycle ups and downs has elucidated, the Nikkei labor market is deeply incorporated into Japan's labor market conditions.

It is generally believed that the hike in the consumer tax rate in 1997 struck a powerful blow to the sluggishly recovering Japanese economy. Economic indicators such as industrial production, operating rate and market offerings have been almost unanimous in suggesting a changed phase of the business cycle. The unemployment rate marked a record high in mid 1998. This macroeconomic situation has inevitably affected Nikkei workers. Some have been forced to maintain their lives on irregular jobs. It is reported that because of the shortage of offering, brokers have stopped keeping Nikkei under their control. Unfortunately, there is no systematic information at present to assess how another depression will affect Nikkei employment.

More than a decade stay by newcomers has given birth to various migrant-related businesses. The period has not been long enough to stratify foreigners themselves at work and in migrant society. While many remain employed as unskilled workers, some are treading the path to becoming managing staff or technicians, taking up a part of technical development. Not a few are involved in self-employment such as ethnic restaurants, alimentation and video shops as well as information services like newspapers and TV services in regions where migrants are densely domiciled. Falling consumption potential among migrants, however, has also hit these migrant-related businesses. How they are coping with this is set aside for future examination.

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