

Research Focus

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<<Japan-India Human Exchange Research Series ③>>

Current structure and outlook of Non-Resident Indians (NRIs) in Japan

~ The pace of NRIs expansion is expected to slow down,
but the inflow to Japan could accelerate ~



2017

The Year of Japan-India
Friendly Exchanges

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(*) I would like to express my special thanks to Mr. Ratul Rana (Sumitomo Mitsui Banking Corporation) for continuous productive discussions and helpful comments.

Structure of material and summary

< Introduction >

- Japan's working age population is expected to decrease about 30% in the next 30 years due to the lower fertility rate and rapid aging. Therefore, Japan needs to strengthen initiatives to utilize foreign labor to deal with the shrinking population and labor shortage.

< Structure of Non-Resident Indians(NRIs)>

- Middle East countries are the major destinations for relatively low-skilled Indian labor engaged in construction related industries. While the US, the UK, Canada, Australia and Singapore are major destinations for relatively high-skilled Indian workers.

< Foreign residents in Japan >

- Foreign residents have been increasing since their number had temporarily decreased between 2009 and 2012. Philippino and Vietnamese significantly increased in the last 5 years while Koreans decreased. Foreign residents by visa type shows that international students and technical internships are the major contributors for the recent increase.

< Indian residents in Japan >

- Indian residents in Japan are highly concentrated in the Tokyo capital area. Although the number of Indian residents is still limited, the inflow in Tokyo is contributing to development of "Nishi Kasai/Little India" and this encourages the further inflow of Indians.

< Change of viewpoint: Indians and Nepalis >

- The geographical distance between Japan and India, and food/language problems are often attributed to the limited number of Indian residents in Japan. However, the recent rapid Nepali increase implies that Indian residents could increase regardless of those constraints.

< Outlook of NRIs/Indian residents in Japan >

- Although NRIs are expected to continue to increase, driven by the income gap, regional integration and Indian corporations' globalization, the speed of expansion could slow down due to the tightening immigration policy in the US/EU and lower growth in Middle East countries associated with weak commodity prices.
- The inflow of Indian residents in Japan could accelerate reflecting the development of India-Japan economic relationships and the relative increase of attractiveness associated with tightening immigrant policies in the US/EU.

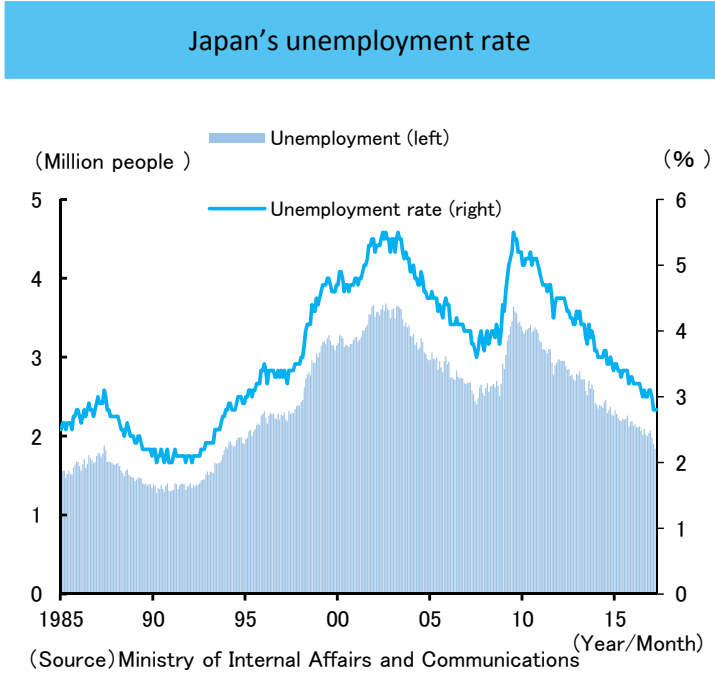
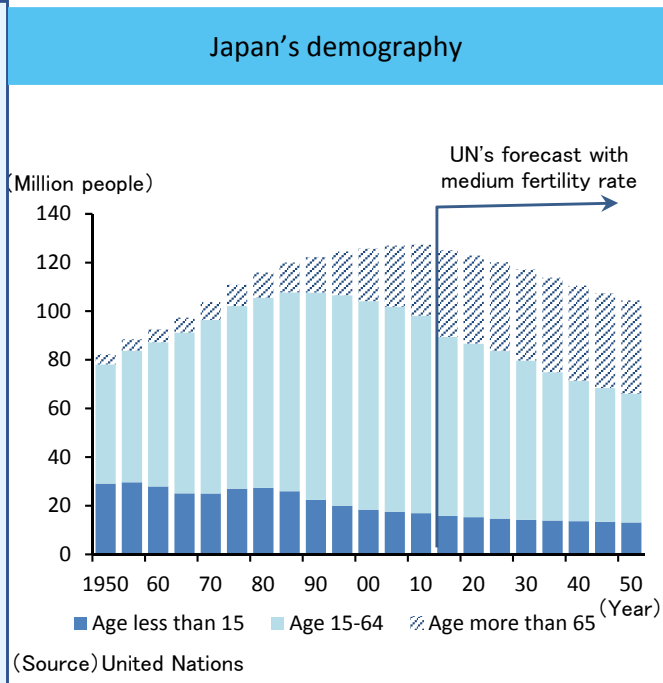
About this research initiative

Issue	Contents
Why India-Japan	<ul style="list-style-type: none"> • Although India is a very important strategic partner for Japan, economic and human relationships with India are not so strong compared with other countries. • Therefore, both governments are keen to enhance bilateral relationships.
Why now	<ul style="list-style-type: none"> • With the year 2017 being declared the "Year of Japan - India Friendly Exchanges", the timing may be right to consider ways and means to enhance the two countries relationships. <ul style="list-style-type: none"> ✓ During the visit of H.E. Mr. Narendra Modi, Prime Minister of India, to Japan in November 2016, the two Prime Ministers, he and Mr. Abe agreed to mark the year 2017 as a year of Japan-India friendly exchanges.
Positioning of this research	<ul style="list-style-type: none"> • This research initiative focuses on Japan-India human exchange (tourism, labor migration and international student exchange) and aims to promote the two countries' human exchange. • This research initiative was registered as an event celebrating the "Year of Japan-India Friendly Exchanges" by the Ministry of Foreign Affairs.
Released reports	<ol style="list-style-type: none"> 1. Current structure and outlook of Indian visitors to Japan 2. Japan visit promotion from India through "Cool Japan" 3. Current structure and outlook of Indian residents in Japan (This report)



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- Japan's working age population is expected to decrease about 30% in the next 30 years due to the lower fertility rate and rapid aging.
- To deal with the shrinking population and labor shortage, Japan needs to strengthen the following initiatives.
 1. Female labor participation rate increase
 2. Further utilization of the older generation
 3. Productivity increase
 4. Utilization of foreigners
- Regarding the utilization of foreign labor, the government aims to promote the inflow of high-skilled labor and international students. As for low-skilled labor, considering the adverse effects on the domestic labor market and government fiscal balance, the government is very cautious to accept foreigners except for technical trainees.
- This short research report focuses on the current overall structure of foreign/Indian residents in Japan.



Policy direction to deal with the aging society

Type of approach	Challenges ahead
Female labor participation increase	<ul style="list-style-type: none"> • Insufficient child care system • Housework burden • Skewed tax system
Utilization of older generation	<ul style="list-style-type: none"> • Insufficient training system • Undeveloped labor market • Health problems
Productivity increase	<ul style="list-style-type: none"> • Complicated regulations • Traditional Japanese corporate culture • Difficulty of ICT utilization
Utilization of foreigners	<ul style="list-style-type: none"> • Hesitation to accept foreigners

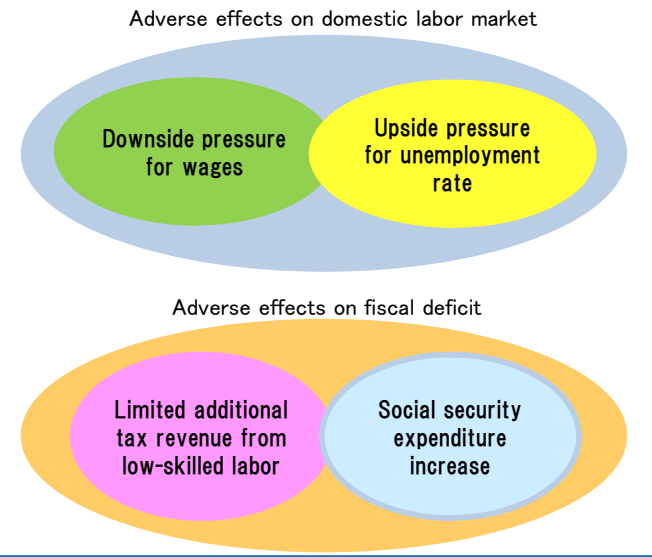
(Source) The Japan Research Institute

Current policy stance for foreigners

Type	Policy stance	Current situation (2016)	Target
Tourist	• Promote Japan visit	• 24 million	• 30 / 60 million in 2020/2030
High-skilled labor	• Promote accepting workers	• 6 thousand	• 10 thousand in 2020
Low-skilled labor	• Not accept low skilled labor (Encourage only technical trainee)	• 230 thousand (technical trainee / intern)	N.A
International students	• Promote study in Japan	• 277 thousand	• 300 thousand in 2020

(Source) Ministry of Justice, Cabinet Office, etc.

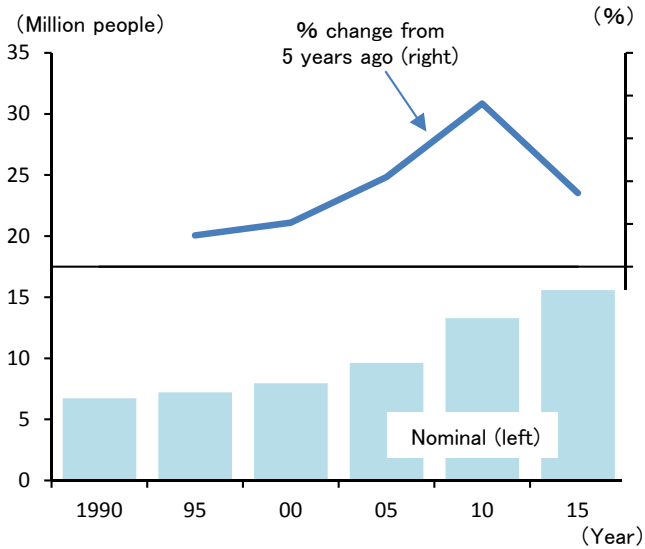
Concerns for accepting low-skilled foreign labor



Structure of Non-Resident Indians (NRIs)

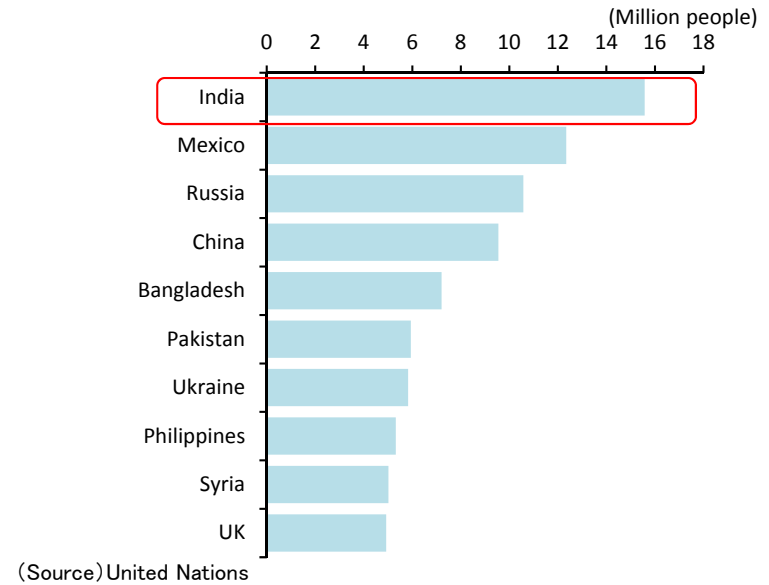
- According to the United Nation's migrant database, there were 16 million Non-Resident Indians (NRIs) in the world in 2015. India has the largest number of "diaspora" and Mexico, Russia, China, and Bangladesh are the other major sending countries.
- Middle East countries such as UAE, Saudi Arabia, Kuwait, and Oman are the major destinations for relatively low-skilled Indians engaged in construction related industries. For relatively high-skilled Indians, developed countries whose official language is English such as USA, UK, Canada, Australia and Singapore are major destinations while the share of NRIs in Japan is close to zero. A higher male share can be observed especially in Middle East countries.
- Reflecting the largest number of diaspora, India's receipts of remittance is also the largest. In 2015, it was close to 70 billion USD, 3.3% of nominal GDP.

Number of Non-Residential Indians (NRIs)



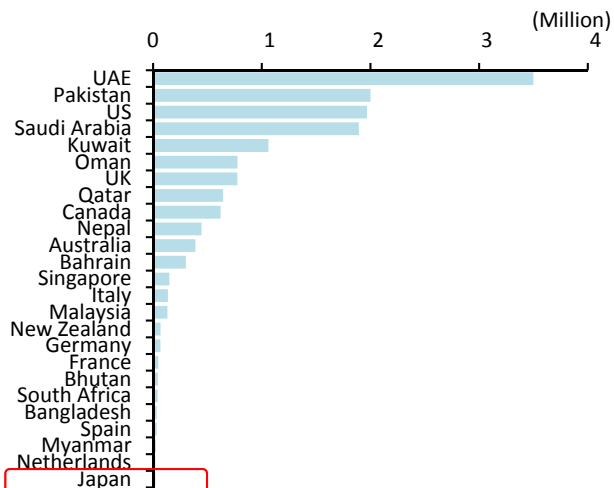
(Source) United Nations

Number of foreign residents: Top 10 sending countries (2015)



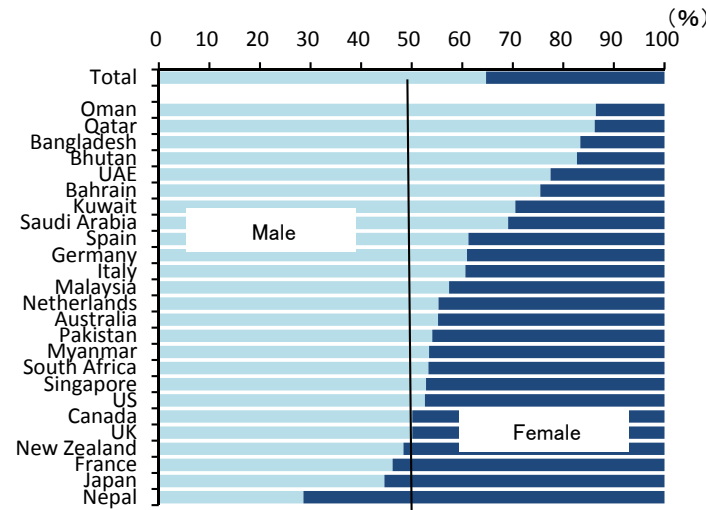
(Source) United Nations

Destination of NRIs (2015)



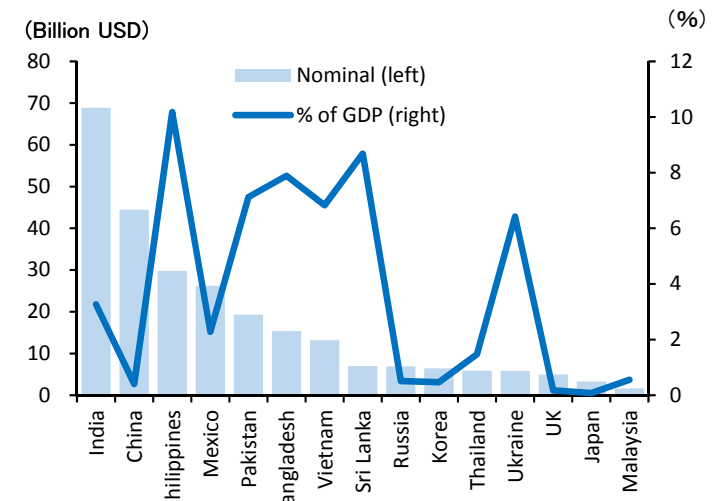
(Source) United Nations

Sex structure of NRIs in major destination



(Source) United Nations

Receipts of remittance of major migrants (2015)

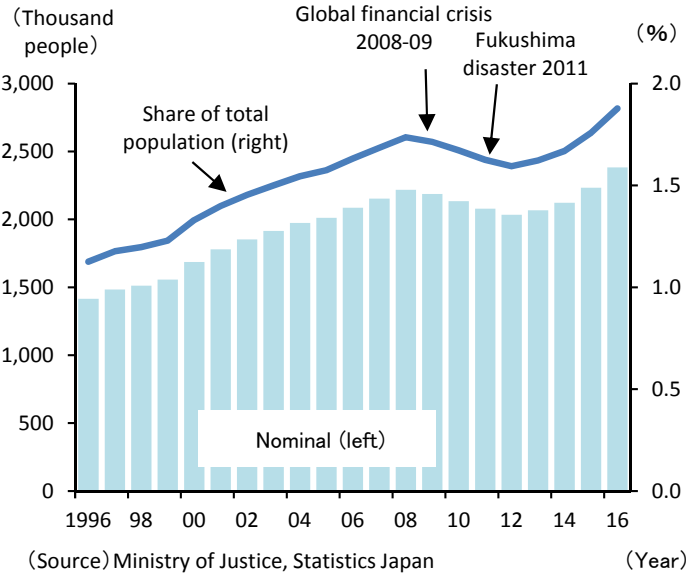


(Source) World Bank

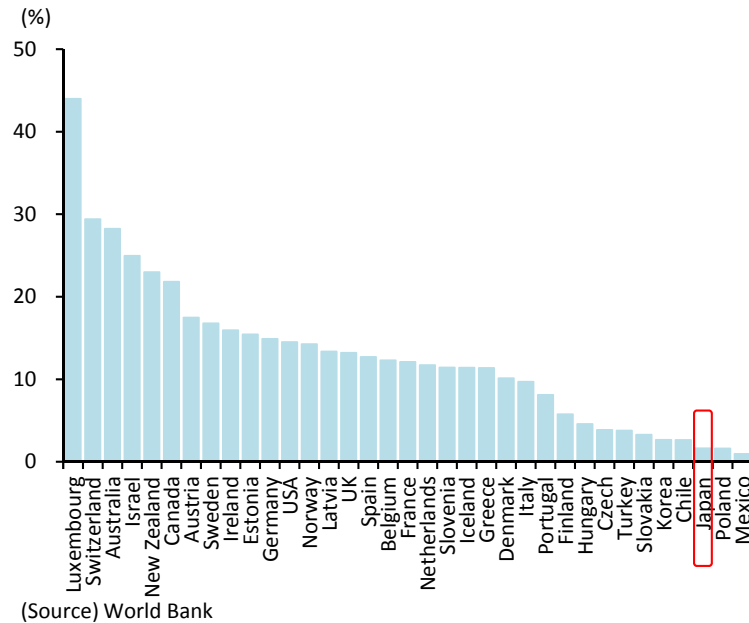
Foreign residents in Japan

- Although the number of foreign residents temporally decreased between 2009 and 2012 due to economic stagnation after the global financial crisis and Fukushima disaster in 2011, the middle to long term increasing trend still continues. Openness to foreigners measured by foreign residents to total population shows that Japan is a relatively closed country among OECD countries.
- Chinese, Korean, Philippino and Vietnamese are the major foreign residents. Philippino and Vietnamese significantly increased in the last 5 years while Koreans decreased due to “Special Permanent Residents” decrease associated with aging.
- Foreign residents by visa type shows permanent residents/long term residents/dependents of those are a majority but other types of residents such as international students and technical internships are the recent growth contributors.

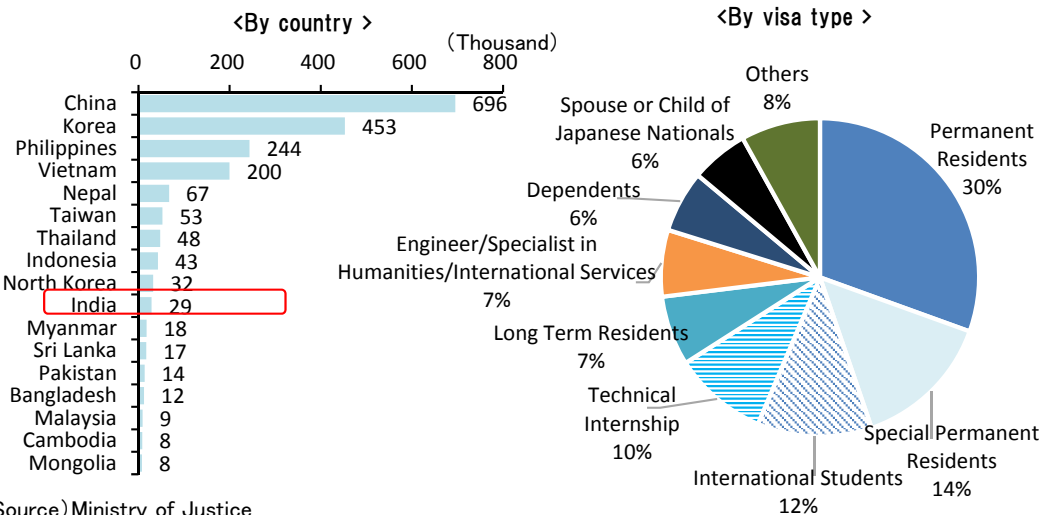
Foreign residents in Japan



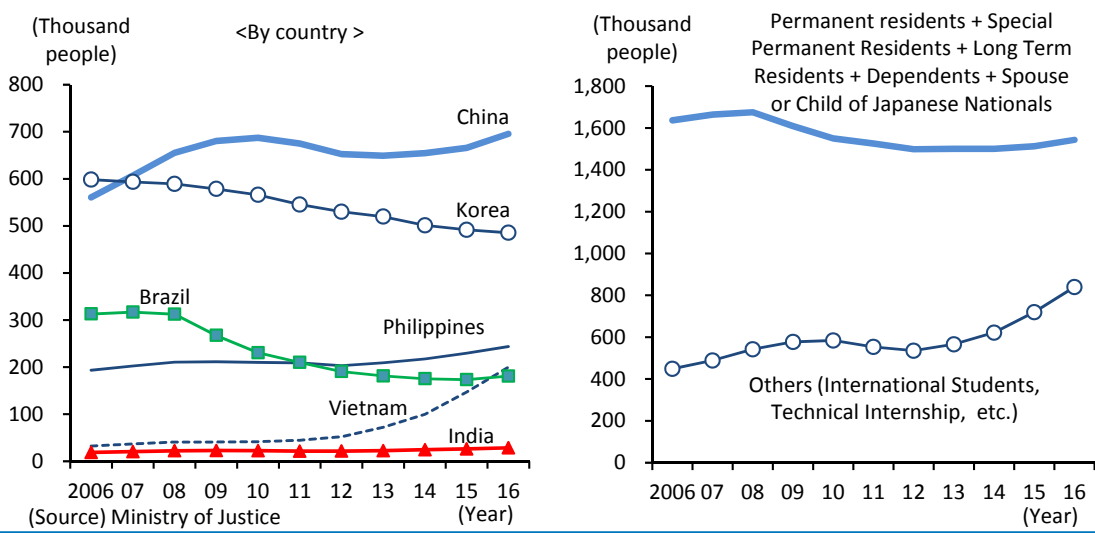
OECD's foreign residents to population (2015)



Foreign residents in Japan by economy, by visa type(2016)



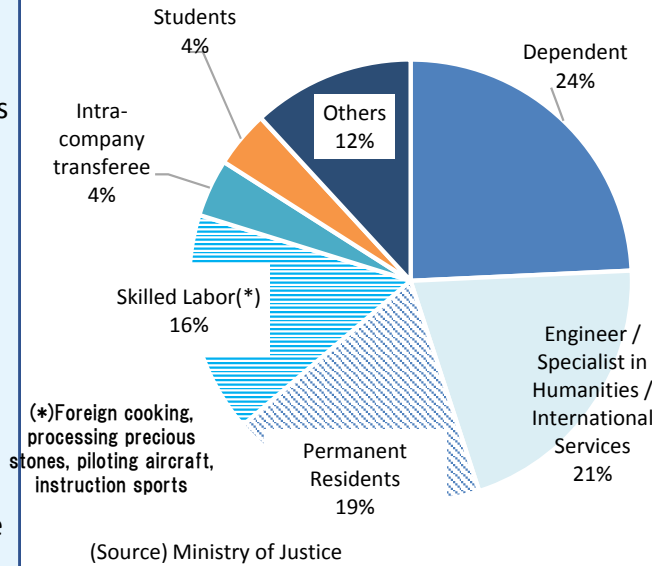
Development of foreign residents in Japan in the last 10 years



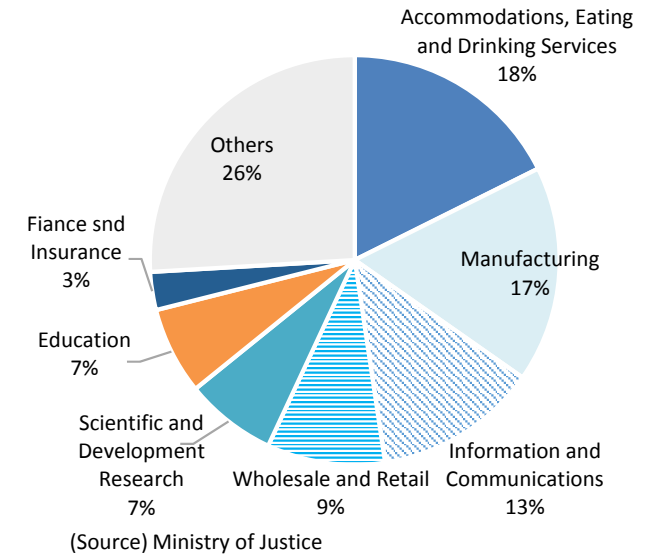
Indian residents in Japan

- As of 2016, 28,677 Indians stay in Japan and about 40% of them are permanent residents/long term residents/dependents of those. 16 % are classified as “skilled labor”, but the coverage of “skilled labor” could be slightly different from the general perception. This category includes chefs, pilots, sports instructors, etc. The census survey shows about 20% of Indians engaged in hotel/restaurant related industries, while 13% are in information and communication industries.
- About 40% of Indian residents live in Tokyo, Kanagawa, Chiba and Saitama and Indian concentration in the Tokyo capital area is higher than that of other countries.
- Although Indian residents are still limited, the inflow to Edogawa-ku(district) or Koto-ku in Tokyo is contributing to development of the “Nishi Kasai/Little India” and this encourages further inflow of Indians.

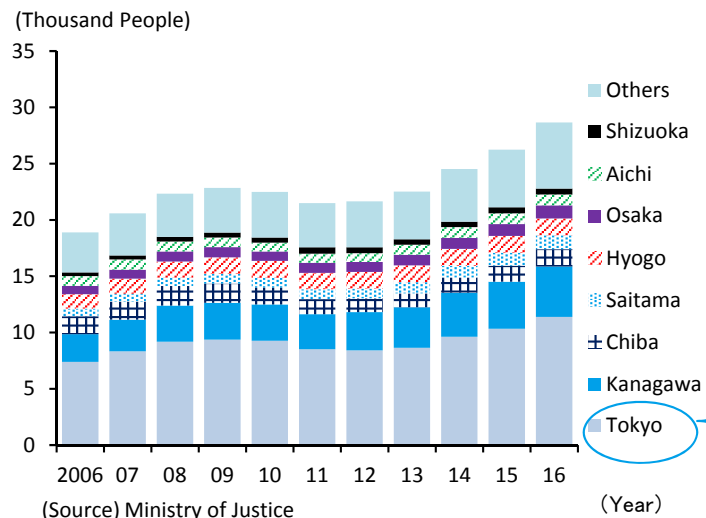
Indian residents in Japan (by Visa type,2016)



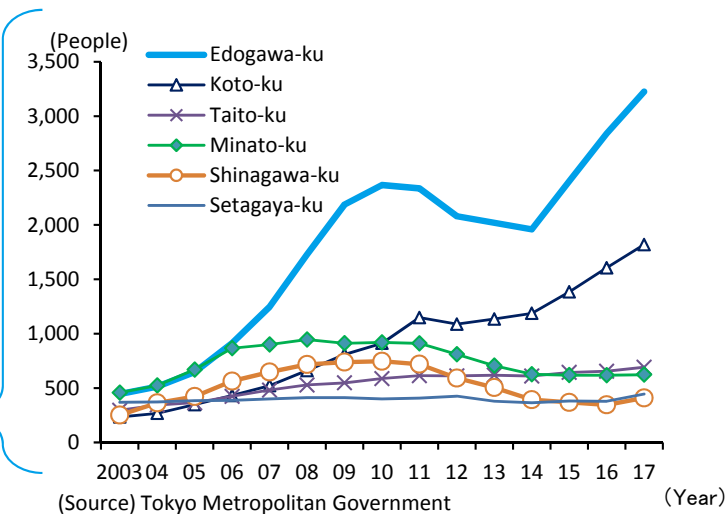
Indian employment in Japan by industry (2015)



Indian residents in Japan : by prefecture



Indian residents in Tokyo : by district



Anecdotal evidence for development of “Nishi Kasai /Little India in Japan”

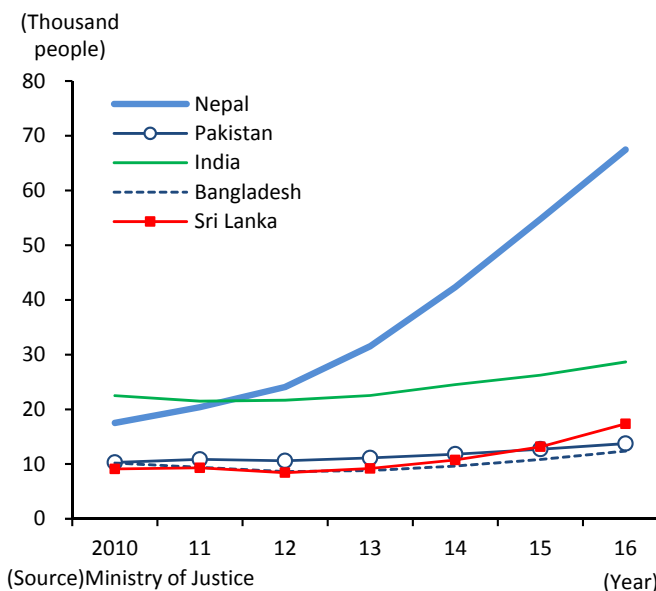
Issue	Contents
Why Indian	<ul style="list-style-type: none"> Labor demand for Indian IT engineers increased, reflecting the development of India-Japan relationships in the IT sector.
Why after 2000	<ul style="list-style-type: none"> In August 2000, the Prime Minister Mori launched the “Japan – India IT cooperation plan” during his visit to India.
Why Nishi-Kasai	<ul style="list-style-type: none"> Closeness to Tokyo station (20 minutes by train) <ul style="list-style-type: none"> IT systems of financial institutions are concentrated near Tokyo/Otemachi/ Nihonbashi/Kayabacho. Low barrier for non-Japanese to live <ul style="list-style-type: none"> There are many apartments which do not require deposit/guarantee fees. Relatively lower rent

(Source) The Japan Research Institute

Change of viewpoint : Indians and Nepalis

- The geographical distance between Japan and India, and food/language problems are often attributed to the limited number of Indian residents in Japan. However, the recent rapid Nepali increase implies that Indian residents could increase regardless of those constraints.
- Although Nepal's population is only 2% of India's population, Nepali residents in Japan are more than 2 times the number of Indian residents. The most distinctive feature is the higher share of students. Students from Nepal increased significantly due to Japanese language schools' aggressive marketing to deal with the decrease in Chinese /Korean students after the Fukushima disaster in 2011. The relatively easy access to student visa, and generous working conditions for students, which allows up to 28 hours work per week, attracted Nepalis. Most Nepali students work in labor intensive job after study.

Foreign residents in Japan: From South Asia

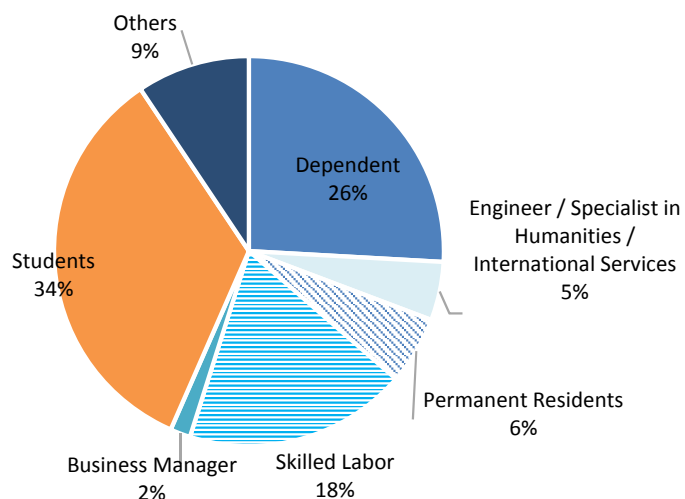


Nepali and India comparison

Issue	India	Nepal
Population in 2016 (million) ①	1,309	29
Non-Resident Indian/Nepali in the world in 2015 (thousand) ②	15,576	1,629
Non-Resident India/Nepali to population ③(=②÷①)	1.2%	5.6%
Indian/Nepali residents in Japan in 2016 ④	28,667	67,470
Resident in Japan to total non - resident Indian/Nepali ⑤(=④÷②)	0.18%	4.14%
Per capita GDP in 2016 (USD)	1,723	733
Share of Hindus/Muslims/Buddhists	79.8%/14.2%/0.7%	81.3%/4.4%/9.0%

(Source) Ministry of Justice, IMF, Ministry of Foreign Affairs, United Nations

Nepali resident by visa type (2016)

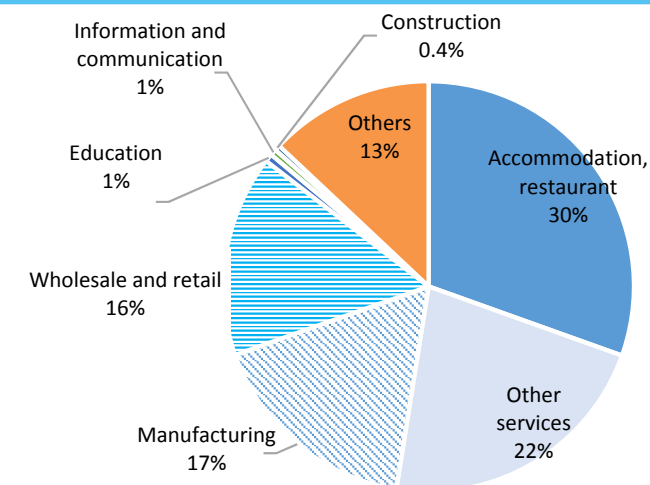


Anecdotal evidence for recent Nepali increase in Japan

Issue	Contents
Language students increase after 2011	<ul style="list-style-type: none"> Japanese language schools aggressively expanded their marketing in Vietnam and Nepal to deal with Chinese/Korean student decrease after the Fukushima disaster in 2011.
Relatively easy access to Japanese visa	<ul style="list-style-type: none"> Visa issuing conditions in other countries became strict and this makes Japan attractiveness destination.
Less strict working regulation for student visa	<ul style="list-style-type: none"> Compared with other developed countries, Japan's student visa regulation is not so strict and it allows up 28 hours work per week.

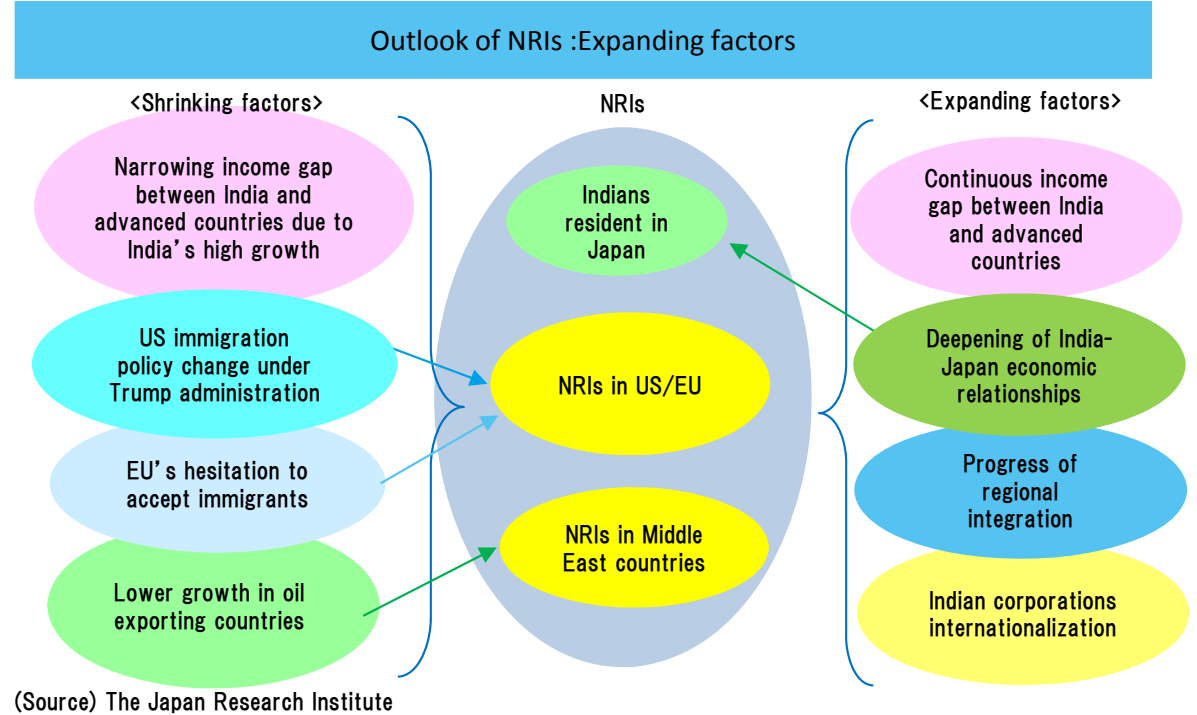
(Source)The Japan Research Institute

Nepali employment in Japan by industry (2016 October)

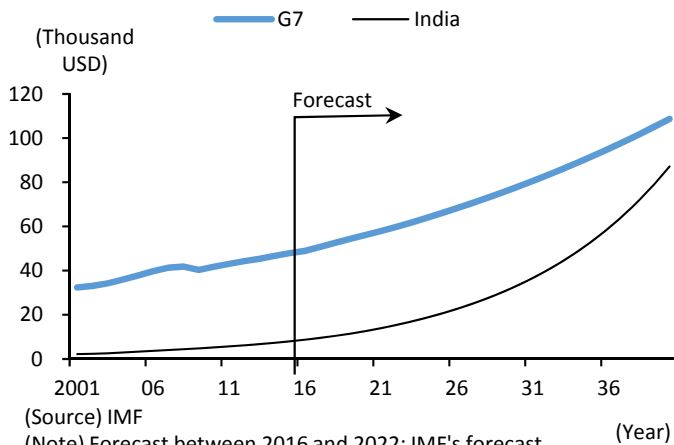


Outlook of NRIs/Indian residents in Japan

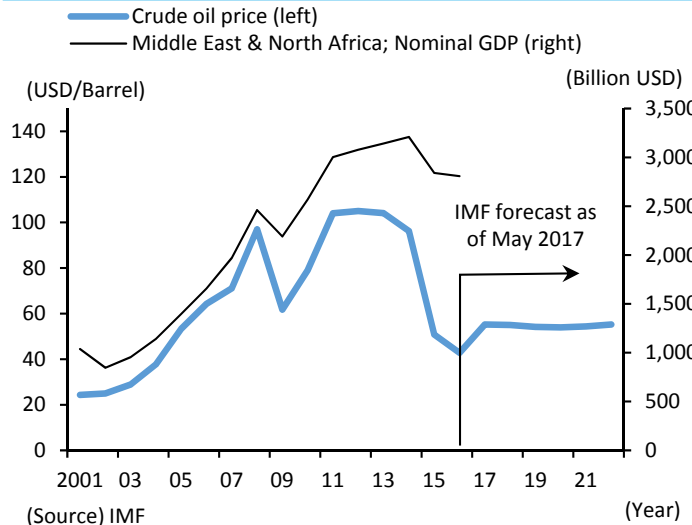
- There are both shrinking and expanding factors for the outlook of NRIs. Considering both factors, the total number of NRIs is expected to continue to increase, but the speed of expansion might slow down.
- As for expanding factors, (1) continuous income gap between India and advanced countries, (2) gradual relaxation of labor movement associated with progress in regional integration in Asia, and (3) internationalization of Indian corporations will continue to be major factors of NRIs' increase.
- However, (1) the gradually narrowing income gap due to India's higher economic growth, (2) US and EU immigrant policy change/hesitation to accept immigrants, and (3) lower growth in oil exporting countries associated with the weak oil price could hamper the expansion of NRIs.
- Regardless of the slower expansion of NRIs in the world, the pace of Indian residents inflow in Japan could accelerate because of the development of India-Japan economic relationships and the relative attractiveness increase associated with the expected tightening immigration policies in EU/US.



Gross domestic product based on purchasing-power parity (PPP) per capita GDP



Crude oil price and nominal GDP in Middle East & North Africa



India's outward foreign direct investment accumulation

