

# Research Focus

2017 September

<<Japan-India Human Exchange Research Series ⑥>>

## How can/should Japan utilize unskilled workers from India?

~ The first step is the healthy utilization of the Technical Intern Training Program (TITP) ~



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>

- Considering India's huge population, slow speed of aging, income gap with Japan, and Japan-friendly nationality, India could be an important strategic partner for Japan to accept unskilled foreign workers to deal with the shrinking population.

## <Destination of unskilled Indian workers>

- Oil exporting countries such the UAE, Saudi Arabia, Kuwait, Oman, Qatar and Bahrain are the major destinations of unskilled Indian workers. Given higher oil dependency and the recent deterioration of fiscal balance in these oil exporting countries, continuous price stagnation could result in the slow inflow of NRIs into these countries.

## <Unskilled foreign workers in Japan>

- Japan does not accept unskilled foreign labors except for trainees under the Technical Intern Training Program (TITP). The number of trainees has been increasing and it is about 10% of foreign residents. Reflecting domestic wage increases, Chinese trainees decreased while Vietnamese have been increasing rapidly.

## <Why Indian trainees are almost zero>

- The limited Japanese companies' business expansion and lack of sending organizations in India associated with under-developed legal framework were the major reasons for the few Indian trainees. However, recently both the Japanese and Indian governments are trying to promote TIITP and the first trainees under the training program arranged by the supervising organization is scheduled come to Japan in September.

## <For healthy utilization of TITP>

- Contrary to the original intention, many TITP related problems were reported. Monitoring functions of both sending organizations in India and supervising organizations in Japan need to be strengthened so that the healthy development of TITP in India is secured.

## <Beyond TITP utilizations>

- To narrow the gap between the original intention of TITP and reality, TITP needs to be reformed. Allowing trainees in selected industry to stay Japan after TITP, and making Economic Partnership Agreements (EPAs) can be considered for further utilization of unskilled foreigners in Japan.

## About this research initiative

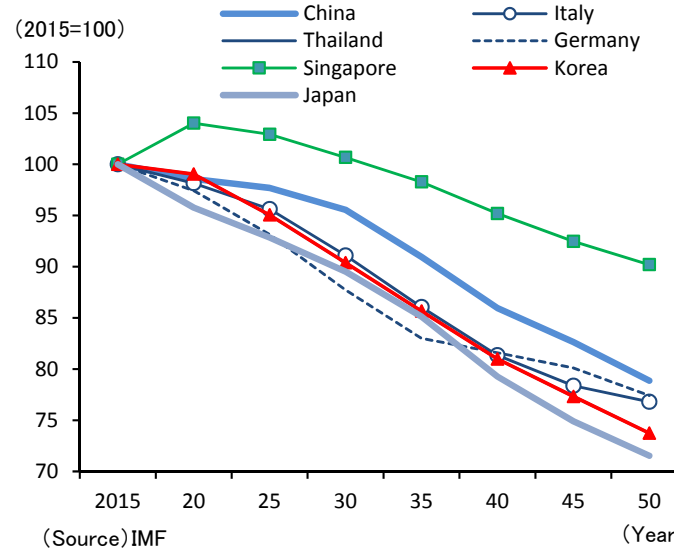
Issue	Contents
Why India-Japan	<ul style="list-style-type: none"> <li>• Although India is a very important strategic partner for Japan, economic and human relationships with India are not so strong compared with other countries.</li> <li>• Therefore, both governments are keen to enhance bilateral relationships.</li> </ul>
Why now	<ul style="list-style-type: none"> <li>• 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"> <li>✓ 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 the year of Japan-India friendly exchanges.</li> </ul> </li> </ul>
Positioning of this research	<ul style="list-style-type: none"> <li>• This research initiative focuses on Japan-India human exchange (tourism, labor migration, international student exchange) and aims to promote the two countries' human exchange.</li> <li>• This research initiative was registered as an event celebrating the "Year of Japan-India Friendly Exchanges" by the Ministry of Foreign Affairs.</li> </ul>
Released reports	<ol style="list-style-type: none"> <li>1. Current structure and outlook of Indian visitors to Japan</li> <li>2. Japan visit promotion from India through "Cool Japan"</li> <li>3. Current structure and outlook of Indian residents in Japan</li> <li>4. How to attract highly skilled Indian professionals to Japan</li> <li>5. Attracting students from India as a ways and means to encourage highly skilled professionals from India</li> <li>6. How can/should Japan utilize unskilled Indian workers? (This report)</li> </ol>



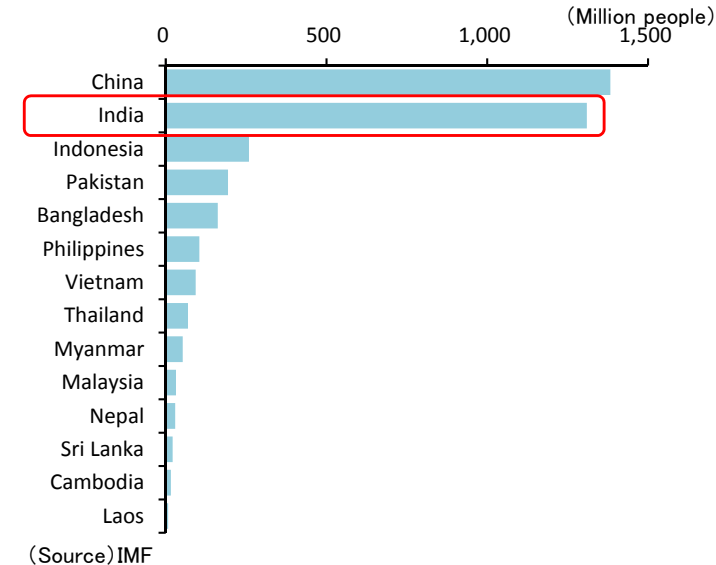
2017  
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- To avoid the adverse effects of the expected working-age population shrinking, Japan needs to strengthen its utilization of foreign workers. This is a controversial issue, but the necessity of reconsidering the current migration policy especially for unskilled workers is also increasing.
- Once Japan has changed the current policy direction to accept unskilled foreign workers, the development of a strategic partnership also needs to be considered. This is because there is a possibility that securing a stable supply of foreign workers could be difficult as various countries such as China, Korea, Singapore, etc., could promote initiatives to accept unskilled workers to deal with population shrinking.
- Considering India's population, the slow speed of aging, the income gap with Japan, and Japan-friendly nationality, India could be an important strategic partner for accepting unskilled workers. Therefore, this short research focuses on the utilization of unskilled Indian workers.

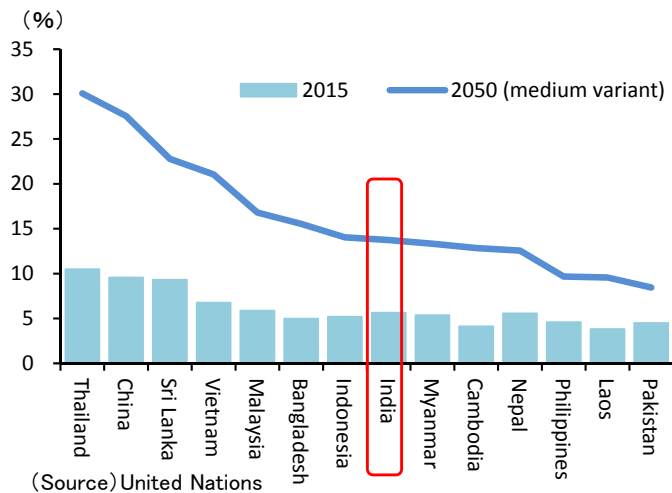
### Working age population (population age 15-64)



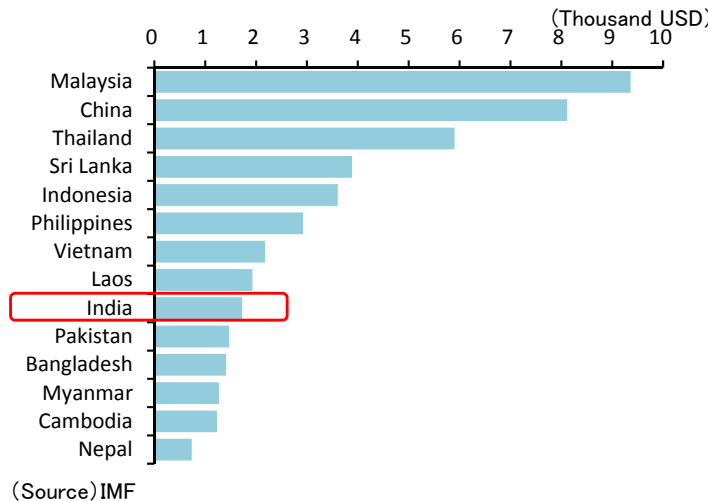
### Population in 2016



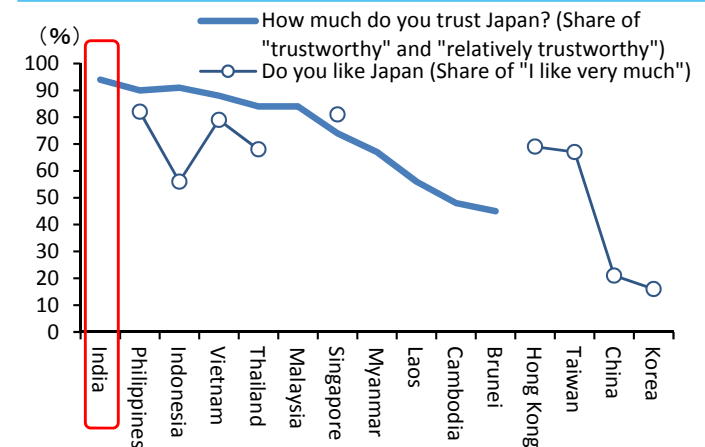
### Share of population age more than 65 to total population (2015, and 2050)



### Per capita GDP in 2016



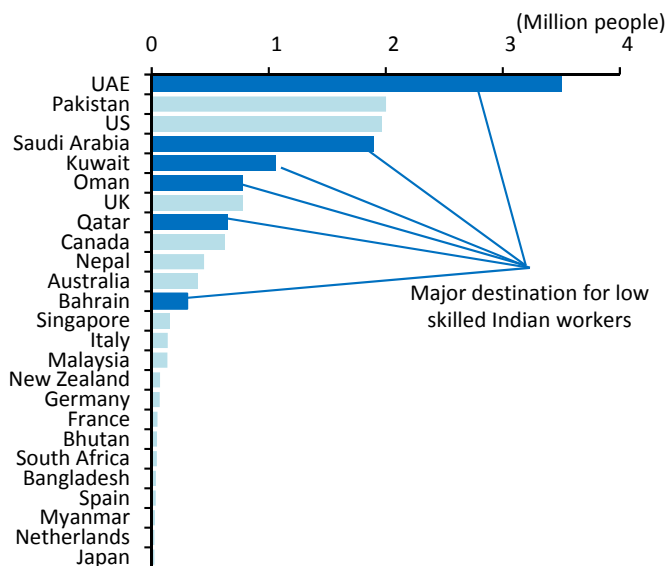
### Asia's perception about Japan



# Destination of unskilled Indian labor

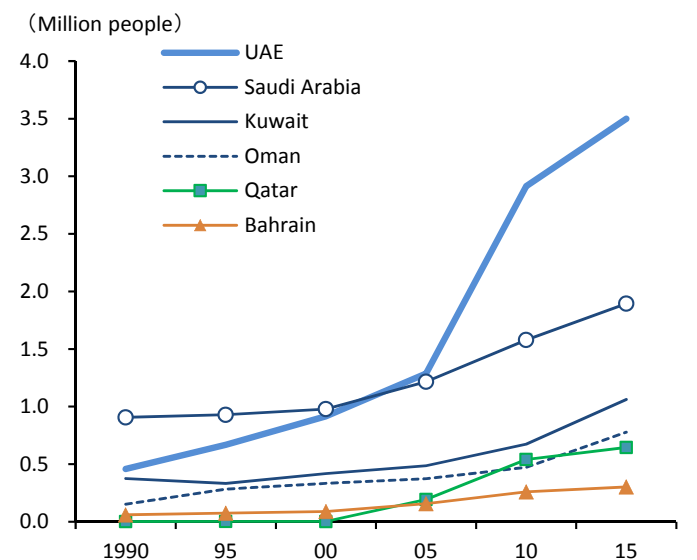
- Oil exporting countries such as the UAE Saudi Arabia, Kuwait, Oman, Qatar and Bahrain are the major destinations for unskilled Indian workers. Many Non-Resident Indians (NRIs) engaged in construction related industries and NRIs in these countries increased significantly between the second half of the 2000s and the first half of 2010s reflecting the strong construction demand associated with the higher oil price.
- However, the NRIs inflow pace changed since 2015 due to the sudden oil price decrease in 2014-2015 and the price stagnation after that. Given higher oil dependency and the recent deterioration of fiscal balance in these oil exporting countries, continuous price stagnation could result in the slow inflow of NRIs into these countries.

## Destination of Non-Resident Indians (2015)



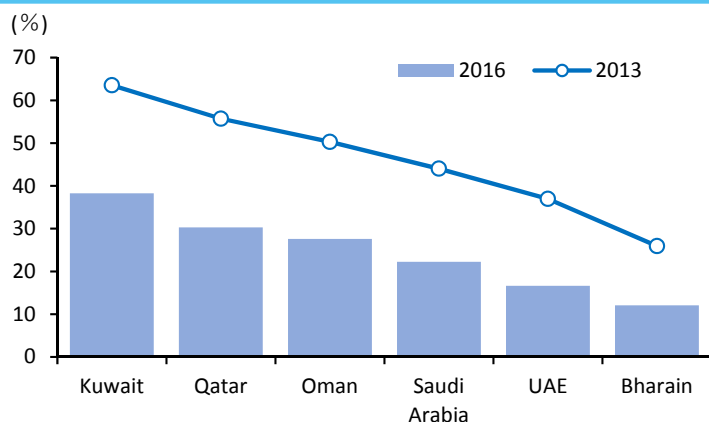
(Source) United Nations

## NRIs in selected countries



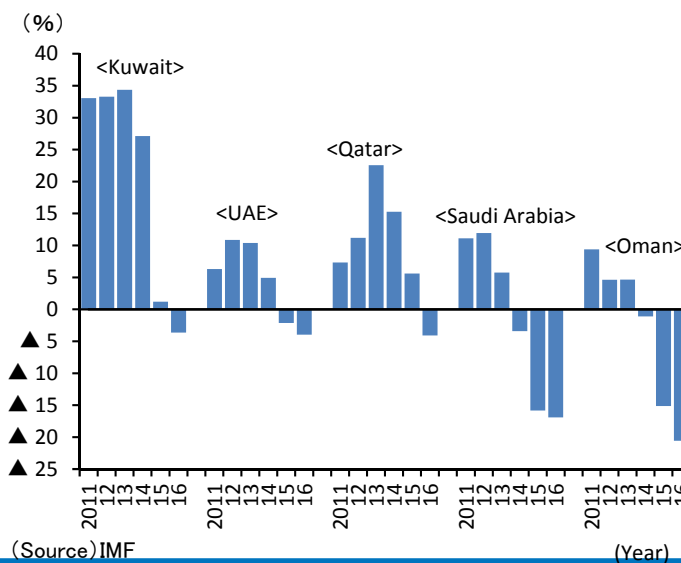
(Source) United Nations

## GDP share of mining and quarrying industries



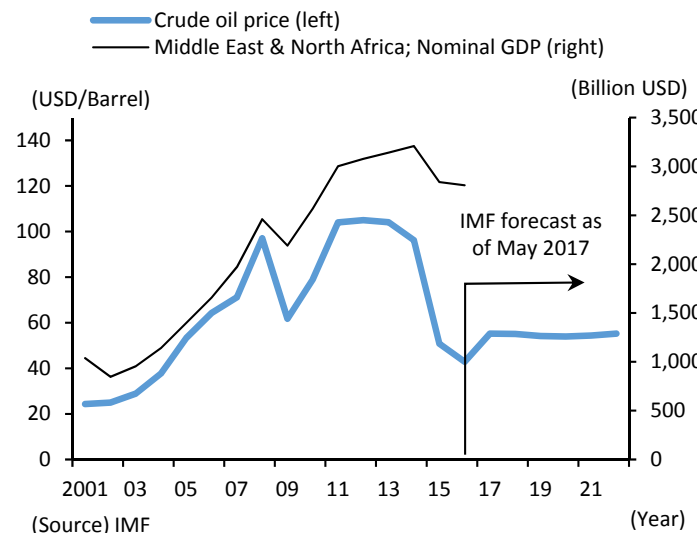
(Source) Federal Competitiveness and Statistics Authority (UAE), General Authority for Statistics (Saudi Arabia), Central Statistical Bureau (Kuwait), National Center for Statistics and Information (Oman), Ministry of Development Planning and Statistics (Qatar), Central Informatics Organisation (Bahrain)

## General government fiscal balance (% of GDP)



(Source) IMF

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

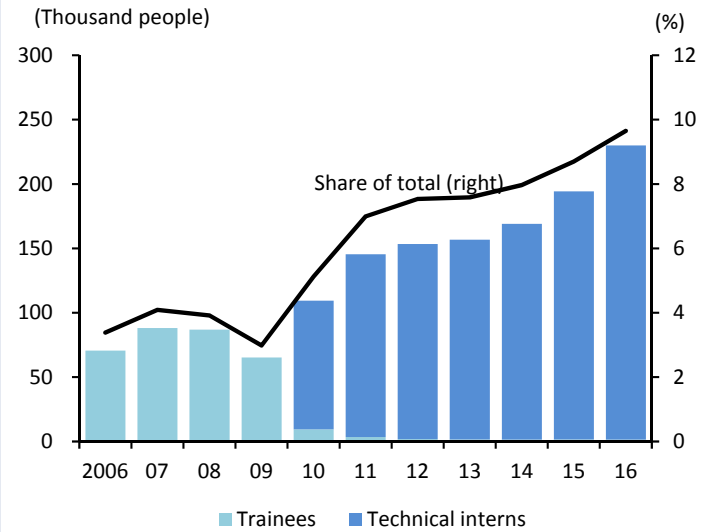


(Source) IMF

# Unskilled foreign workers in Japan

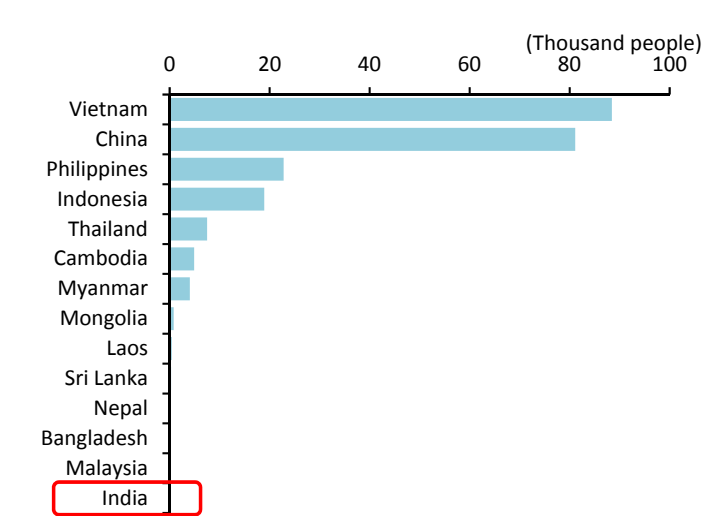
- Currently, Japan does not accept unskilled foreign workers except for trainees under the Technical Intern Training Program (TITP).
- The number of trainees has been increasing rapidly since 2010 and it reached 228,588 in 2016, about 10% of foreign residents in Japan. Reflecting domestic wage increases, Chinese trainees have decreased while Vietnamese trainees have been increasing rapidly and exceeded the Chinese in 2016.
- Major industries in which trainees were engaged in 2016 were agriculture, construction, food manufacturing, textiles & garments and machinery and metal industry. According to the survey of the Japan International Training Cooperation Organization (JITCO), trainees felt that not only learned skills but also life experience in Japan, financial saving, Japanese language skill, etc., were useful.

## Foreign trainees in Japan



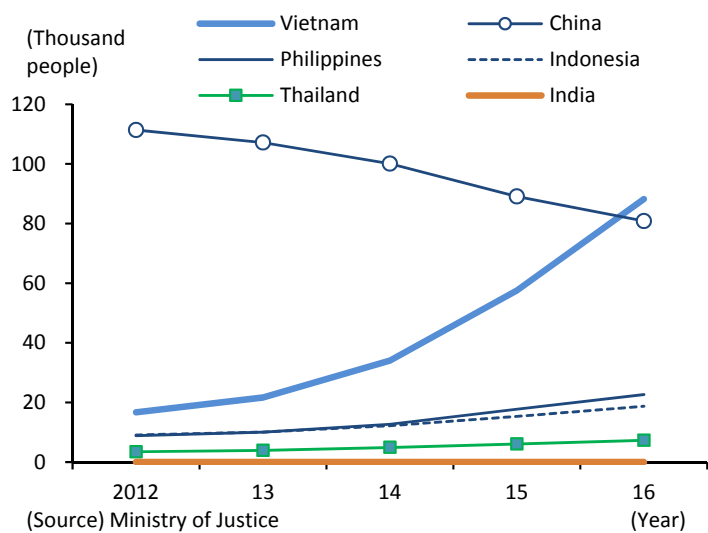
(Source) Ministry of Justice

## Foreign trainees by country (2016)



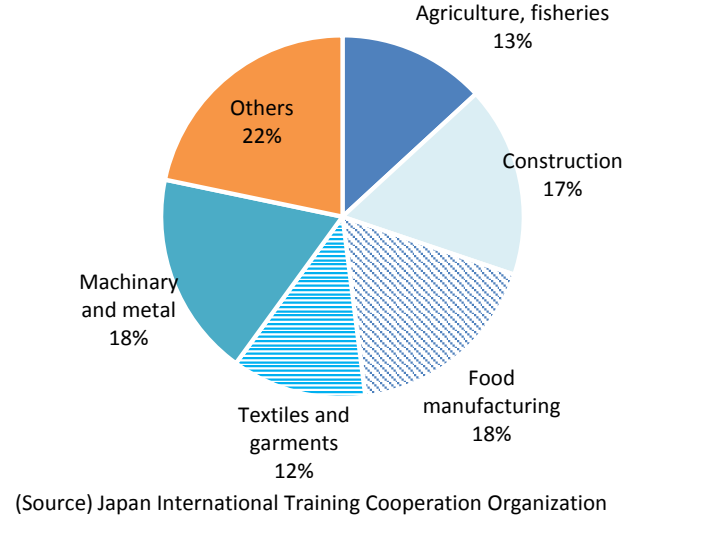
(Source) Ministry of Justice

## Foreign trainees by country



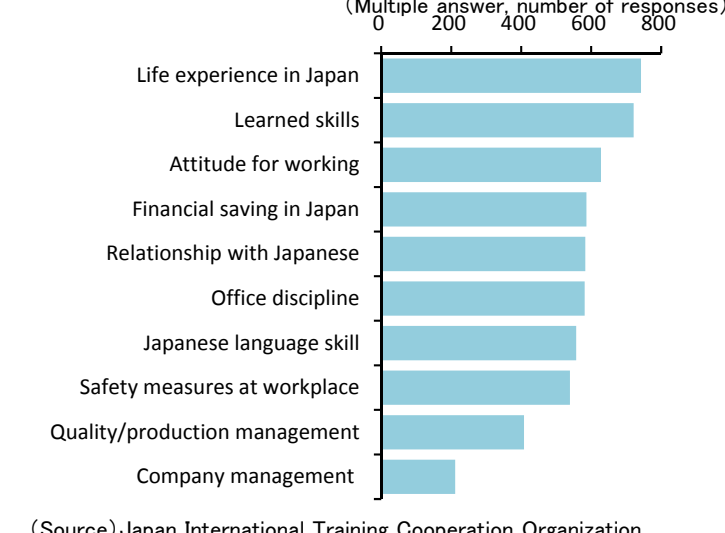
(Source) Ministry of Justice

## Foreign trainees by industry (application for visa category "Technical intern training (ii)" in 2016)



(Source) Japan International Training Cooperation Organization

## Useful things under the technical intern training program (Trainees' survey in FY2016)

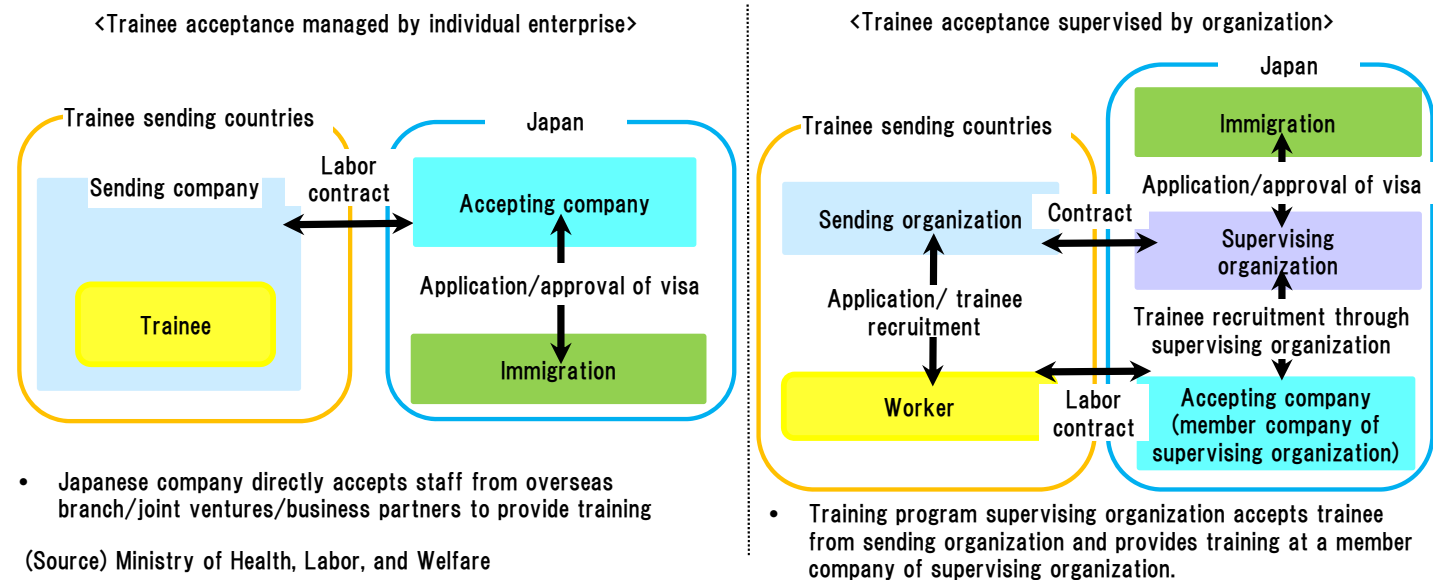


(Source) Japan International Training Cooperation Organization

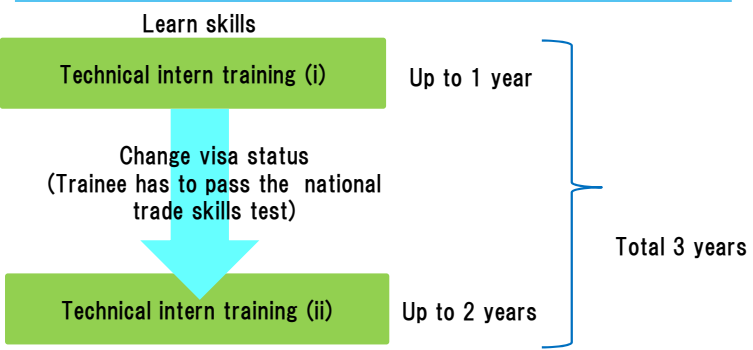
# Annex : Summary of current Technical Intern Training Program (TITP)

- There are two types of training program. The first type is conducted based on a direct labor contract between trainee accepting companies in Japan and staff sending companies abroad. The second type of program is arranged by trainee supervision organizations in Japan and sending organizations abroad. Presently, the second type of program is in the majority.
- There are two types of visa (technical intern training (i) and (ii)) based on trainee's skill. Intern trainees can stay Japan up to 3 years under this program (※). Companies can have access to cheap labor by utilizing this training program. For example, a company which has 50 full-time staff can accept a maximum of 9 trainees.  
 ※ Under the new TITP which will start from this coming November, trainees could stay in Japan up to 5 years.

## Type of Technical Intern Training Program



## Type of visa for technical intern trainee



- Develop skills learned in the first year
- Under the new TITP which will start from this coming November, the new visa category (Technical intern training (iii) ), will be created. In this new category, trainees could extend their stay in Japan up to another 2 years if they can pass the national trade skill test)

(Source) Japan International Training Cooperation Organization

## Number of acceptable trainees (technical intern training (i)) by company size

Number of full time staff in trainee accepting company	Number of acceptable trainees
More than 300	5% of permanent full-time staff
201~300	15 people
101~200	10 people
51~100	6 people
Less than 50	3 people

(Source) Japan International Training Cooperation Organization

## Number of acceptable trainees under current system (Company with 50 full-time staff)

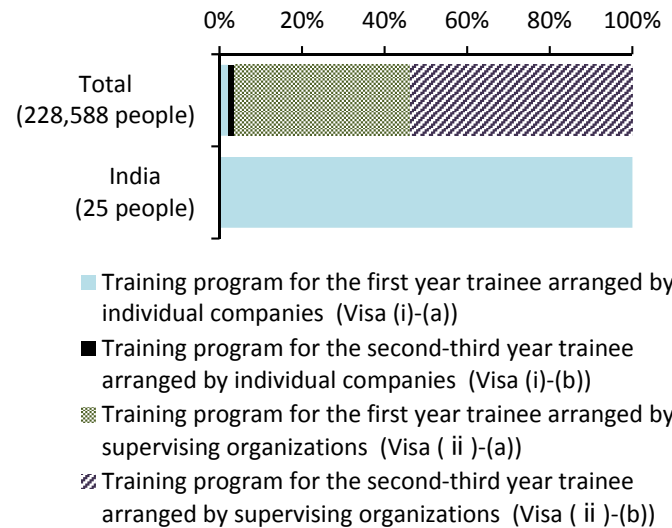
	1 <sup>st</sup> year	2 <sup>nd</sup> year	3 <sup>rd</sup> year	4 <sup>th</sup> year
1 <sup>st</sup> year's trainees	3 people (Visa (i))	3 people (Visa (ii))	3 people (Visa (ii))	
2 <sup>nd</sup> year's trainees		3 people (Visa (i))	3 people (Visa (ii))	3 people (Visa (ii))
3 <sup>rd</sup> year's trainees			3 people (Visa (i))	3 people (Visa (ii))
4 <sup>th</sup> year's trainees				3 people (Visa (i))
Total	3 people	6 people	9 people	9 people

(Source) Japan International Training Cooperation Organization



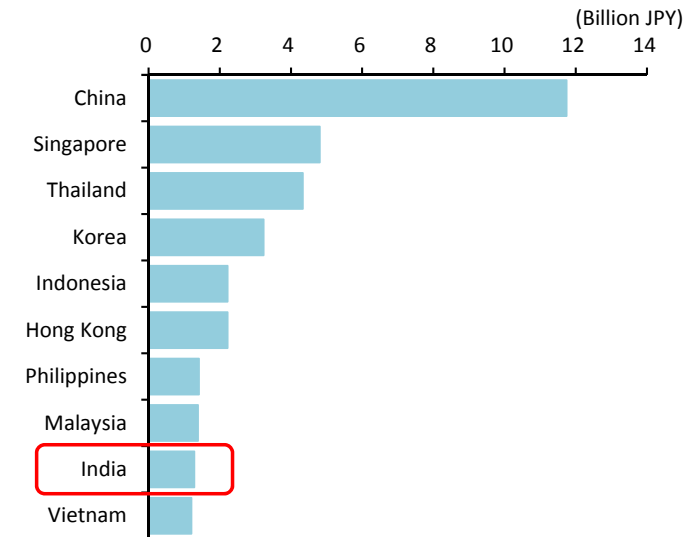
# Why Indian trainees are almost zero

## Training arrangement structure for foreign trainees (2016)



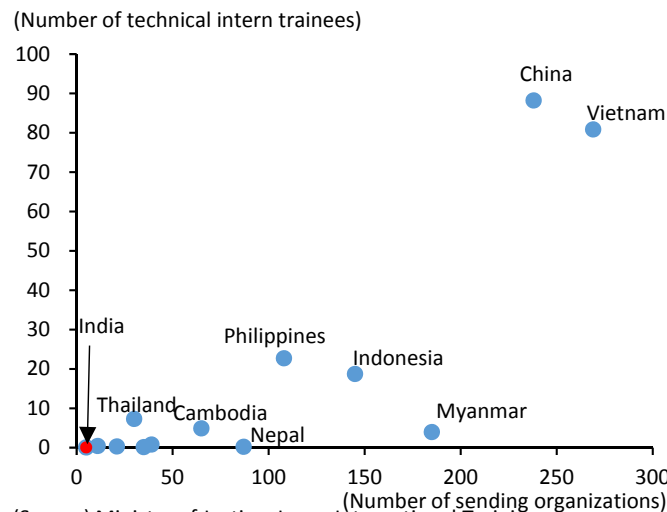
(Source) Ministry of Justice

## Japan's outward foreign direct investment (outstanding excluding finance and insurance, the end of 2015)



(Source) Bank of Japan

## Number of authorized trainee sending organizations (August 2017) and trainees in Japan (2016)



(Source) Ministry of Justice, Japan International Training Cooperation Organization

## Trainee sending organizations

Name of trainee sending organization	City
The Associated Chambers of Commerce and Industry of India	New Delhi
Confederation of Indian Industry	New Delhi
Centurion University of Technology and Management	Bhubaneswar
National Skill Development Corporation	New Delhi
Team Lease Group	Bangalore

(Source) Japan International Training Cooperation Organization

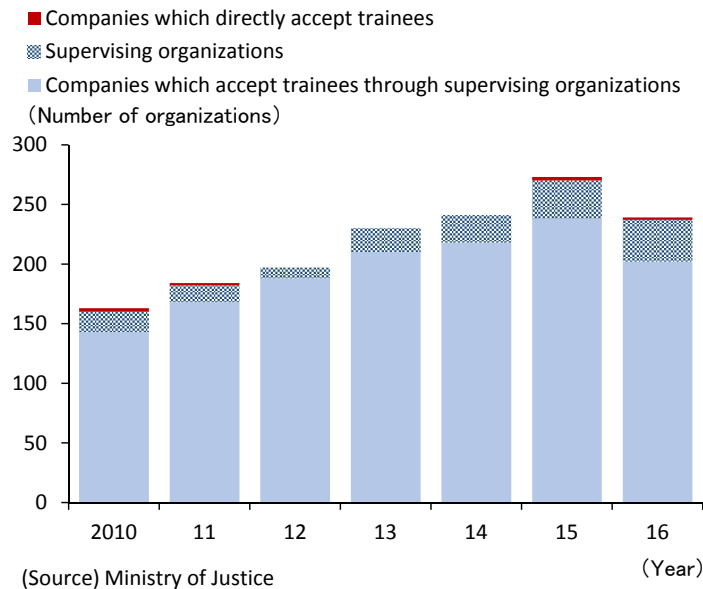
- Based on the foreign registration statistics, there were only 25 Indian trainees in the end of 2016 and all of them were trainees under individual companies' training programs (no trainees under the training program arranged by supervision organizations). The limited Japanese companies' business expansion might be the reason for few individual companies' training programs while the lack of sending organizations associated with under developing legal framework was the major reason for the lack of use for TITP under supervision organizations.
- However, recently both the Japanese and Indian governments are trying to promote TIITP. The JITCO made "Record of Discussion (R/D)" with the Ministry of Skill Development and Entrepreneurship (MSDE) to encourage TITP in November 2015 and the MSDE officially authorized 5 sending organizations to prepare the first trainees.
- Based on the media article(\*), the first trainees under the training program arranged by supervising organizations are scheduled to come to Japan in September. 15 trainees, who have at least 6 months work experience at factories in India were chosen by the Confederation of Indian Industry (CII).
  - They are receiving about 10,000-15,000 Rupees / month in India but they can earn more than 4 times that in Japan if at least the minimum wage is paid to them.
  - The CII aims to increase the number of trainees to 10,000 in the future but the CEO of CII showed concern about its being successful as Japanese companies are not ready enough to accept Indian trainees.

(\*JNNA 6<sup>th</sup> July 2017 「印から日本へ初の技能実習生 9月にも15人、受入先選定急ぐ」

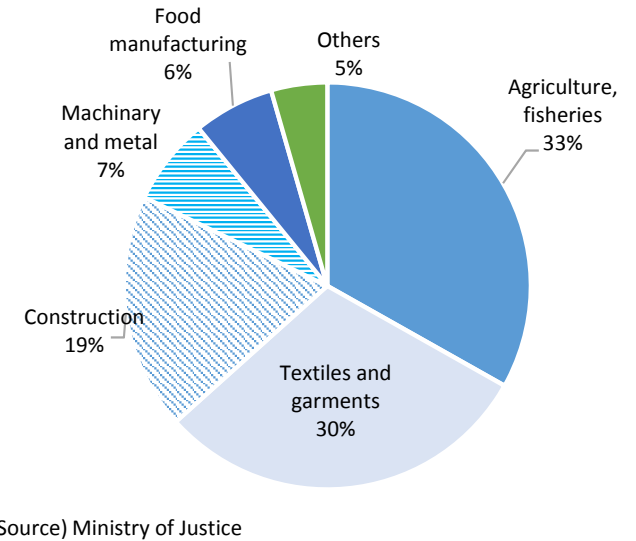
# For healthy utilization of TITP

- Considering the fact that many TITP related problems were reported contrary to the original intention, both Japan and India need to be careful so that healthy development of TITP in India is secured.
  - An increasing trend can be observed for TITP rule violations. In 2016, more than 200 companies were reported because of violations of rules such as non-payment of appropriate salary, forgery of documents, inappropriate use of nominees, etc. Looking by industry, agriculture, fisheries, textiles/garments, and construction are the major trouble reporting industries. JITCO member companies reported that 3,110 trainees disappeared in 2015.
  - Japan's poor training environment for unskilled foreign trainees has been criticized by many foreign/multinational organizations such as the "Trafficking in Persons Report" by the US.
  - The number of TITP related problems could continue to increase as the number of trainees increases under the new TITP which will start from coming November.
  - To deal with these issues, the government of Japan established a new law about TITP in November 2016 and "Organization for Technical Intern Training" in January 2017.
- To prevent TITP related problems, monitoring functions of both sending organizations in India and supervising organizations in Japan need to be strengthened.

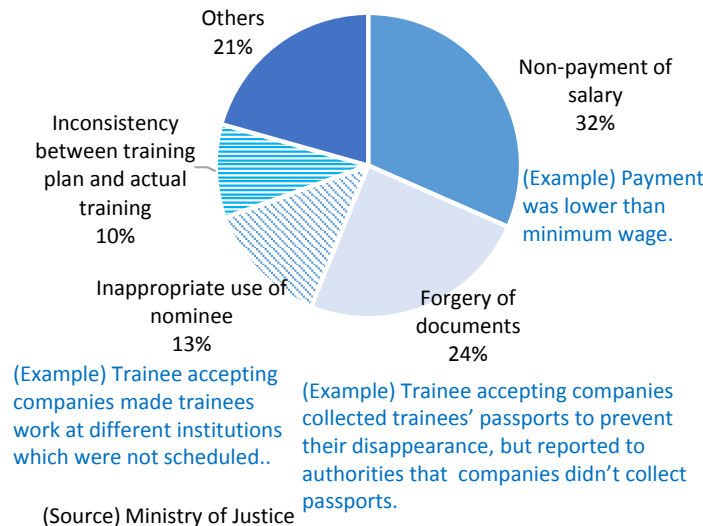
### Number of organizations which violated rules



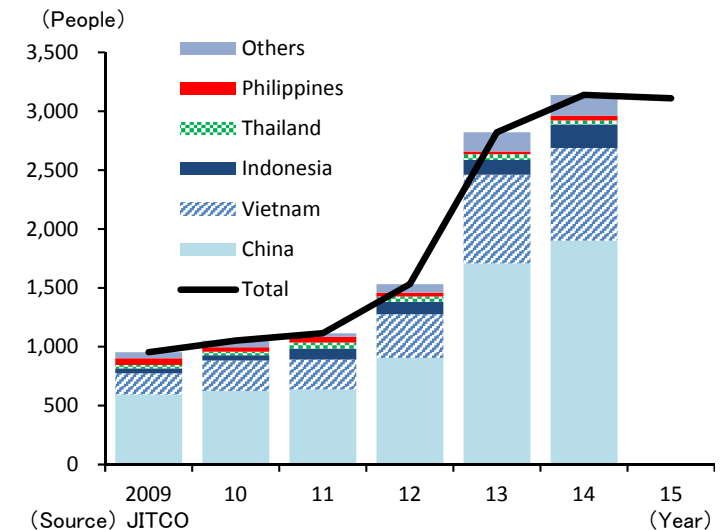
### Number of violation of rules by sector in 2016



### Type of violation of rules in 2016



### Number of disappeared trainees reported to JITCO

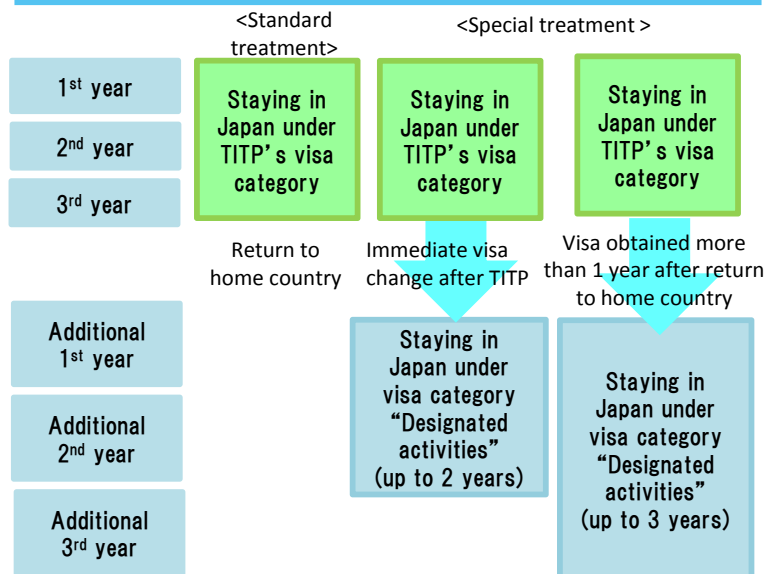




# Beyond TITP utilization

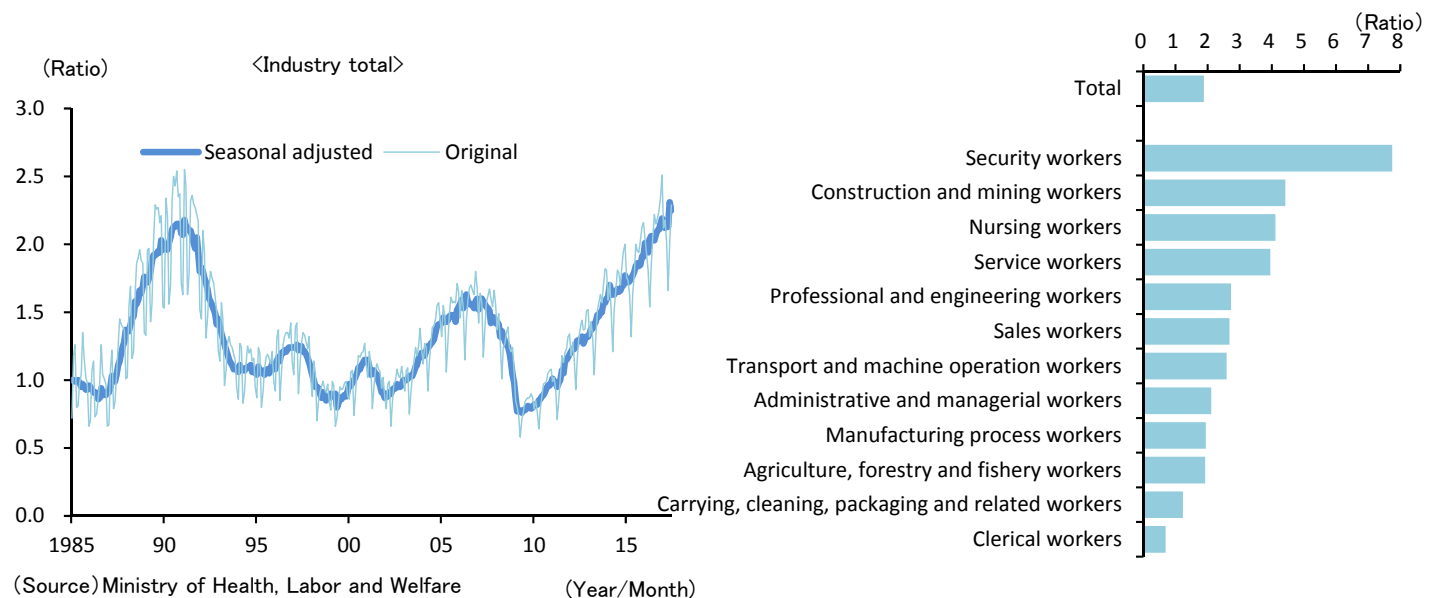
- Reflecting the recent increase in foreign trainees in Japan, the gap between the original intention of TITP and reality is widening.
  - In principal, TITP aims to contribute to economic development in developing countries through human resource development. TITP does not aim to deal with domestic labor demand/supply adjustment. To achieve this original purpose, trainees must return to their home country after TITP is completed.
  - However, in reality, many SMEs are depending on their cheap TITP labor supply and they expect foreign trainees to continue to stay in Japan after TITP.
- To deal with companies' labor demand without changing the principals of TITP, the government is going to extend the maximum length of stay and to expand accepting industries under the new TITP. However, these policy reactions is going to widen the gap between principal and reality further. To narrow the gap, the current migration policy for unskilled workers and TITP need to be reformed. One approach might be to relax the current regulation and to allow trainees in specified industries, which are suffering labor shortages, to stay in Japan several years after they have completed programs.
  - For example, to deal with temporary construction demand associated with the 2020 Olympics, the government temporarily allows trainees in the construction industry to stay in Japan under the visa category "Designated activities". Although the government tries to deal with the labor shortage by utilizing domestic people and increasing productivity. A similar program could be considered for the current continuous strong labor shortage in some jobs such as security workers and nursing workers.
- Another approach is to make Economic Partnership Agreements (EPAs) to accept foreign workers in selected industries from selected countries. Presently, Japan accepts foreign labor in the nursing industry from Indonesia, the Philippines, and Vietnam based on EPAs.
- It should be noted that the impact on the government fiscal balance, and other non-economic aspects also needs to be taken into account when migration policy is discussed.

## Special treatment for trainees in construction industries



(Source) Ministry of Health, Labor and Welfare

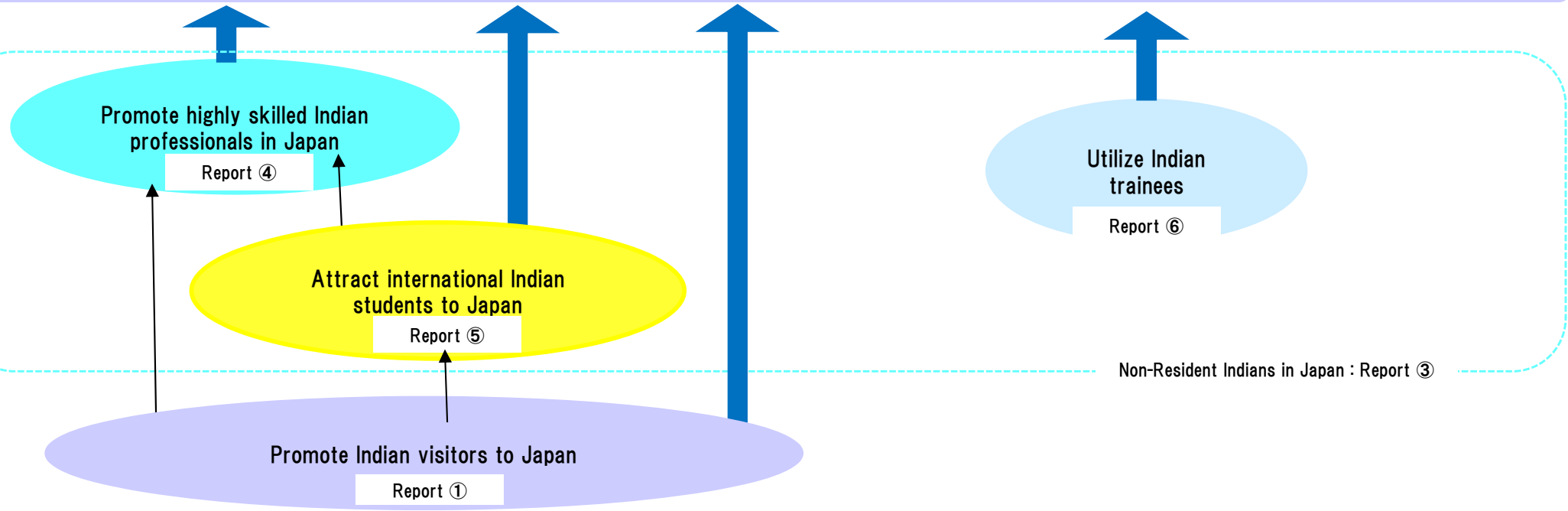
## New job openings to new application ratios



# Annex: Summary of released reports

- Although many individual challenges and policy recommendations were discussed in this research series, the following are the foundation of promotion of human exchange : 1) advertisement of Japan’s attractiveness through “cool Japan initiatives”, 2) progress of Japan’s globalization at companies/universities/tourism related industries, 3) appropriate relaxation/simplification of regulation of the entry of Indian people, and 4) Indian government understanding for support for initiatives for human exchange.
- From Japan’s perspective, this research series mainly focused on the human inflow from India to Japan. However, the opposite flow (human inflow from Japan to India) also should be encouraged by developing more business/tourism/study friendly environments in India.

Further human exchange between India and Japan (inflow from India to Japan)



Foundations of promotion of human exchange

Advertise the attractiveness of Japan through “Cool Japan initiatives”  
Report ②

Make progress in Japan’s globalization at companies/universities/tourism related industries  
Mainly report ①・④・⑤

Relax/simplify regulations about the entry of foreigners appropriately  
Mainly report ①・④・⑥

Indian government understanding and support for initiatives for human exchange promotion