



Can International Students Become Long-term Contributors?

— Human Capital Formation and Settlement under Australia’s Student Visa System —

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〈Summary〉

- ◆ As Japan’s demographic ageing accelerates and labour supply constraints tighten, the scale of inflows of foreign workers and international students has expanded. However, these inflows are concentrated predominantly in major metropolitan areas and have not significantly alleviated regional labour shortages or strengthened medium- to long-term growth potential. Although international students constitute a pool of young, tertiary-educated individuals who can become long-term contributors to the Japanese economy and society, Japan’s international student system has largely been administered as an extension of education policy, without being clearly positioned as a framework for employment and settlement. As a result, international students have not been effectively integrated as a stable regional labour force.

- ◆ Australia’s experience provides a useful reference. Australia’s student visa system offers institutionally defined, multi-stage transition pathways from study to employment and permanent residence. However, the existence of such pathways does not automatically translate into effective skill utilisation or durable settlement. In practice, structural bottlenecks such as skill underutilisation and prolonged temporary residence (“visa churn”) have emerged, and international graduates tend to face disadvantages relative to domestic graduates in terms of employment outcomes, wages, and occupational status. These outcomes are commonly attributed to uncertainty surrounding residency pathways and mismatches between education and industrial structure. While Australia’s system has contributed to short- to medium-term labour supply, it has not fully realised an integrated model of human capital formation and settlement.

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- ◆ Australia’s experience indicates that enabling international students to settle as long-term contributors to the economy and society cannot be achieved through ex post steering after study has begun. Rather, settlement outcomes are strongly influenced by entry-stage institutional design, the predictability of residency pathways, and education quality. Future permanent residency and citizenship pathways act to increase demand for higher education among international students in Australia. Choices regarding fields of study, locations of study and employment, clarity of future residency prospects, and trust in education quality all play a decisive role in shaping post-study settlement behaviour.
- ◆ Taken together, repositioning Japan’s international student system as a longer-term human-capital policy requires a shift away from a narrow focus on expanding intake numbers toward institutional design that explicitly incorporates employment and settlement objectives. As Australia’s experience illustrates, establishing formal pathways is insufficient on its own. Advancing pathway design at the point of entry, improving predictability in residency pathways, and strengthening education quality assurance in an integrated manner are essential if international students are to contribute sustainably to regional labour supply and long-term economic growth.

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1. Introduction: Can International Students Become Long-Term Contributors?

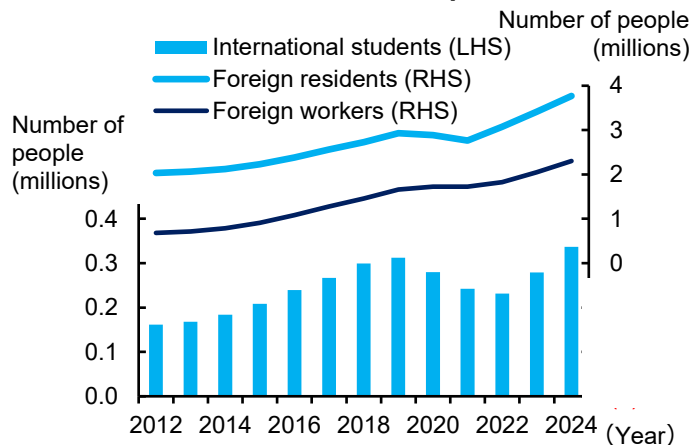
As demographic ageing accelerates and population decline continues in Japan, the scale of foreign residents has expanded over the medium to long term. According to statistics published by the Immigration Services Agency of Japan, the Ministry of Health, Labour and Welfare, and the Japan Student Services Organization (JASSO), as of 2024 the number of foreign residents stood at 3.769 million, foreign workers at 2.303 million, and international students at 0.337 million. After a temporary adjustment during the COVID-19 pandemic, all three indicators have recovered and reached historical highs in recent years (Figure 1).

These increases, however, have not been evenly distributed. Data from the Ministry of Health, Labour and Welfare show that foreign workers are concentrated in major metropolitan areas. JASSO statistics likewise indicate that international students are heavily enrolled in institutions located in large cities, particularly Tokyo. Approximately half of all international students are concentrated in the Tokyo metropolitan area and around three-quarters in the three largest metropolitan regions, while intake in other regions remains relatively limited (Figure 2).

International students are predominantly young, with a substantial share enrolled in tertiary education institutions. According to JASSO data, around two-thirds of international students in Japan in 2024 were enrolled in universities or graduate schools. The most popular fields of study among them are the social sciences, humanities, and engineering, which together account for roughly three-quarters of total enrolments (Figure 3).

Post-graduation employment outcomes for

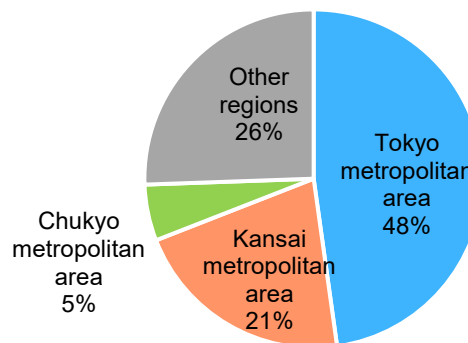
Figure 1. Trends in Foreign Residents, Workers, and Students in Japan



Source: Prepared by JRI based on data from the Immigration Services Agency of Japan; the Ministry of Health, Labour and Welfare; and the Japan Student Services Organization (JASSO).

Note: Figures are based on year-end data for foreign residents, end-October data for foreign workers, and data as of 1 May for international students, respectively.

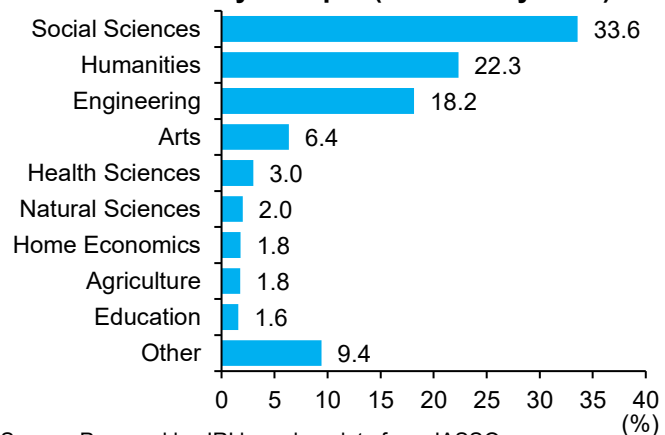
Figure 2. Regional Distribution of International Students in Japan (as of 1 May 2023)



Source: Prepared by JRI based on data from the Ministry of Health, Labour and Welfare and JASSO.

Note: The “three major metropolitan areas” are defined as the Tokyo metropolitan area (Tokyo, Kanagawa, Saitama, and Chiba), the Kansai metropolitan area (Osaka, Hyogo, Kyoto, Nara, Shiga, and Wakayama), and the Chukyo metropolitan area (Aichi, Gifu, and Mie).

Figure 3. Distribution of International Students by Field of Study in Japan (as of 1 May 2023)



Source: Prepared by JRI based on data from JASSO.

Note: Japanese language education institutions are excluded.

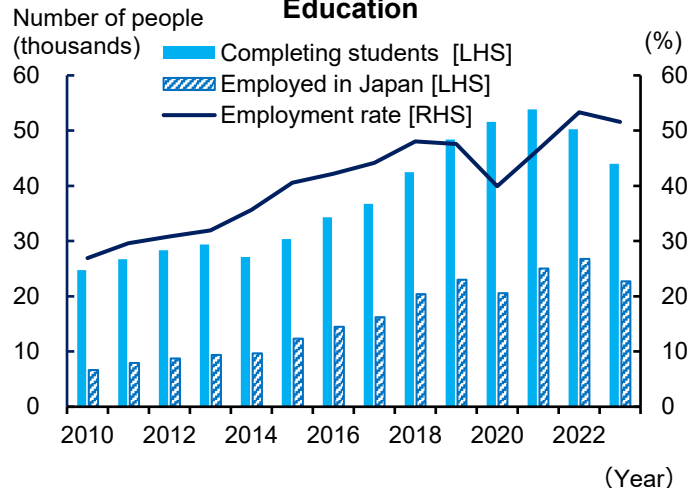
international students in Japan have improved to some extent in recent years. JASSO’s survey on post-graduation pathways shows that although the number of international graduates securing employment in Japan has recently levelled off—partly because cohorts that entered higher education during the immediate post-pandemic period are now graduating—the domestic employment rate has remained above 50 per cent (Figure 4). The government has indicated an intention to increase this rate to around 60 per cent in the future.¹

Nevertheless, these developments have occurred within an institutional framework that continues to treat international students primarily as participants in the education system rather than as potential long-term contributors to Japan, including as human capital. Post-study residence arrangements remain weakly integrated with education policy and are not systematically designed to support an orderly transition from study to employment and longer-term settlement. As a result, international students’ potential role as a stable source of future contributors to the economy and society remains institutionally constrained.²

Before proceeding, it is important to note that the way international students are framed differs across countries. In Australia, they are often discussed as potential future migrants and, in some cases, future citizens, whereas in Japan they are more commonly treated as sources of labour or human capital within the education system. This paper recognises this difference and therefore examines international students not only as economic resources but also as potential long-term contributors to society.

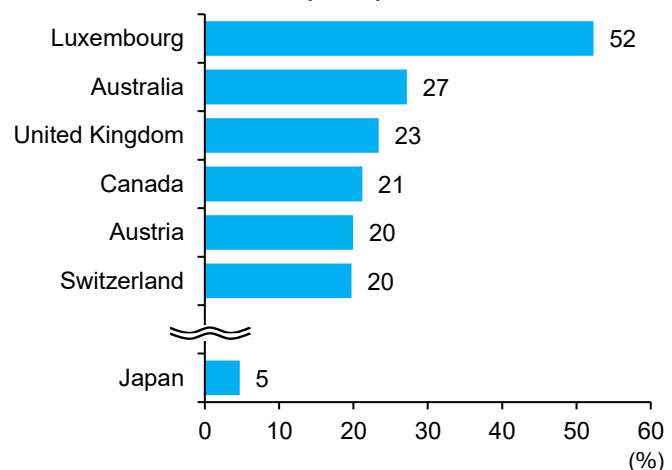
To assess whether international students can be treated as long-term contributors to the economy and society, it is useful to examine countries that admit large numbers of international students and connect education more directly with employment and settlement. OECD statistics indicate that Australia has the second highest proportion of international students in tertiary enrolments among advanced economies, behind only

Figure 4. Trends in Domestic Employment of International Graduates from Japanese Higher Education



Source: Prepared by JRI based on data from JASSO.
Note: “International graduates” and the employment rate exclude those proceeding to further study in Japan.

Figure 5. Share of International Students in Tertiary Education: International Comparison (2023)



Source: Prepared by JRI based on OECD data.

¹ The government has set a target of raising the domestic employment rate of international students to 60 per cent by 2033 (excluding those who proceed to further study in Japan). This target is articulated in policy documents including The Grand Design and Action Plan for a New Form of Capitalism (Revised 2023) and the Basic Plan for the Promotion of Education, both approved by the Cabinet on 16 June 2023.

² Immigration Services Agency of Japan, Immigration Control and Residency Management 2025.

Luxembourg (Figure 5). Moreover, Australia’s student visa system has also functioned not merely as an education policy instrument, but as a framework explicitly connected to labour market participation and migration pathways.

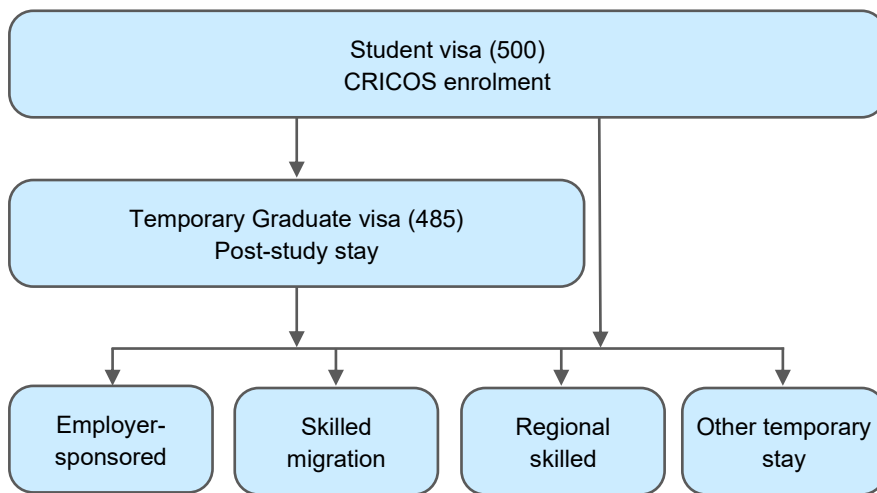
Against this background, this paper uses Australia’s student visa system as a reference case to evaluate the conditions under which international students can function as long-term contributors rather than temporary labour. It focuses on the transitions between study, employment, and permanent residency, the design of entry-stage institutional settings, and the relationship between international students and regional settlement. The paper then draws implications for Japan’s international student system based on this.

2. Australia’s Student Visa System

(1) System overview and transition pathways

Australia’s student visa system is characterised by the institutional availability of multiple transition pathways from study to employment and, potentially, to permanent residence. Starting from the Student visa (subclass 500), international students may move to the Temporary Graduate visa (subclass 485) after completing their studies before subsequently transitioning to employer-sponsored visas, points-tested skilled migration visas, or state- and region-nominated visas. This structure constitutes a formally multi-stage framework that allows international students to remain in Australia while accumulating work experience (Figure 6).³

Figure 6. Multi-Stage Transition Pathways from Study to Employment and Residency under Australia’s Student Visa System



Source: Prepared by JRI based on the Department of Home Affairs, Australia.

Within these post-study pathways, the Temporary Graduate visa (subclass 485) occupies a central role. The permitted length of stay varies by stream: up to 18 months for vocational pathways, typically 2–3 years for higher education graduates, and an additional 1–2 years for eligible regional graduates. Department of Home

³ Department of Home Affairs, *Visa Listing*, Australian Government. <https://immi.homeaffairs.gov.au/visas/getting-a-visa/visa-listing> (accessed 30 January 2026).

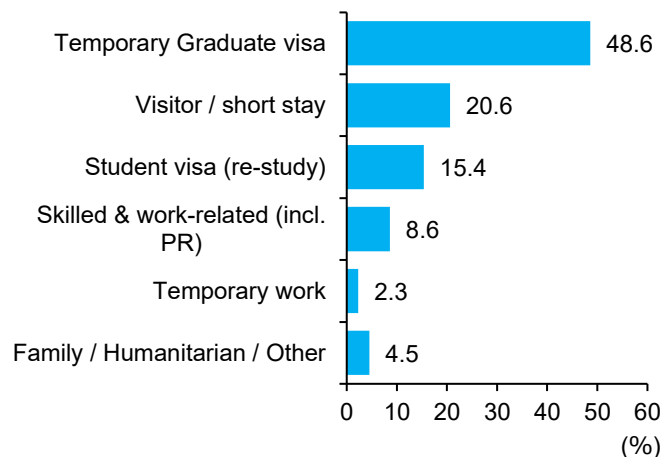
Affairs statistics show that the Temporary Graduate visa is the most common subsequent pathway for Student visa holders, with roughly half transitioning into this category (Figure 7). The 485 visa therefore functions as the principal institutional channel supporting post-study residence.

At the same time, while the Temporary Graduate visa functions as an intermediate step toward longer-term residence, institutional mechanisms to direct graduates into specific occupations or regions remain limited. Holders of the 485 visa are formally eligible to transition into a range of visa categories, including employer-sponsored visas, points-tested skilled visas, and regional skilled visas. In practice, however, these trajectories are largely shaped by individual choices and prevailing labour-market conditions rather than systematic institutional steering.

As a result, a structural gap often emerges between students' field-of-study choices and their subsequent labour-market outcomes and regional distribution. The system allows for multiple pathways but does not actively align educational inputs with longer-term employment or settlement outcomes.

Australia's student visa system also embeds the possibility of repeated transitions across temporary visa categories, including re-enrolment in education or movement into alternative temporary statuses. These patterns are commonly described as "visa churn," referring to cyclical movement across temporary residence categories. Even after transitioning from a Student visa (subclass 500) to a Temporary Graduate visa (subclass 485), international graduates who do not secure stable employment or permanent residence retain avenues for further temporary stay.

Figure 7. Main Subsequent Visa Destinations after Completion of Student Visas in Australia(2024–25)



Source: Prepared by JRI based on data from the Department of Home Affairs, Australia.

Note: Subsequent visa categories are aggregated and presented based on their institutional characteristics.

(2) Scale dynamics and system operation

In evaluating Australia's student visa system, it is necessary to consider not only institutional design but also changes in its scale over time. International education is a major export industry for Australia, and fluctuations in its size have had implications extending beyond education policy to migration management, labour markets, and housing.

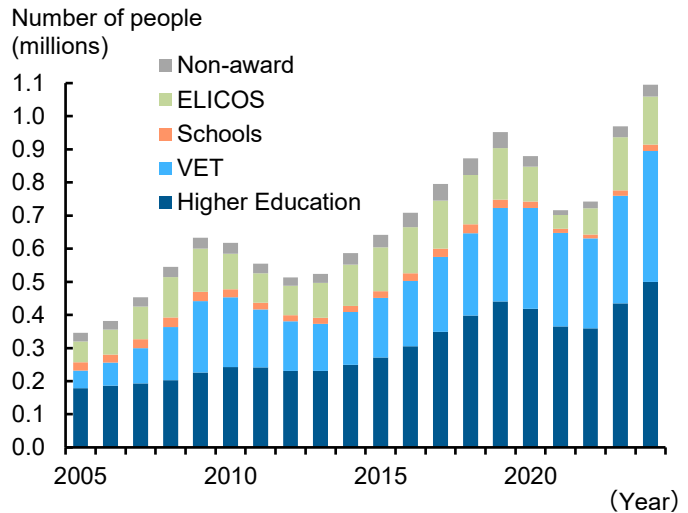
Department of Education statistics show that international student enrolments, measured on a course basis, have followed a long-term upward trend since the mid-2000s. Growth accelerated in the late 2010s, reaching around 0.95 million in 2019. Enrolments fell to around 0.72 million during the COVID-19 border closures of 2020–21, before rebounding sharply after reopening to about 1.1 million in 2024 surpassing pre-pandemic levels (Figure 8).⁴

⁴ International student enrolments are recorded on a course basis rather than an individual basis. As a result, a single student may be counted more

From a migration-system perspective, the number of Student visa (subclass 500) and Temporary Graduate visa (subclass 485) holders has also increased over time. Department of Home Affairs data indicate that Student visa holders increased to around 0.48 million in 2019, declined temporarily during the pandemic, and then rose again to approximately 0.52 million by 2024 (Figure 9). The number of Temporary Graduate visa holders followed a similar pattern, increasing through the late 2010s, falling during the pandemic, and recovering to around 0.20 million by 2024.

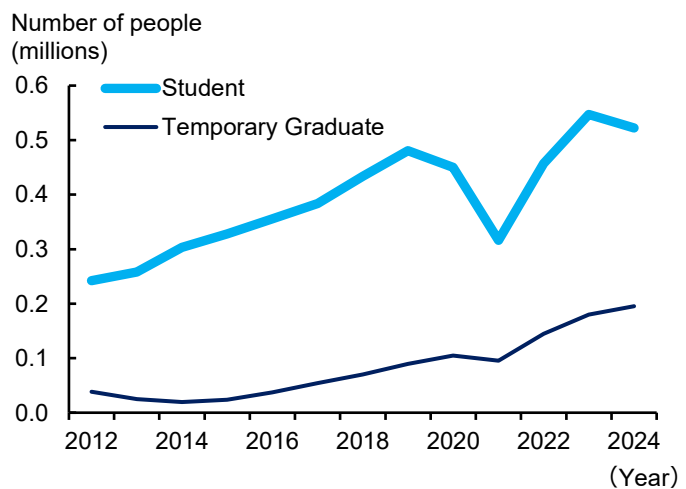
These trends indicate that the expansion of international education and the growth of temporary residents linked to the student visa system have proceeded in parallel, but not in a one-to-one relationship. While enrolment figures and Student visa stocks primarily reflect the scale of education-related demand, changes in the number of Temporary Graduate visa holders more directly capture post-study residence behaviour and the incentives embedded in Australia’s migration system. The next section examines employment outcomes, skill utilisation, and settlement patterns among international graduates.

Figure 8. Trends in International Student Enrolments in Australia



Source: Prepared by JRI based on data from the Australian Department of Education.

Figure 9. Trends in the Number of Student and Temporary Graduate Visa Holders in Australia



Source: Prepared by JRI based on data from the Department of Home Affairs, Australia.

3. Outcomes and Institutional Evaluation

This section reviews the operation of Australia’s student visa system by synthesising findings from existing studies and official reports. Focusing on the interaction between outcomes, institutional factors, and unintended consequences, the analysis proceeds along three dimensions:

- (i) post-graduation outcomes in employment, wages, and occupational status;
- (ii) institutional factors arising from residency status and visa design; and
- (iii) unintended consequences such as prolonged temporary residence and education-quality risks.

than once if they undertake multiple courses within a given period. Enrolment figures therefore do not correspond directly to the number of Student visa (subclass 500) holders.

(1) Policy positioning of the student visa system

Policy discourse in Australia has increasingly framed the student visa system as a mechanism for developing and retaining future skilled labour through international education. The Productivity Commission (2016) notes that international education contributes not only as an export industry but also as a channel linking young, educated individuals to the skilled migration pool. Similarly, the OECD (2018) identifies international graduates educated in Australia as a potentially promising source of skilled labour given their familiarity with the country's language and institutions. The Australian Treasury (2023) situates temporary migrants, including international students, within a broader macroeconomic context in which population growth and labour supply have supported economic expansion.

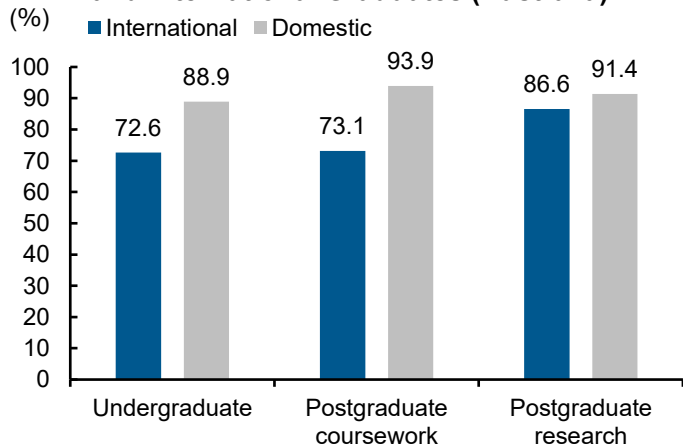
These assessments, however, articulate potential rather than realised outcomes. They do not establish whether international students' skills are effectively utilised after graduation or whether long-term settlement is achieved in practice. A closer examination of post-study outcomes and institutional mechanisms is therefore required.

(2) Skill utilisation and occupational outcomes

International graduates experience weaker labour-market outcomes than domestic graduates in both employment rates and earnings. The Graduate Outcomes Survey (GOS) (2023) shows lower employment rates for international graduates in the period immediately following graduation (Figure 10). Even among those in full-time work, median starting salaries for international graduates remain below those of domestic graduates across all degree levels (Figure 11). These patterns indicate that the completion of higher education does not consistently translate into equivalent labour-market valuation for international graduates, particularly in the early post-graduation phase.

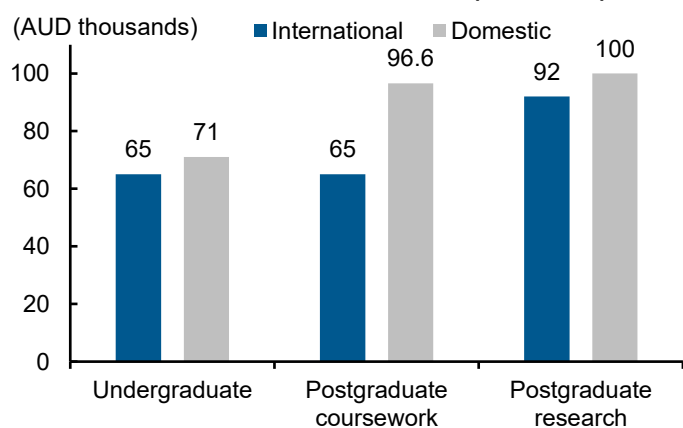
Occupational outcomes also point to substantial skill mismatch. The GOS (2023) reports that international graduates are less likely to enter managerial or professional occupations shortly after graduation. Administrative analyses corroborate this finding. Jobs and Skills Australia (JSA) (2025) demonstrates that a significant share of

Figure 10. Employment Rates between Domestic and International Graduates (Australia)



Source: Prepared by JRI based on the Graduate Outcomes Survey (GOS) 2023 (QILT).

Figure 11. Median Starting Salaries of Domestic and International Graduates (Australia)



Source: Prepared by JRI based on the Graduate Outcomes Survey (GOS) 2023 (QILT).

Temporary Graduate visa (subclass 485) holders are employed in lower-skilled occupations (ANZSCO Skill Levels 4–5) despite holding tertiary qualifications.⁵ Their employment is concentrated in service industries such as accommodation and food services, retail, and personal services. Related research suggests that such underutilisation is not merely temporary. The Grattan Institute (Coates et al., 2023) documents widespread overqualification among international graduates, with mismatches persisting for several years after graduation.

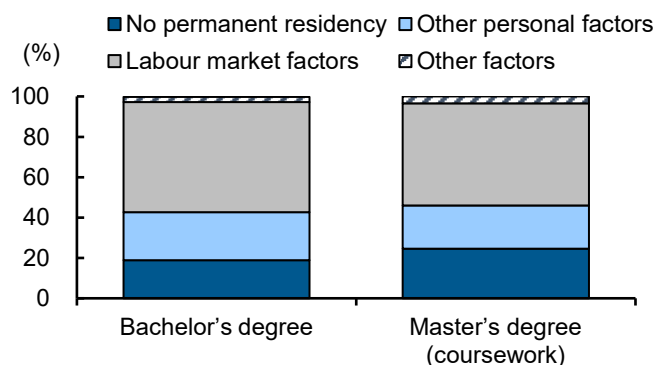
(3) Institutional and structural factors

The observed skill underutilisation reflects interacting institutional and structural factors rather than individual shortcomings. Uncertainty surrounding residency status is a central factor. The Temporary Graduate visa (subclass 485) is time-limited and does not guarantee transition to permanent residency. The Grattan Institute (Coates et al., 2023) argues that uncertainty over visa duration, sponsorship costs, and procedural complexity can discourage employers from investing in international graduates as long-term professional staff.⁶

International graduates’ own perceptions are consistent with this interpretation. The GOS (2023) shows that around one-fifth of international graduates reporting underutilisation attribute it to constraints related to residency status or visa conditions (Figure 12), indicating that visa-related uncertainty plays a meaningful role.

Additional factors include field-of-study choices, industrial structure, and the initial locations of study and employment. JSA (2025) finds that transitions into skilled employment and permanent residency are smoother in occupations with clearly defined qualification requirements and licensing pathways, while graduates from more generalist fields are more likely to experience a prolonged mismatch. Spatial dynamics also matter. Empirical research indicates that initial locations of study and employment strongly influence subsequent residence choices, with limited evidence of later relocation from metropolitan to regional areas (Laukova et al., 2025). JSA (2025) similarly notes that post-graduation employment remains heavily concentrated in urban areas, linking skill underutilisation to spatial concentration.

Figure 12. Reasons Reported by International Graduates for Skill Underutilisation



Source: Prepared by JRI based on the Graduate Outcomes Survey (GOS) 2023

Note: “Not having obtained permanent residency” is extracted as a separate category from the breakdown of Personal factors. Other individual factors are aggregated from Personal factors after excluding “not having obtained permanent residency.” Labour market factors are based on Subtotal – Labour market factors, and other factors are based on Other factors.

⁵ The Australian and New Zealand Standard Classification of Occupations (ANZSCO) is an official occupational classification system used in Australia and New Zealand. It categorises occupations into five skill levels, ranging from Skill Level 1 (highest) to Skill Level 5 (lowest), based on job content and the level of skill, education, and training typically required. Occupations classified at Skill Levels 4–5 generally include jobs that do not require specialised tertiary education or advanced training.

⁶ Under Australia’s employer-sponsored migration framework, employers incur various costs when sponsoring visa applicants, including application fees, the Skilling Australians Fund (SAF) levy, and administrative and compliance-related burdens associated with sponsorship procedures. These costs can discourage employers from sponsoring workers for short-term positions or for candidates whose prospects for long-term retention and settlement are uncertain, thereby affecting employers’ sponsorship decisions.

(4) Prolonged temporary residence (“visa churn”)

Australia’s student visa system structurally accommodates prolonged temporary residence through repeated movements across visa categories, commonly described as “visa churn.” While the Temporary Graduate visa (subclass 485) functions as the main post-study status, it does not ensure progression to permanent residency. Department of Home Affairs data show that in 2024–25 fewer than half of 485 visa holders transitioned to permanent visas, with the remainder being dispersed across employer-sponsored, skilled temporary, further study, or other temporary categories (Figure 13). The system thus operates as a branching rather than linear pathway.

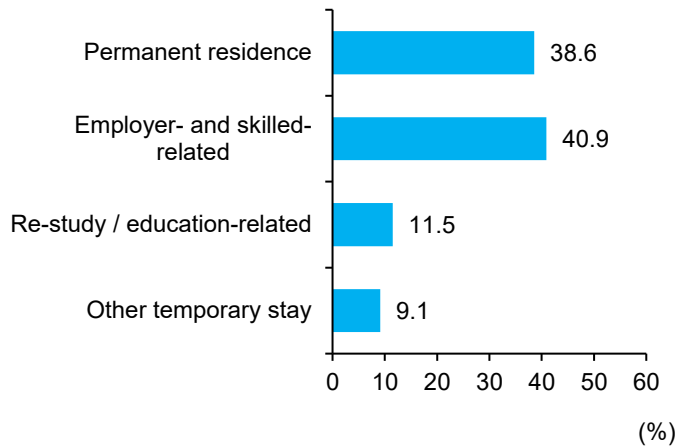
Long-term tracking confirms this pattern. The Centre for Population (2023) shows that, among cohorts arriving on student visas in 2006–07, around 39 per cent had obtained permanent residency by 2016–17, around 17 per cent remained on temporary visas, and around 44 per cent had left Australia (Figure 14). These outcomes indicate that many international students experience extended periods of uncertainty marked by multiple visa transitions.

Prolonged temporary residence may itself exacerbate skill underutilisation. The Grattan Institute (Coates et al., 2023) reports that some low-income international graduates may remain in Australia without securing stable skilled employment, raising concerns about predictability, fairness, and the overall credibility of the system.

(5) Education quality and systemic risk

The effectiveness of the student visa system as a human-capital policy depends on education quality. Where programs are weakly connected to skill formation or labour-market demand, graduates are more likely to

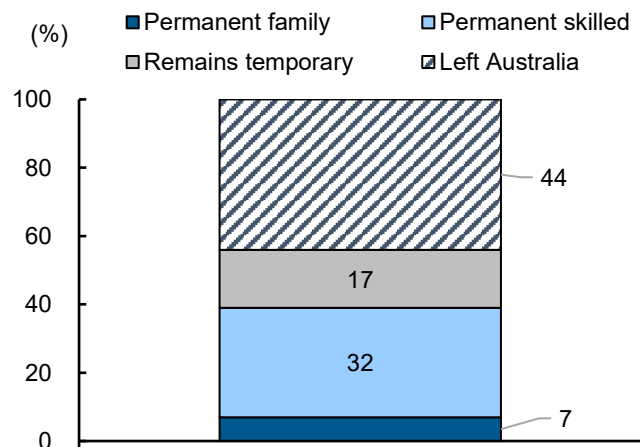
Figure 13. Main Subsequent Pathways of Temporary Graduate Visa (subclass 485) Holders



Source: Prepared by JRI based on data from the Department of Home Affairs, Australia.

Note: The data are reaggreated based on the number of holders by subsequent visa category, in accordance with the institutional characteristics of each visa.

Figure 14. Residence Status Ten Years after Arrival of International Students (2006–07 Cohort)



Source: Prepared by JRI based on Centre for Population (2023). Note: This figure summarises residence outcomes as of 2016–17 for international students who entered Australia on student visas in 2006–07, disaggregated into permanent residence (family and skilled streams), continued temporary residence, and departure from Australia.

experience limited employment outcomes and extended periods as temporary residents. The Productivity Commission (2016) cautions that incentives for quantitative expansion without corresponding quality assurance may undermine system credibility.

Insufficient quality control can also generate broader spillovers. The Centre for Population (2023) suggests that long-term settlement outcomes depend partly on confidence in the overall system, while the Grattan Institute (Coates et al., 2023) notes that declining trust in educational credentials may encourage employers to adopt more cautious hiring practices toward international graduates.

Taken together, these findings indicate that expanding international student intake without parallel mechanisms to ensure education quality and labour-market alignment risks weakening the system's function as a human-capital policy.

4. Implications for Japan

The preceding analysis highlights both differences and shared constraints in how Japan and Australia position international students as potential long-term contributors to the economy and society. Japan's international student system has not been institutionally designed with employment and settlement as its primary objectives, whereas Australia has explicitly embedded such objectives within its student visa framework. Immigration and employment outcomes are clearly shaped by how entry-stage institutional design, the predictability of residency pathways, and education quality are combined in practice. International students trained in Japan may be among the most likely groups to integrate into Japanese society over the long term, given their familiarity with the language, institutions, and social norms. Moreover, public resources are already invested in their education, suggesting that facilitating their transition to employment and longer-term residence could generate broader economic and social returns.

(1) Entry-stage institutional design

Australia's experience suggests that attempts to induce regional settlement after international students have completed their studies and entered metropolitan labour markets face structural limits. Empirical evidence shows that initial locations of study and first employment strongly influence subsequent residence choices, and that relocation from metropolitan to regional areas after graduation is relatively uncommon. Policies that attempt to steer graduates toward regional areas only at the post-graduation stage are therefore likely to have limited effect.

For Japan, this points to the importance of incorporating regional linkages at the entry stage. Coordinated arrangements among regional universities and colleges, local firms, and local governments could help identify priority fields of study and appropriate intake levels aligned with regional industrial structures in advance, rather than relying on ex post incentives to redirect graduates after completion. This is a key implication for Japan. Rather than relying on ex post measures, institutional coordination at the entry stage is essential.

(2) Predictability of residency pathways

Predictability in residency status is a key factor shaping firms' incentives to invest in human capital. In

Australia, uncertainty surrounding visa transitions has discouraged employers from making medium- to long-term investments in international graduates, contributing to both skill underutilisation and visa churn.

This observation carries direct relevance for Japan. Where post-graduation residency pathways are opaque or overly complex, firms are more likely to treat international graduates as short-term labour rather than as candidates for professional development and wage progression. A reasonable degree of predictability, by contrast, can encourage employers to regard international graduates as potential long-term contributors and to invest accordingly. Designing residency pathways that balance clarity with selectivity—without guaranteeing permanent residence *ex ante*—is therefore an important institutional feature.

(3) Education quality and system credibility

Australia's experience also underscores the importance of education quality in sustaining system credibility. Where educational programs are weakly connected to skill formation or labour-market needs, expansion in international student intake risks producing limited employment outcomes and extended periods in temporary residence.

For Japan, this implies that intake expansion without parallel mechanisms to ensure education quality and labour-market linkage may lead to similar outcomes. Quality assurance frameworks that identify and address programs with persistently weak employment outcomes are necessary to prevent reputational spillovers affecting international graduates more broadly. Intake expansion and quality management must therefore be pursued as an integrated policy package rather than as separate objectives.

(4) Evidence-based evaluation and administrative capacity

Maintaining an international student system as a human-capital policy requires the institutional capacity to evaluate outcomes and explain policy effects on the basis of evidence. As the number of foreign residents and workers increases, Japan faces growing demands for improved data infrastructure, policy evaluation, and administrative capability in immigration management.

Australia's experience highlights the importance of continuous, evidence-based monitoring of both intended and unintended effects, enabling incremental adjustment rather than polarised debates over expansion or restriction. Strengthening statistical foundations and evaluation capacity is thus integral to maintaining public trust and policy coherence.

Taken together, these implications suggest that positioning Japan's international student system as a human-capital policy requires institutional integration across education, skills, regional development, and immigration administration from the design stage onward.

Conclusion

This paper has examined whether international students can function as long-term contributors to the economy and society, using Australia's student visa system as a reference case. The analysis shows that while Australia has institutionally established multi-stage pathways linking study, employment, and permanent residence, these pathways do not automatically translate into effective skill utilisation or long-term settlement

outcomes. Persistent disadvantages in employment quality, wages, and occupational status for international graduates, alongside prolonged temporary residence and visa churn, indicate that outcomes are shaped as much by institutional design as by the existence of formal immigration pathways.

Australia's experience demonstrates that student visa systems are not neutral conduits connecting education to labour markets. Their design and operation shape firms' incentives, and graduates' career trajectories and settlement behaviour. Entry-stage institutional design, predictability of residency pathways, and education quality assurance jointly determine whether international graduates are treated as long-term human capital.

For Japan, the central implication is not simply whether international students should be accepted, but how the student visa system should be designed and operated if international students are to contribute as long-term contributors rather than temporary labour in a sustainable way. Moving beyond aggregate indicators such as intake volumes or employment rates requires closer attention to the quality of settlement, including alignment between education, employment, wages, career progression, and regional contribution. Achieving this will depend on coherent institutional design across education policy, skills policy, regional development, and immigration administration, supported by continuous evidence-based evaluation and sufficient administrative capacity.

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