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Ethnic Hierarchy in the Japanese Economy: Economic Effects of Restricting Non-Japanese Workers to Occupational Niches (2018)

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Abstract

This paper will analyze the economic implications of restricting the occupational choices and social mobility of non-Japanese workers in the Japanese economy. The paper will begin by using labor market segmentation theory (LMS) and split labor market theory (SLM) as bases to explain why formal and informal occupational restrictions exist in Japan. After defining these theories, the paper will then explore the historical context behind Japan's restrictive labor policies by reviewing literature on Japanese cultural and genealogical "homogeneity" and its effects on Japan's immigration, integration, and labor policies. After identifying the cultural impetus behind labor restrictions, the paper will then review the social and economic realities faced by non-Japanese workers. The paper will assert that restricting foreign workers to occupational niches has negative effects on the economy because these restrictions stifles economic growth and foreign workers' social mobility.

Keywords: *foreign workers, immigration law, Japan, Japanese economy, economic growth, labor market segmentation, split labor market.*

Introduction

Why is it important to study ethnic inequality and the treatment of minority workers in the Japanese economy? According to recent surveys, there were approximately 2.3 million foreigners living in Japan (Japan Institute for Labor Policy and Training [JIL], 2017). Of these 2.3 million foreigners, approximately 1.3 million are legally employed as foreign workers. The current number of foreign workers in Japan comprise about 2% of the total Japanese workforce. Although these workers are few in number in comparison to the overall Japanese workforce population, they nevertheless have important roles as “fillers” in the Japanese labor market.

Currently, Japan is facing both a labor shortage and stagnant economic growth. Two factors have contributed to the present-state of Japanese economic affairs: 1) the decline of birthrates in Japan and 2) an aging population. Some scholars have estimated that the population of Japan will shrink from its current number of 128 million people to below 90 million people by 2060 (Akashi, 2014). In addition to this decline, the share of elderly people (ages 65 or older) is expected to increase from 7% to 40% of the Japanese population “within the next 50 years” (Akashi, 2014, p. 176). The decline in population and the aging worker population have subsequently led to a decrease in the number of native Japanese people who are eligible to participate in the workforce. This decline has led to labor shortages in various industries (such as small- to medium-sized construction, and manufacturing firms).

Coincidentally, Japan’s decreasing working-age population may also play a role in Japan’s current period of chronic deflation and stagnant economic growth. Deflation causes commodity prices and job incomes to fall, and subsequently, deprives the government of tax revenue. When the working-age population declines and the overall population grows older, interest rates may fall, consumption patterns may change, and land prices might decrease (Nishizaki, Sekine, & Ueno, 2014). As the Japanese population grows older, many older Japanese may redirect their savings to pay for other costs of living (such as medical care). Changing consumption patterns might ultimately lead to less money being spent by consumers in the Japanese economy. The

declining Japanese population thus affects both the Japanese labor market and the actual economic growth of the Japanese economy.

As a result of the declining workforce population, the Japanese government has adopted stop-gap measures to mitigate labor shortages. These initiatives include measures encouraging women and young adults to enter the labor market, and measures encouraging elderly people to re-enter the workforce (Akashi, 2014). Despite these initiatives, the Japanese government may not be able to completely resolve labor shortages. In order to effectively mitigate labor shortages and population decline, the Japanese government would need to either accept one million foreign nationals annually or increase the birthrate from 1.4 to 1.8 children per couple (Yamada, 2010). Consequently, the government has had to turn to foreign and non-Japanese workers to fill the remaining gaps in the economy.

Although the Japanese government has acknowledged the presence of foreign workers in the country, it has avoided changes to its restrictive immigration practices and foreign residence policies. The government only allows enough foreign workers into Japan to supplement occupational positions that would otherwise be occupied by Japanese natives (Yamanaka, 1993). Even when foreign workers are allowed into Japan, there are structural inequalities in the Japanese economy that inherently limits the occupational choices, legal rights, and benefits of foreign workers based on their skill level, race/ethnicity, and language mastery. Strict immigration policies and limited occupational choices for non-Japanese workers has resulted in an ethnically stratified economy with native-born Japanese individuals at the top (with better access to higher-paying jobs and benefits), and certain non-Japanese individuals at the bottom (with limited choices of jobs and little to no health/social benefits). Although foreign workers only comprise of about 2% of the overall Japanese workforce, limiting non-Japanese workers' economic opportunities may prove to be detrimental to the Japanese economy, because doing so limits non-Japanese workers' social mobility, holds down wages for certain sectors where foreign workers are heavily employed, and slows down Japanese economic growth.

To better understand the underlying causes and effects of this labor stratification, this paper will begin by reviewing theoretical frameworks on labor market segmentation – namely, labor market segmentation theory (LMS) and split labor market theory (SLM). After establishing the theoretical frameworks for the division of occupations within the Japanese economy, the paper will then proceed to build upon the reasoning behind Japan's segmented labor force. The research will highlight previous research done by other scholars on the "homogenous" cultural narrative of the Japanese people (as well as challenges to this narrative), the effects that this narrative has had on the evolution of immigration policies in Japan, and finally, how this narrative has affected the social and economic realities faced by foreign and minority workers in Japan. Once this paper has established the factors behind Japan's ethnically segmented hierarchy, it will then proceed to analyze the effects that such a hierarchy has had on the Japanese economy. The paper will demonstrate how current immigration laws and policies restrict the employment mobility of non-Japanese workers; it will examine statistical information on employment numbers and wages in the Japanese manufacturing industry to show how foreign workers have been used to keep wages artificially stagnant for two decades; and lastly, it will demonstrate how leveling the playing field for non-Japanese workers is crucial to solving the macroeconomic problems faced by Japan.

Theoretical Framework I: Labor Market Segmentation

Labor market segmentation theory (LMS) is an analytical framework originally developed to compare the divisions among American workers due to race, sex, education, and industries. Labor market segmentation is defined as "the historical process whereby political-economic forces encourage the division of the labor market into separate submarkets, or segments, distinguished by different labor market characteristics and behavioral rules" (Reich, Gordan, and Edwards, 1973, pg. 359). The theory observes that differences in workers' socioeconomic and racial/ethnic characteristics leads to differentiated treatment by employers in the labor market. This in turn leads to different working conditions, promotional opportunities, and wages (Reich et.

al., 1973). As a result of different treatment by employers, workers appear to operate in segments within the labor market, with each segment (i.e. worker groups sharing similar characteristics) having a different set of economic standards, expectations, and opportunities for social mobility.

In recent years, LMS theory has been applied outside of the United States and has been used to examine other labor markets around the world. Some authors have even applied LMS to Japan's labor market. Mori (1994), for example, has examined the segmentation of migrant workers in Japan and has noted that different groups of foreign workers have access to different occupations and compensation rates depending on their "legitimacy" and other factors. Takenoshita (2013) has noted that the institutional structures in the Japanese labor market that separate "core" and "periphery" workers have made it difficult for Brazilian Nikkei to socially advance in Japanese society. In the context of this paper, LMS theory shows that labor segmentation does occur in the Japanese labor market, and that this segmentation leads to differentiated treatment and opportunities for non-Japanese workers and native Japanese workers. From previous works on labor market segmentation, it appears that ethnicity and "legitimacy" seems to be a key factor in non-Japanese workers' occupational restrictions and limited social mobility.

Although LMS theory shows why market segmentation occurs in a labor market, the theory is not without its faults. Some scholars have indicated that there is no real guideline in how to divide the workforce among the various segments of the labor market (Fichtenbaum, Gyimah-Brempong, and Olson, 1994). Groupings could occur arbitrarily or sometimes overlap. In addition, the original theory was proposed in the context of the Cold War and was used to determine potential sources of anti-capitalist dissent within the United States. It was proposed without measurable economic implications in mind. LMS has since been used by other scholars to evaluate the effects of a segmented labor market on earnings and social mobility; however, it should be noted that the authors' original intentions may not have been to fully evaluate the economic consequences of labor market segmentation. Regardless, LMS theory is still a useful

framework to show that labor submarkets exist and are subjected to various cultural and social assumptions/biases. In regards to Japan's labor market, these different modes of labor evaluations ultimately lead to preferential treatment for certain groups of workers.

Theoretical Framework II: Split Labor Market

Split labor market theory (SLM) is an analytical framework that attempts to explain racial/ethnic tensions in segmented labor markets. In a split labor market, different ethnic groups compete for similar work. A competition between ethnic groups develops when lower-paid ethnic groups attempt to do the same jobs as higher-paid ethnic groups. In response, the higher-paid ethnic group will attempt to exclude the cheaper labor from the labor market all-together or relegate them to certain types of work (Bonacich, 1972). One potential outcome of this competition is that a caste-system develops in the labor market, where the higher-paid workers are given exclusive access to certain jobs, while the cheaper group is restricted to a set of jobs and a lower pay rate (Bonacich, 1972). Although SLM theory was originally developed to address racial tensions in the United States' labor market, this paper will attempt to apply SLM theory when analyzing Japan's labor market. The situations between the United States' labor market during the early 1970s and Japan's contemporary labor market are different, as there is little competition between the native Japanese and non-Japanese workers for similar positions. Instead, the labor market is already segmented along "caste" lines. Despite this apparent lack of economic competition, this paper will argue that SLM is still relevant in the discussion of ethnic divisions in the labor market because there is still a desire to exclude/restrict non-Japanese workers to certain positions. The native Japanese workers want to maintain their privileged positions in the economy and relegate non-Japanese workers to more menial or dangerous types of labor.

Japanese "Homogenous" Identity

Relevant to the discussion of ethnic stratification in the Japanese labor market is Japan's perceived "homogeneity." When authors and scholars discuss the ethno-racial and cultural

aspects of Japan, they might describe the society as being culturally and ethnically "homogenous." The origins of this homogenous image have been debated by various scholars such as Weiner (1995), Sugimoto (1999), Lie (2001), and Shin (2010). Ideas of cultural and racial purity stemmed from Social Darwinist theories and reinforced the narrative of Japanese superiority and uniqueness. At the core of this homogenous identity was the idea of "Japaneseness," which can be defined as a set of "value orientations that Japanese are supposed to share" (Sugimoto, 1999, p. 82). These values ultimately separated those considered Japanese from those who were not.

The concept of Japaneseness has been crafted in contradistinction with others. The idea of what it means to be Japanese has manifested itself in the *Nihonjinron* (translated to mean "theories of the Japanese") genre of writing in Japanese culture. In most cases, *Nihonjinron* associated Japaneseness exclusively with the Japanese ethnic group, and subsequently, excluded minority groups in Japan (such as the Ainus, Okinawans, other minority groups, and foreigners). As Sugimoto (1999) suggests, it is implied by *Nihonjinron* literature that to be "Japanese," one must not only behave like a Japanese person, but they must also possess "biological pedigree" in order to be a part of the "Japanese *ethnic* culture" (p. 82-3). For foreigners and minorities, becoming "Japanese" has never been an option as the racially and ethnically defined Japanese people are the "sole owners" of Japanese culture and ways of life (Sugimoto, 1999, p. 82). Similarly, Lie (2001) notes that discourses on Japaneseness have attempted to define the different qualities of the Japanese people from other ethnic groups. Lie goes on to suggest that *Nihonjinron* writings are a fundamental aspect for the characterization of Japanese people as being unique and superior to other groups.

Scholars remain divided on when and why this homogenous narrative was developed. Weiner (1995) believes that this self-perception was inherently nationalistic and began as a means to distinguish the Japanese people from "members of equally distinct but inferior 'races'" (p. 433). The "pure" Japanese image served as a convenient state-building tool and distracted the population from other social stratifications in Japanese society (such as the large economic

gaps between rich and poor). This narrative of Japanese racial purity ultimately served the interests of the state by unifying the Japanese people under a collective narrative. Weiner argues that the Meiji government linked the collective Japanese identity with an “ancient past” in order to confer “tradition and stability upon a new social and economic order” (1995, p. 454). This order was maintained by a collective identity which emphasized the “unique qualities and capabilities” of the Japanese people (Weiner, 1995, p. 454). Lie (2001) also suggests that discourses on Japanese began as a nationalistic building tool. After the collapse of the multiethnic Japanese Empire, Lie argues that the idea of homogeneity was proffered as a means to rebuild Japanese identity after the end of the Second World War. Shin (2010) would also argue that the development of a Japanese homogenous identity began after World War II as a result of the Japanese government wanting to forget their imperialist past. However, Shin goes further to claim that the ultimate goal of the Japanese “pure” image was to justify the “exclusion and discrimination against their remaining colonial subjects” (Shin, 2010, p. 328). These accounts suggest that the homogenous Japanese self-image was a means of differentiating the Japanese people from other ethnic or racial groups in order to promote societal harmony and/or to monopolize state resources for the dominant Japanese ethnic group.

The Japanese belief of a homogenous Japanese national identity has persisted to this day and has continued to shape the psyche of Japanese nationals, especially in their interactions and perceptions of minority or foreign peoples; however, some scholars have attempted to push back against this idea that Japan is completely homogenous. Lie (2001) argues that, contrary to popular social discourse in Japanese society, Japan has been, and continues to be, a multiethnic society. The presence of ethnic minorities such as the Ainu, Okinawan, Burakumin and other ethnic groups challenges the idea that Japan is completely homogenous. In addition, the presence of foreign residents (such as Chinese and Korean descendants) and foreign workers is evidence that Japan is not immune to immigration. Yet, when presented with these facts, the Japanese government and native Japanese continue to stand by the notion that Japan is an

ethnically and culturally homogenous country. Lie argues that this idea of homogeneity is a "self-fulfilling prophecy" because the Japanese government continues to purposefully overlook the diverse ethnic groups that exist in Japan, or the government considers these groups to be Japanese or foreigners temporarily residing in Japan (2001, pg. 170). Japanese society's failure to recognize Japan's long history of diversity has had major implications for modern-day relations between minorities and the predominant Japanese ethnic group.

Timeline of Japanese Immigration Policies

The belief that Japan is a homogenous country has had various effects on Japanese immigration policies. Japan's immigration policies have historically been hesitant to allow foreigners into the country. The evolution of Japan's immigration policies has been chronicled by several authors such as Kondo (2015), Akashi (2014), Shin (2010), Tai (2009), and Yamanaka (1993). Kondo (2015) outlines six periods of Japanese immigration law.

(1) No immigration during period of national seclusion (1639–1853)
(2) Opening the door, large emigration and colonial immigration (1853–1945)
(3) Strictly controlled migration under the Supreme Commander of Allied Powers (1945–1951).
(4) Strict immigration even during the period of rapid economic growth (1952–1981)
— The 1951 Immigration Control Order (Act since 1952): The 'Old Act'; the '52 Regime'
— 'Exclusion, discrimination and assimilation policy'
(5) Strict immigration but some refugees accepted and foreign citizens' rights are improved (1982–1989)
— The 1981 Immigration Control and Refugee Recognition Act: The 'New Act'; the '82 Regime'
— 'Equality and "internationalisation" policy'
(6) Relatively strict immigration but ethnic repatriates (front door), trainees/technical interns (side door) and irregulars (back door) come to work as unskilled workers (1990–)
— The 1989 Revised ICRRA: The 'Revised New Act'; the '90 Regime'
— 'Settlement and "intercultural living-together" policy'

Table 1. Chronological outline of Japan's immigration policies (Kondo, 2015).

The first period of Japanese immigration policy occurred during the rule of the Tokugawa Shogunate. Kondo (2015) describes how Japan was almost completely isolated from the outside world from between 1639 – 1853. No immigration occurred during Japan's period of national seclusion, as the shogunate was wary of outsiders (particularly, outsiders from European powers).

Japan, during this juncture, had limited interactions with other countries. Those limited interactions occurred via trade and trade relations. Immigration to Japan seldom took place.

The second period of Japanese immigration policy occurred during the colonial era between 1853 – 1945. During this period, Kondo (2015) writes that Japan's migration policies were forcibly changed after the U.S. Navy opened Japan to outside interactions. During this juncture, Japan colonized Taiwan (in 1895) and Korea (in 1910) and migration occurred between Imperial Japan and its colonies. During World War II, many colonial subjects were forcibly recruited into the Japanese war effort and brought to mainland Japan. In Japan, these colonial subjects (e.g. Koreans, Taiwanese, and Chinese) were made to work in Japanese manufacturing factories and manual-labor industries (Shin, 2010).

After the end of World War II, Japan entered into its third period of immigration policies. During this time, immigration policies were strictly controlled by the Supreme Commander of Allied Powers (SCAP) which worked in tandem with the Japanese government to rebuild Japan. As part of the peace agreements, Japan relinquished its overseas colonies. A large number of colonial subjects who had been brought into Japan to aid in the war efforts subsequently returned home. Despite this emigration from Japan, around 600,000 Koreans, and a small number of Taiwanese and Chinese groups remained in Japan (Kondo 2015, pg. 157). These groups included those who came to Japan decades earlier (as a result of inter-colonial migrations) and had established themselves in the country. Despite the fact that a large number of foreigners chose to remain in Japan, SCAP and the Japanese government were primarily focused on reintegrating Japanese repatriates and soldiers from Japanese colonies and overseas battlefields (Shin 2010, pg. 133). These repatriates were integral in fueling Japan's domestic economic growth in the latter half of the twentieth century.

The fourth period of Japanese immigration policies lasted from 1952 – 1981 and began when the Japanese government adopted the 1951 Immigration Control Order (renamed the Immigration Control Act in 1952). As Kondo (2015) mentions, this period was marked by Japan's

“exclusion, discrimination, and assimilation policy” (pg. 157). During this time, Koreans and other foreign ethnic minorities lost their Japanese nationality that they had under Japanese imperial rule. These minority groups were expected to either return to their native countries or naturalize and assimilate into Japanese society (by adopting Japanese names, learning Japanese language, etc.). During this period, the country experienced an economic boom that lasted until 1973. There was no large inflow of foreign immigrants into Japan during this time. As large numbers of ethnic Japanese returned from overseas, Japan had no need for foreign workers to fuel its economic growth. Instead, the Japanese labor market relied mainly on a large domestic labor pool (Kondo 2015, pg. 157).

After the adoption of the Immigration Control and Refugee Act (ICRRA) in 1981, Japan entered its fifth period of immigration policies. Between 1982 – 1990, Japan opened its doors to refugees and continued to “[improve] the rights of foreign residents” (Kondo 2015, pg. 157). In the late 1980s, Japan faced the twin problems of a bubble economy and labor shortages. These issues subsequently led to debates about whether to allow more foreign workers into Japan. In response, the Japanese Ministry of Labor confirmed two basic policies. These policies stated that 1) specialized and technical labor would be actively admitted into Japan and 2) unskilled laborers would be heavily scrutinized and cautiously examined (Kondo, 2015). As seen in Table 2, the number of foreign residents increased somewhat between 1980 and 1989. The number of foreigners who entered into Japan after the ICRRA was marginal in comparison to the number of foreigners that entered Japan after the revision to ICRRA.

Year	*Chinese*	*Korean*	*Filipino*	*Brazilian*	*Peruvian*	*Others*	*Total*
1975	48,728	647,156	3,035	1,418	308	51,200	751,842
1980	52,896	664,536	5,547	1,492	348	58,091	782,910
1985	74,924	683,313	12,261	1,955	480	77,679	850,612
1990	150,339	687,940	49,092	56,429	10,279	121,238	1,075,317
1995	222,991	666,376	74,297	176,440	36,269	185,998	1,362,371
2000	335,575	635,269	144,871	254,394	46,171	270,164	1,686,444
2005	519,561	598,687	187,261	302,080	57,728	346,238	2,011,555
2006	560,741	598,219	193,488	312,979	58,721	360,771	2,084,919
2007	606,889	593,489	202,592	316,967	59,696	373,340	2,152,973
2008	655,377	589,239	210,617	312,582	59,723	389,888	2,217,426
2009	680,518	578,495	211,716	267,456	57,464	390,472	2,186,121
2010	687,156	565,989	210,181	230,552	54,636	385,637	2,134,151
2011	674,879	545,401	209,376	210,032	52,843	385,977	2,078,508
2012	652,555	530,046	202,974	190,581	49,248	408,252	2,033,656
2013	647,310	526,578	206,805	185,694	48,995	433,741	2,049,123
2014	648,734	508,561	213,923	177,953	48,263	489,169	2,086,603

Source: Japan Immigration Association.

Table 2. Number of registered foreigners by citizenship from 1975 – 2014 (Kondo, 2015).

The sixth period of immigration policies started in 1990 and has continued to the present-day. In the 1990s and 2000s, Japan experienced a “large influx of foreign residents for the first time in its history” due to Japan’s increased reliance on foreign workers to fill labor shortages (Kondo 2015, pg. 158). The large influx of foreign residents was the result of three loopholes that were established in 1990 by the Japanese government when it revised the ICRRA. Officially, the government did not allow unskilled foreign workers into Japan; however, there were three exceptions to this policy. The first exception was for *Nikkeijin* (persons of Japanese descent) who primarily came from Brazil, Peru, and other Latin American countries (Kondo 2015). These persons entered Japan through the “front door” and usually had unrestricted access to work. The second exception was granted to so-called trainees and technical interns who came from China and other Asian countries and entered through the side doors of Japan’s immigration policies (Kondo 2015). These internship and trainee programs have been criticized, however, for exploiting interns and trainees as low-wage laborers in various economic sectors such as the manufacturing and construction industries. The final exception is a “back door” that allows irregular migrants from East and Southeast Asian countries to fill various domestic-based and

intensive-labor jobs. As a result of these exceptions, Japan experienced a large influx of foreigners and foreign workers. Table 2 shows that between 1990 and 2008, Japan's foreigner population increased by about one million. After the 2007 - 2008 financial crisis and the subsequent global recession, some foreign populations began to decrease (e.g. the Brazilian population). This was due to the fact that the Japanese government paid certain foreigners (such as Nikkei Brazilians and Peruvians) to return to their country of origin (Iguchi, 2012). Despite the global financial crisis, Japan's foreign population has remained fairly consistent in number. Although the presence of foreign workers has become more apparent in Japanese society, the terms of residency and integration of foreigners differs depending on the ethnic and educational background of the foreign worker.

Residency and Integration of Foreign Workers

Depending on the type of job that foreign workers perform, their length of residency in Japan could range from a few months to a few years. As shown in Table 3, there are correlations between the types of jobs that a foreign resident is allowed to have and the length of their residency. Most foreign residents can stay in Japan at a minimum of three months. Under the ICRRA, Kondo (2015) notes that various activities and statuses are restricted to "short stay" residences (pg. 159). These activities typically include trainees, interns, and temporary visitors. Although these statuses are, in principle, not allowed to work, trainees and interns usually *do* work as low-skilled laborers but are not considered employees for the purpose of benefits and promotions (Iguchi, 2012). At the most, trainees and interns can only stay in Japan for a year. This length of residency is much shorter compared to highly-skilled laborers, who at the most, could stay in Japan for up to five years. After five to ten years of residency, highly-skilled laborers have the opportunity to apply for permanent residency status (Tai, 2009). The disparity in residency terms between "short stay" and "long stay" residents could be due to the type of work that each status designation performs and also might be influenced by the identities of the people performing such work. As it happens, a significant number of foreign workers are concentrated in

low-skilled jobs in the manufacturing, services, restaurant and hotel, and retail sectors of the Japanese economy (Iguchi, 2012). Numerous low-skilled foreign workers (especially those in the manufacturing and construction sectors) operate under the trainee and internship programs, and by extension, these workers may be granted the shortest maximum residency term. These workers are typically those from East, Southeast, or South Asian countries (Iguchi, 2012). As a result, these short-term workers may never be able to meet the residency requirements set out by the Japanese government to be able to apply for permanent residency. The exception to the rule are *Nikkei* workers, who are granted special statuses such as long-term residency status (Mori, 1994). The fact that low-skilled workers cannot apply for residency suggests that Japan views these workers as both temporary and incompatible members of Japanese society.

Status	Term of residence	Permission to work
Statuses permitting work		
Diplomat	Duration of diplomatic mission	Permitted within the scope of the status
Official	5 years, 3 years, 1 year, 3 months, 30 days or 15 days	Permitted within the scope of the status
Professor	5 years, 3 years, 1 year, or 3 months	Permitted within the scope of the status
Artist	5 years, 3 years, 1 year, or 3 months	Permitted within the scope of the status
Religious Activities	5 years, 3 years, 1 year, or 3 months	Permitted within the scope of the status
Journalist	5 years, 3 years, 1 year, or 3 months	Permitted within the scope of the status
Investor/ Business Manager	5 years, 3 years, 1 year, or 3 months	Permitted within the scope of the status
Legal/ Accounting Services	5 years, 3 years, 1 year, or 3 months	Permitted within the scope of the status
Medical Services	5 years, 3 years, 1 year, or 3 months	Permitted within the scope of the status
Researcher	5 years, 3 years, 1 year, or 3 months	Permitted within the scope of the status
Instructor	5 years, 3 years, 1 year, or 3 months	Permitted within the scope of the status
Engineer	5 years, 3 years, 1 year, or 3 months	Permitted within the scope of the status
Specialist in Humanities/ International Services	5 years, 3 years, 1 year, or 3 months	Permitted within the scope of the status
Intra-company Transferee	5 years, 3 years, 1 year, or 3 months	Permitted within the scope of the status
Entertainer	3 years, 1 year, 6 months, 3 months, or 15 days	Permitted within the scope of the status
Skilled Labor	5 years, 3 years, 1 year, or 3 months	Permitted within the scope of the status
Statuses principally not permitting work		
Technical Intern Training	1 year, 6 months, or a period specified by the Minister of Justice	Not permitted
Cultural Activities	3 years, 1 year, 6 months, or 3 months	Not permitted
Temporary Visitor	90 days or 30 days, or a unit period not more than 15 days	Not permitted
Student	4 years and 3 months, 4 years, 3 years and 3 months, 3 years, 2 years and 3 months, 2 years, 1 year and 3 months, 1 year, 6 months, or 3 months	Permitted, if permission to engage in activities outside the scope of the status is obtained
Trainee	1 year, 6 months, or 3 months	Not permitted
Dependent	5 years, 4 years and 3 months, 4 years, 3 years and 3 months, 3 years, 2 years and 3 months, 2 years, 1 year and 3 months, 1 year, 6 months, or 3 months	Permitted, if permission to engage in activities outside the scope of the status is obtained
Designated Activities	5 years, 4 years, 3 years, 2 years, 1 year, 6 months, 3 months, or a period specified by the Minister of Justice	Permitted on a case-by-case basis
Statuses without restrictions on activities in Japan		
Permanent Resident	Indefinite	No restrictions on working
Spouse or Child of Japanese National	5 years, 3 years, 1 year, or 6 months	No restrictions on working
Spouse or Child of Permanent Resident	5 years, 3 years, 1 year, or 6 months	No restrictions on working
Long-Term Resident	5 years, 3 years, 1 year, 6 months, or a period specified by the Minister of Justice	No restrictions on working

Table 3. List of status designations, terms of residence, and permission to work (Manufactured Imports and Investment Promotion Organization [MIPRO], 2013).

The ethnic identity of foreign workers factors into their perceived ability to integrate into Japanese society. When discussing integration policies in Japan, most scholars argue that policies in regards to foreign workers have been “ad hoc and mixed” in terms of their application and desired effects (Yamanaka, 1993, p. 73). Despite some changes in its immigration policy, scholars have noted that the Japanese government has not dramatically shifted its stance on immigration and integration. Instead, migrant workers were meant to simply fill a limited need in the Japanese economy. Those who were let into Japan were employed in areas that “Japanese could not fill” or were unwilling to fill (Yamanaka, 1993, p. 75). Regardless of who was allowed into the country, they were all supplementing Japan’s “inadequate or unwilling domestic labor force” (Yamanaka, 1993, p. 84). Yet, the Japanese government only allowed in as many workers as necessary to fulfill labor shortages. Most foreign workers were only there on a temporary basis and were not expected to integrate into Japanese society. On the other hand, workers who claimed Japanese ancestry (primarily the *nikkeijin*) are allowed to apply for long-term residency and better jobs. These workers, in the eyes of the Japanese government, are expected to be able to integrate into Japanese society (due to their Japanese roots). Thus, ideas related to Japanese ethnic homogeneity is a large factor in deciding who is let into Japan, what positions they could fill, and who could subsequently stay long-term.

Typically, those workers who do not fall under the categorization of ethnically or nationally Japanese are expected to only stay in Japan for a number of months. Many, however, overstay their visas in hopes of finding employment as illegal workers (Shipper, 2002). The economic benefits of working illegally in Japan often outweighs the economic prospects of foreign workers’ returning to their homelands. Some Japanese businesses (such as restaurants, construction firms, and small-industries) often turn a blind-eye to illegal workers because they help fill labor shortages at a fraction of the cost of hiring a Japanese native. Although illegal foreign workers may find employment in Japan, most (if not all) of these illegal workers typically lack access to health benefits and are subsequently at risk of serious long-term injury should an accident befall them.

Shipper (2002) and Tai (2009) argue that the Japanese government has not efficiently planned for the integration of foreign workers into Japanese society. To this day, foreign residents are not covered under the basic human rights provision of the Japanese Constitution (Shipper, 2002). As a result, many foreign workers who have participated in the Japanese labor market have been treated like second-class citizens (Yamanaka, 1993). They are often denied benefits, economic freedoms, and are exploited for their labor. This discriminatory treatment occurs despite these workers fulfilling a valuable role in Japanese society by filling certain occupational niches that would not otherwise be filled by Japanese natives. For example, even though *Nikkei* workers are considered more ethnically Japanese than other foreign workers in Japan, they nevertheless "rarely receive bonuses and are not guaranteed lifetime employment like their Japanese and *zainichi* counterparts" (Shipper, 2002, pg. 49). This different treatment is due to both a lack of integration programs that address the "socio-economic disadvantages that contingent migrant workers encounter" and institutional conditions that have shaped Japanese society (Takenoshita, 2013). As a result of this discrimination and a lack of comprehensive integration strategy, certain ethnic groups like Brazilian *Nikkei* lack the means to achieve upward mobility in Japanese society. Consequently, many foreign workers have been unable to integrate fully into Japanese society and have been marginalized by the Japanese population (Takenoshita, 2013).

Despite Japan's lack of a national integration program for foreign workers, several local governments and non-governmental organizations have stepped in to provide some services to foreign workers. These services include programs that facilitate social integration, such as translations of information pertaining to local governments into different languages and translations of educational programs for school children (Takenoshita, 2013). Despite these measures, many other local governments, companies, and communities do not have official integration policies. The lack of a consistent integration plan has had dramatic effects on the quality of life for foreign workers in Japan.

Ethnic Stratification in the Japanese Economy

Due in part to the racialized narrative dominant in Japanese society, restrictive immigration policies, and ad hoc integration/residency policies, workers in Japan subsequently occupy certain occupational niches depending on their ethnic and educational backgrounds. Japanese citizens occupy the top of the ethnic hierarchy and have access to full medical benefits, unfettered occupational opportunities, and are unrestricted in terms of social mobility. *Zainichi* Koreans (descendants of Korean colonial subjects who were given special residency status by the Japanese government) and *nikkeijin* foreign workers occupy the second highest place in the ethnic hierarchy. These workers enjoy legal rights, decent-paying jobs, and are subject to less surveillance from Japanese immigration authorities. At the bottom of this hierarchy are South and Southeast Asian workers who labor in dangerous work environments with poor pay and little access to health and social benefits (Shipper, 2002). These workers are often brought into Japan under the Japanese trainee program and are exploited for cheap labor in the "textile, food, and agricultural sectors or in very small companies" (Iguchi, 2012, p. 1030).

In the segmented and split labor market, foreign workers' wages are determined by factors such as their "legitimacy, form of employment contract, gender, and ability (including proficiency in Japanese language and work performance)" (Mori, 1994, pg. 629). Mori (1994) notes that foreign workers are typically used to fill specific unskilled or semi-skilled work (e.g. cleaners, construction workers, etc.). These positions are typically "dead-end jobs" that have been underfilled due to Japan's labor shortage (Mori, 1994, pg. 636). The types of positions vary and is highly dependent on employer perceptions of various groups of foreign workers. *Nikkei* workers (second or third-generation Japanese) are viewed as more "legitimate" than other groups (such as Iranians, Pakistanis, Indians, etc.) and are thus paid more and have better job opportunities. *Nikkei* workers have typically found employment in medium- to large-sized manufacturing firms, whereas other foreign workers have been limited to small- or medium-sized firms.

Despite the seeming disparity in job allocations based on ethnic divisions, it appears that foreign workers' proficiency in the Japanese language might also play a large factor in determining

employment outcomes. Foreign workers tend to be confined to certain jobs based on their proficiency in Japanese. As Yamada (2010) suggests, even foreign nationals of Japanese descent had trouble finding work if they did not master the Japanese language. Mori (1994) also indicates that language mastery plays a large role in job advancement. Although proficiency in Japanese is a necessary condition for skill and job advancement in Japan, it is not a sufficient condition for success (Mori, 1994). Many foreign workers, regardless of their proficiency in Japanese, lack the employment stability to actively devote time to language proficiency and skill development. As Shipper (2002) indicates, foreign workers are often treated as disposable, flexible labor that can easily be replaced. Even if foreign workers wanted to improve their Japanese, their unstable employment prevents them from committing the time and resources to actively mastering the Japanese language.

Significance of Research

This research will attempt to fill the gap that has been left unanswered by previous studies. The research will utilize both labor market segmentation (LMS) theory and split labor market (SLM) theory because LMS theory explains how labor market segmentation can occur and SLM theory emphasizes how segmentation occurs along ethnic/racial lines. While studies such as Mori (1994) and Takenoshita (2013) have examined the segmented labor market in Japan and its effects on certain populations of foreign workers, studies on the overall economic implications have been lacking. By examining the economic implications of Japan's segmented labor market as well as the factors that contribute to the segmentation of the labor market, this paper will attempt to highlight the benefits of lifting occupational restrictions for foreign workers. This paper will endeavor to tie Japan's economic prosperity with an open, unsegmented labor market and a more open immigration system.

Studies on Japanese homogenous identity, Japan's immigration policy, and foreign workers in Japan have all made significant advances. While there is a better understanding of how these studies relate, there are still certain gaps in the literature that must be addressed. For

instance, the literature does not adequately explore the economic consequences of restricting job opportunities and social mobility for foreign workers and ethnic minorities in Japan. While there is ample literature describing how foreign and minority workers have been an asset to many small- and medium-sized firms/companies, there is a lack of studies that examines the effects on wages and labor costs when certain undesirable positions are filled by foreign workers. This research is different from other studies because it will attempt to tie together the illusion of Japanese homogenous identity, the resulting ethnic divisions in Japan's labor market, and real economic implications.

Research Method

This paper will analyze statistical reports by the Japanese government (specifically, the Japan Institute for Labor Policy and Training, an institution under the supervision of the Japanese Ministry of Health, Labour and Welfare). The paper draws upon data from recent governmental surveys and reports to supplement the paper's arguments. Specifically, the paper will draw upon reports and surveys on employment and social discrimination against foreign workers, the employment rates and occupations available to foreign workers, as well as labor cost statistics on the Japanese manufacturing industry.

Survey on Discrimination

As shown by a recent survey conducted in 2017 at the behest of the Japanese Ministry of Justice, employment and social discrimination towards foreign workers and residents does exist in Japan. The survey sampled 18,500 foreign nationals living in 37 municipalities across Japan. Of the 18,500 sampled, 4,252 men and women of Chinese, South Korean, Filipino, Brazilian, Vietnamese, and American nationalities provided valid responses (Osaki, 2017). The study found that out of the 2,788 respondents who had sought work or employment in Japan over the previous five years, 25% of those surveyed were not employed by potential employers because they were non-Japanese, while 19.6% reported that they were paid lower than their Japanese co-workers (Osaki, 2017). In addition to employment discrimination, the survey found that foreign residents

in Japan also faced other types of discrimination. Of those who answered, 39.3% of 2,044 respondents who applied for apartments were dismissed because they were reportedly “not Japanese” (Osaki, 2017). Furthermore, 41.2% of the 2,044 respondents were turned down when applying for apartments because they could not secure a Japanese guarantor (Osaki, 2017). In addition, 29.8% of those surveyed experienced some form of race-based insults from strangers, their bosses/co-workers, business partners, and neighbors (Osaki, 2017).

The survey conducted by the Japanese Ministry of Justice shows that perceptions on race and ethnicity does contribute to different treatment of minority and foreign workers in Japan. As LMS theory suggests, the labor market in Japan appears to be divided along ethnic and racial lines – or, at the minimum, ethnicity, race, and perceived education or skill levels influence the behavior of Japanese companies and supervisors towards foreign workers. The survey conducted by the Japanese Ministry of Justice seems to suggest that some foreign workers believe that they are being discriminated against based on their race/ethnicity; however, other factors, such as perceived skill-level and education might be contributing factors as well. It is undeniable, though, that foreign workers and minority groups are treated (and/or are perceived) differently by the native Japanese population. As SLM theory purports, the different treatment of foreign workers and native Japanese workers stems from the fact that foreign workers are not integrated into Japanese society and are subsequently relegated to an almost caste-like status. Not only do native Japanese citizens want to maintain a privileged position in the economy, but they also want to maintain a privileged position for their culture and social status. This prioritization of the Japanese ethnic group over other cultures and ethnic groups has led to different treatment in the labor market.

Employment Mobility of Non-Japanese Workers

There appears to be two labor markets in Japan due to the Japanese government’s restrictive immigration and visa policies, and a lack of a comprehensive integration policy. Both labor markets, as posited by LMS theory, treats native Japanese and foreign workers differently.

In the “normal” labor market, it appears that native Japanese individuals are evaluated based on their educational levels and their skills (Mori, 1994). In comparison, the “temporary” labor market treats foreign workers as temporary solutions to the country’s long-term economic needs. Even though some foreign residents achieve permanent residency status, they are nevertheless not guaranteed the life-time employment guarantees of their native Japanese counterparts.

The segmented labor market that exists in Japan has limited the employment mobility of non-Japanese workers. SLM theory posits that different treatment between native Japanese workers and foreign workers is based on ethnicity and race. While native Japanese workers have unfettered access to high-paying jobs and social benefits, non-Japanese workers have been limited in the types of jobs that they can work. As seen in Table 3, foreign worker’s occupational options are limited to certain professions and categories. Depending on their visa or residency status, workers may not be able to change their positions once they enter Japan. Foreign workers’ inabilities to change job-types may lock these workers into unfavorable occupations.

Unskilled labor is notably absent from the list of allowed occupations because the Japanese government does not officially allow unskilled foreign workers from entering the country; however, certain “side doors” have been introduced in the 1989 revision to the Immigration Control Act to address the growing need for unskilled labor in Japan’s labor market. The amendment allowed *Nikkei*, and those married to *Nikkei*, to enter Japan as long-term residents (Mori, 1994). The amendment effectively utilized *Nikkei* immigrants as sources of unskilled labor.

In addition, those who enter Japan as technical interns are often used as *de facto* cheap sources of unskilled labor. Employers often accept trainees (usually Southeast or South Asians) under the Technical Intern Training Program (TITP) in order to let them work under the guise of “on-the-job training” (Mori, 1994, pg. 623). As a result, the TITP is another “side door” that the Japanese government has created to employ foreign workers in unskilled or semi-skilled labor jobs.

Certain occupations have traditionally been reserved for certain ethnic groups in the Japanese labor market. Typically, high-skilled workers have come from Western countries (such as the United States, UK, etc.). In Table 4, a majority of foreign workers from the U.S. and the UK are employed as educators and instructors (Yamada, 2010). Unskilled workers, however, have mainly been imported from Asian countries or from countries that have sizeable Japanese populations (e.g. Brazil and Peru). Unskilled laborers typically work so-called 3D (dirty, difficult, and dangerous) jobs that are shunned by native Japanese workers (Mori, 1994). Consequently, employers have sought out immigrant workers from other countries to fill vacancies in the secondary labor market. As seen in Table 4, in 2009, the majority of *Nikkei* (in this case, Brazilian-Japanese and Peruvian-Japanese) and Chinese foreign workers were utilized as unskilled workers in the manufacturing industry (Yamada, 2010). These positions are often unstable and low-paying (as employers often replace foreign workers to mitigate wage increases). The division of labor in Japan's labor market shows that certain nationalities and/or ethnicities are favored in certain industries more so than others.

Foreign workers have difficulty finding other employment and advancing in the Japanese labor market because of institutional ethnic divisions, as well as restrictive labor policies. For example, foreign migrant workers are chiefly employed in "marginal companies" where they "satisfy persistent vacancies due to the unfavorable working conditions" (Mori, 1994, pg. 636). A majority of employers in these companies subsequently regard foreign workers as a "cheap labor force which executes unskilled jobs and can be replaced continuously by new entrants" (Mori, 1994, pg. 636). Regardless of foreign workers' human and social capital, stable employment in "good" jobs have remained elusive (Takenoshita, 2013). This employment instability in turn prevents foreign workers from responding flexibly to the demands of the labor market.

As of the end of October, 2009 — Unit: Number of people (Distribution rate %)

	All industries	Manufacturing	Information/ Communications	Retail/ Wholesale	Hotel/ Food Service	Education/ Tutoring	Service industry (not otherwise classified)
Total	562,818	218,900 (38.9)	22,077 (3.9)	54,923 (9.8)	63,755 (11.3)	42,001 (7.5)	74,080 (13.2)
China (including Hong Kong, etc.)	249,325	95,604 (38.3)	12,253 (4.9)	34,766 (13.9)	45,474 (18.2)	9,837 (3.9)	16,730 (6.7)
South Korea	25,468	2,244 (8.8)	3,952 (15.5)	4,205 (16.5)	5,062 (19.9)	3,254 (12.8)	2,332 (9.2)
The Philippines	48,859	23,183 (47.4)	505 (1.0)	4,229 (8.7)	1,943 (4.0)	646 (1.3)	9,026 (18.5)
Brazil	104,323	56,450 (54.1)	580 (0.6)	2,538 (2.4)	733 (0.7)	573 (0.5)	31,496 (30.2)
Peru	18,548	9,731 (52.5)	180 (1.0)	641 (3.5)	323 (1.7)	112 (0.6)	5,225 (28.2)
G-8 countries, Australia, and New Zealand	43,714	2,004 (4.6)	1,783 (4.1)	2,296 (5.3)	801 (1.8)	21,600 (49.4)	2,743 (6.3)
US	18,477	667 (3.6)	750 (4.1)	588 (3.2)	162 (0.9)	9,693 (52.5)	1,133 (6.1)
UK	7,307	242 (3.3)	242 (3.3)	298 (4.1)	98 (1.3)	3,831 (52.4)	375 (5.1)
Other	72,581	29,684 (40.9)	2,824 (3.9)	6,248 (8.6)	9,419 (13.0)	5,979 (8.2)	6,528 (9.0)

Notes: 1. Industry classifications reflect the November, 2007 revision to the Japan Standard Industrial Classification.

2. The distribution rate is the percentage of foreign laborers in the relevant industry compared to the total number of foreign laborers of the same nationality (in all industries).

Table 4. Distribution of foreign workers across various industries in Japan (Yamada, 2010).

Wage in Manufacturing Industries

Small- and medium-sized manufacturing firms have suffered from chronic labor shortages because native Japanese workers do not want to work these undesirable jobs. Consequently, these manufacturing firms have heavily relied on foreign workers to fill these vacancies. Not only are foreign workers being used to substitute for native workers, but employers have found that employing foreign workers is more cost-efficient than hiring native-born workers. Foreign workers are generally less costly for employers in terms of labor cost because employers do not need to pay these workers bonuses or contribute to their social insurance (Mori, 1994). Thus, manufacturing firms have hired foreign workers for the past two decades in order to cut labor

costs. If a foreign worker began to cost too much, manufacturing industries would replace the worker with another foreign worker who would be willing to work for less. As a result, the Japanese manufacturing industry has been able to keep wages and labor costs at artificially low levels for the past two decades. As shown in Table 5, the average hourly wages for manufacturing industries has fluctuated between 2200 yen (approximately $22) and 2350 yen (approximately $23.50) for the past two decades (JIL, 2017). In comparison, the average hourly wage for manufacturing industries in the United States has risen from $18.79 to $28.37 since 2000. Furthermore, Table 6 shows that the labor costs for manufacturing industries in Japan has remained relatively unchanged (or have been steadily decreasing) since 2000 (JIL, 2017). In comparison, average manufacturing costs for the U.S., Germany, the UK, and France have all been increasing for the past two decades. Manufacturing wages and costs in Japan have been kept low thanks in part to the constant inflow and replacement of foreign workers.

Low manufacturing and labor costs have mainly benefited manufacturing industries in Japan and have not benefitted native or foreign workers. On average, manufacturing wages have not increased for the last two decades and have remained stagnant. Stagnant wages have discouraged native-born Japanese workers from entering the manufacturing industry, and furthermore, have kept foreign workers' wages from increasing. If manufacturing costs are not allowed to rise and fall based on the demands of the labor market, then inefficiencies in the manufacturing industry will arise. Low costs have consequently enabled inefficient small- to medium-sized industries to survive despite various economic pressures. Thus, to ensure economic efficiency, Nikkei and other non-Japanese workers should be allowed to freely choose their occupations, rather than being ethnically segmented into certain occupations in the Japanese labor market. This in turn would allow wages to increase/decrease in the manufacturing industry, and potentially encourage more foreign workers or native Japanese to take jobs in the manufacturing industry.

	Japan	United States	Great Britain	Germany	France
Wages	(Yen)	(Dollar)	(Pound)	(Euro)	(Euro)
2000	2,266	18.79	11.47	21.09	16.66
2005	2,303	21.58	12.85	23.28	19.92
2010	2,244	24.91	14.18	25.62	22.79
2011	2,288	25.18	14.40	26.72	23.59
2012	2,276	25.60	16.60	28.20	23.81
2013	2,293	26.19	16.78	28.85	24.43
2014	2,342	27.39	17.18	29.55	24.91
2015	2,306	28.37	17.63	30.51	25.36
% Wage Change from 2000 – 2015	(1.77%)	(50.98%)	(53.71%)	(44.67%)	(52.22%)

Table 5. Average hourly manufacturing wages of several industrialized economies from 2000 – 2015 (JIL, 2017)

	Japan	United States	Great Britain	Germany	France
Labor costs	(Yen)	(Dollar)	(Pound)	(Euro)	(Euro)
2000	2,925	23.41	14.22	27.50	24.98
2005	2,964	28.48	15.62	30.20	29.96
2010	2,785	32.20	16.72	32.80	34.17
2011	2,805	32.67	16.92	34.30	35.52
2012	2,740	33.02	19.48	36.13	36.10
2013	2,724	33.79	19.75	37.25	36.46
2014	2,732	35.60	20.18	38.23	36.93
2015	2,719	36.87	20.75	39.24	37.47
% Cost Change from 2000 – 2015	(-7.58%)	(57.50%)	(45.92%)	(42.69%)	(50.00%)

Table 6. Average manufacturing labor costs of several industrialized countries from 2000 – 2015 (JIL, 2017).

Economic Ramifications

Currently, Japan is experiencing an acute labor shortage because of population decline and an aging population. As a result, demand for unskilled (and skilled) foreign labor has increased dramatically over the past decade (Iguchi, 2012). The current immigration and integration policies of the Japanese government discourages long-term settlement of foreign workers. In addition, these policies restrict the social mobility of the foreign workers who are currently in Japan. The implications of these factors are that there are not enough foreign workers currently in Japan to meet the demands of the labor market, and there are not enough opportunities for foreign workers once they are in Japan to integrate into Japanese society and

contribute to the long-term success of the country. Unless Japan opens the door for more foreign workers to immigrate into Japan, then Japan might continue to experience slow economic growth as a result of unfilled positions in the Japanese economy.

Counter-arguments to Claim

Although this research paper has shown that inequalities do exist in the Japanese economy between native Japanese and non-Japanese workers, there are several counter-arguments that could be made against the claims that these labor divisions are based on ethnic lines, or that the segmented Japanese labor market is harmful to the Japanese economy.

It could be claimed that the Japanese labor market is divided by education and skills rather than ethnicity or racial identity. Race and ethnicity may not be as large of factors as this paper purports. Although this argument does have merit because non-Japanese workers have mostly been utilized as unskilled laborers, the fact that the Japanese government has neither passed an anti-discrimination bill for minorities in Japan nor officially staked out an official policy to fully integrate these workers, shows that ethnicity or racial identity *does* play a role in allocating occupations. If education and skills were the main determinant in position hiring, then foreign workers should be given a fair chance to apply for other positions or be given the chance to improve their own human capital. The fact that the government has not enacted policies that would allow for integration and human development indicates that ethnicity and race play some factor in determining occupational outcomes.

Another counterargument to this paper's claim is that the segmented labor market actually benefits Japan's economy. The labor market preserves jobs for the native Japanese population while relegating foreign laborers to unwanted positions. While the segmented labor market might benefit the local Japanese position in the short-term, it nevertheless does not solve the long-term problem of population decline and anemic economic growth. Japan's population decline might negatively affect the Japanese labor market which, in turn, would negatively affect the Japanese economy. If there are not enough workers to meet the increasing labor demands, then the

economic growth would inevitably slow down. Having a segmented labor market benefits the native population by preserving high-paying jobs and benefits; however, treating foreign workers differently than native Japanese discourages migration inflow, especially when Japan is perceived to not provide enough services to help foreign workers integrate into its society. In addition, limiting foreign workers' occupational choices vis-à-vis the visa process ultimately prevents these workers from responding flexibly to labor demands. Even if foreign workers might qualify for higher-paying positions, they may be unable to switch their occupations due to their visa restrictions and/or labor contracts. Thus, positions that are advertised by various companies might go unfilled. Therefore, the claim that the segmented labor market benefits Japan's economy might be sound in the short-term (if the goal of the Japanese government was to maintain Japanese hegemony of the labor markets); however, if the Japanese government wants to spur greater economic growth, then limiting foreign workers to certain occupations does *not* benefit the Japanese economy overall.

Conclusion

Restricting non-Japanese workers to certain occupational niches has detrimental effects on the Japanese economy. Segmenting the labor market between various ethnic groups gives rise to flexible labor markets that prevents foreign workers from achieving upward mobility and leads to wages being artificially held down. When the labor market restricts foreign workers to certain occupations, native Japanese workers are effectively spared from competition for their better high-paid positions. Although this practice helps maintain native Japanese preeminence in the labor market, it also willfully overlooks the necessity of increased immigration and foreign worker inflow. As the labor composition of Japan's manufacturing industry has shown, Japan's economic prosperity has increasingly become dependent on foreign labor. Restricting non-Japanese workers to certain occupational niches will ultimately harm the Japanese economy in the long-term because these restrictions prevent natural social mobility for foreign workers, holds down wages for all workers in certain industries (such as the manufacturing sector), and

discourages increased foreign worker inflows that is desperately needed by the Japanese labor market.

In order for Japan to maintain its position as the third largest economy in the world, Japan should issue a quota system and allow more foreign workers to enter Japan. This would alleviate the labor shortages that are currently plaguing Japan's labor market. In addition, Japan should end its ban on unskilled foreign labor from entering the country. Japan currently has a sizeable number of foreign workers in Japan, and acknowledging their presence officially would allow for increase migrant inflow that would, once again, alleviate the shortages in the labor market. Finally, the Japanese government needs to sponsor public debate on foreigners in Japan. Foreign workers will never truly be able to integrate into Japanese society unless their presence is accepted by the Japanese population.

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