

CHAPTER I

INTRODUCTION

In this chapter, the author provides the background information related with the topic of Japan economy power. Moreover, this chapter is also including the theoretical framework, research question, hypothesis, and also research methods, scope of research and outline of the thesis.

A. Background

Japan is an impressive country of Business and economic performance, diversity of culture, ease of technology, and unlimited innovation breakthrough. Japan's well-known as its phenomenal economic growth. This phenomenal economics growth was started in the years 1945-1991 or the era of post-WWII (World War II) to the edge of the Cold War. The rise of the Japanese economy due to the contribution of the government along with the financial aid from the United States. During the years, Japan promoted to be the second-largest economy after the United States. However, after the 1990s Japanese economy did not shown any significant development anymore. It was proven by the shift of the ranked into the third largest economy behind China (second rank) and United States (first rank).¹

Although a slight decrease in economic rank, the Japanese economy is still classified as the biggest economy as a record by the International Monetary Fund. Japan has a nominal GDP (Gross Domestic Product) of \$5.18 trillion in 2019, and GDP per capita around \$39,286. Japan integrated with a highly free-market and advanced industrial sector as a contribution to the Japanese economy.

¹ Valli, V. (2012). Growth and Crisis in Japanese Economy. *Working paper Series*, 1-26.

Japan's GDP per sector derived as follows: services 71.4%, industry 27.5%, and agriculture 1.2%. Besides, Japan accumulated \$1.3 trillion foreign-exchange reserves. It also placed the fourth largest export and import and made Japan the world's third-largest consumer markets.²

Japanese economy growth as developed and reformed after WWII was well-prepared wheels for continuous economics development, despite the rise and fall. The economics of Japan during its development has success to rebuild the industrial sector. Through the aid of the United States, the new industry developed with advance and modern technology. Japan's early industrial activities started in 1950 with investment and production of energy supply, mining and manufacturing such as: electric power, steel, coal, and chemicals, where the aim of industries produced in the first place are for stabilize the economic and serve Japan domestic market. Then, expansion of economic started in the late 1960s with reliable industries performance that led into the development of high-technology industries where industrial commodities evolve into product such as: general machinery, motor vehicles, transportation equipment were preferably produced for export.³

As export industries commodities started to developed, the field of Japan industries has shifted and expanded to various sophisticated commodities such as automobiles, consumer electronics, computers, semiconductor manufacturing, pharmaceutical, bio-industry, etc. The automobile industry is one of the example commodities that successful in penetrating and maintaining its position as the third-largest producer in the

² International Monetary Fund: World Economic Outlook Database April 2019. (n.d.). Retrieved from

<https://www.imf.org/external/pubs/ft/weo/2019/01/weodata/download.aspx>.

³ Tsuneki, A., & Matsunaka, M. (2011). Labor Relations and Labor Law in Japan. *Pacific Rim Law & Policy Journal Association*, 530-561.

global market considering the quality, durability, fuel efficiency, and various features yet have lower prices compared to its competitors. Aside from industries based on commodities, Japan's service industries also take part in the rapid growth of industry rebuild. Industry services include real estate, insurance, retailing, banking, telecommunication, and transport, etc. become the main contributor to economic where accumulated 74% of GNP (Gross National Product) or three-quarters of total economic output. ⁴

In supporting the advanced of industries, the presence of labour force emerged as the essential element. Labour force participation in Japan itself started from the age of 15-64 and categorized into two types which regular worker and non-regular worker, whereby regular workers attribute to the worker who retains the benefit of a lifetime employment contract with seniority-oriented wage system and dominates by male workers. In contrast, non-regular workers valued different terms of the contract from regular workers with an imbalance of wage, insecure working field, and lack of development of labour skill and dominated by female workers. Therefore, considering the system and conditions of the Japanese labour force, the need for labour is still very high and not yet to replace with robotic technology, where it still has gap and robot technology still in development. ⁵

To assist the labour activity, the Japanese government drive policies of labour force where commonly recognize as the "labour market policy" where the first time was implemented in the post-war period. This policy focuses on the labour force participation to

⁴ Ohno, K. (2006). *The Economic Development of Japan: The Path Traveled by Japan as a Developing Country*. Tokyo: Yuhikaku Publishing Co. Ltd.,

⁵ Ono, H. (2004). Institutional Change in Japan Japanese Lifetime Employment: A Century's Perspective. *Stockholm School of Economics*, 1-34.

industries and economic development where this policy interrelated and affect industrial development and economic growth and vice versa. Japanese “labour market policy” in carrying the policies depends on the phenomenon that occurred at certain times. During its development, the Japanese “labour market policy” ever since WWII regularly change its labour policies in dealing with the phenomenon. ⁶

During the period of economy restoration (1945-54), the “labour market policy” targeted to reduce the unemployment caused by the disbanding of 13 million soldiers and returning refugees from abroad with large-scale of labour absorption through small and medium manufacture companies and service sector. Experience high growth of economy soon after the restoration (the 1950s), under the Vocational Training Law 1958, the face of labour market policy changed into the investment to raise the quality labour force through education, on-the-job training, and subsidy the private sector in order to meet the criteria of industrial development and advanced of technology. Thereupon, labour market policy regularly adapts through a phenomenon that occurs and transforms following the period. ⁷

Japanese labour market policy during its development from 1945-2017 focused on supporting the participation of domestic labour. This was in line with the goals of Japan to achieve full employment and reduce the number of unemployment. Therefore, when the concern to support foreign labours who want to enter Japanese labour market, the government under the 1989 ICA (Immigration Control Act) exclusively accepted foreign workers only in

⁶ Yoshioka, S., & Kawasaki, H. (2016). Japan's High-Growth Postward Period: The Role of Economic plans. Economic and Social Research Institute, 1-82.

⁷ Sakuma, K. (2018). The Labour Market in Japan and Its Demographic Problems . *Institute for International Monetary Affairs* , 1-10.

professional or technical fields with prioritizing second and third generation of Japanese descendants from Peru, Brazil, and other South American countries with status of foreign worker labelled as an internship. ⁸

However, in 2018, the Japanese "labour market policy" aimed at foreign labour participation experienced drastic change. Under the administration of Prime Minister Shinzo Abe, the new policy initiative to revise the form of "foreign labour" policy was passed the parliament on December 8, 2018. Debateable bill to revises the nation's immigration control law under the Immigration Control and Refugee Recognition Act to accept foreign labour by proposing a new work visa program for foreign labour with main goal to attract the foreign worker to entered the Japanese labour market.⁹

Therefore, based on the facts that the author explained above, the author presumes that Prime Minister Shinzo Abe might have several factors that influence the new foreign labour policy.

B. Research Question

Based on the facts above the author formulates the most relatable and appropriate research question

What factors drive Prime Minister Shinzo Abe's new policy on "foreign labour"?

⁸ Hamaguchi, K. (2019). How Have Japanese Policies Changed in Accepting Foreign Workers? *Japan Labor Issues*, 2-6.

⁹ Valli, V. (2012). Growth and Crisis in Japanese Economy. *Working paper Series*, 1-26.

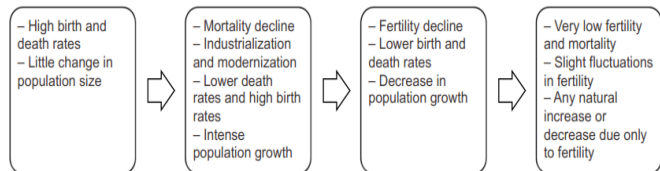
C. Theoretical Framework

Demographic Transition Theory

According to Warren S. Thompson (1929) and Frank W. Notestein (1945), and Kingsley Davis (1963), Demographic Transition Theory is the most prominent explanation for population growth. The demographic transition model starts with classifying populations by different sequences of fertility (high birth rate) and mortality (death rate) in a country or region from a pre-industrial economy to an industrialized economy. Most developed countries have gone through the demographic transition process and have low birth rates, while most developing countries are still experiencing this transition process.¹⁰

Demographic Transition models could be used to predict a decline in birth rates if a society becomes increasingly rich and as a theory supported by many experts in social sciences because of the strong historical correlation between decreasing fertility rates and social and economic progress. Demographic transition consists of four stages of mortality and fertility change in the process of social modernization.¹¹

Figure 1. Four Stage of Demographic Transition



¹⁰ Theory, D. T. (1996). Dudley Kirk. *Population Studies*, 361-387.

¹¹ Amaral, E. F. (2018). Theories of demography. *Population and Society*, 1-56.

Source: Amaral, E. F. (2018). Theories of demography. *Population and Society*, 1-56.

Demographic Transition theory consists of four stages of transition. The first stage of demographic transition labelled as low growth, occurred on early of human history where gather and hunter still exist, in this stage country addressed to experience both high death rates and birth rates and have slight of impact to the growth of population size. The second stage of demographic transition labelled as high growth, together with entered of industrial revolution and evolution in medicine, sanitation, and regular food supply the number of death rates started to decline while birth rates still high drive to the increase of population size. The third stage of demographic transition labelled as the decreasing population size where in this stage birth rates start to race the death rates and impacts to the decrease of population size. Decreasing population size due to the influence of the urbanization and change of mindset of people to limiting the size of the family considering the economics problem. Moreover, last stage of demographic transition labelled as the low or zero growth population where in this stage both birth rates and death rates experience low growth due to the flow of urbanization that keep continuing and increasing the role of women in society and workforce, thus impacts to the growth of population size and lead to the decline population.¹²

Therefore, in the case of Japan, where nowadays positioned in stage four of the demographic transition model. Based on David Coleman's explanation when countries placed in the four-stage of the demographic transition model, there will be a

¹² Malmberg, B., & Sommestad, L. (2000). Four Phases in the demographic transition. Implications for economic and social development. Institute for futures studies, 1-25.

tendency of the countries which experiencing population decline to relying on immigration to achieve specific goals. With reflecting to immigrant policies that was execute in the US and some of countries in European Union, the goals of immigrant policies addressed to various goals such as immigrant policies in Denmark and Netherland with primary goals to increase the population size, while in United States of America the primary goal of immigrant policy to fulfil the quotas of labour. Therefore, immigration policies are projected as the solution of the government to maintain the population size and support a country's economic activities.¹³

This thesis applies Demographic Transition theory because of the capacity of theory to explain the factors behind the Japanese decline population as well as the complicate impact toward other aspect such as economy, politics, society, etc. moreover the theory also able to tell the effort of the government to overcome the problem through the drive foreign policy related with the immigration policies.

D. Hypothesis

Based on the background and theoretical framework above, this thesis argues that Prime Minister Shinzo Abe's new policy on "foreign labour" is influenced by the decline of Japan's population since the last decade. Such a decline of the population affected the supply of labour force, which importantly determines Japan's future economic growth.

¹³ Coleman, D. (2006). Immigration and Ethinc Change in Low-Fertility Countries: A Third Demographic Transition. *Population and Development Review*, 401-446.

E. Research Methods

This research is formulated in three methodologies, which are the type of research, data collection methods and methods of analysis

1. Type of Research

In this research study, the author uses a type of qualitative research by using the analytical methods and the elaboration of each existing data. The author only describes existing data with qualitative methods.

2. Data Collection Methods

The data collection methods used are secondary data collection, mainly through a literature study. The materials of the study literature are found from textbooks, scientific journals, e-journals, government documents/decisions, reports of government and non-government institutions, as well as from websites/internet, which discuss the Shinzo Abe "Foreign Labour" policy.

3. Method of Analysis

The methods of analysis used is descriptive analysis, which is a research method that seeks to collect, compile, and interpret existing data to describe or explain current events and events in a systematic, factual, and accurate manner regarding the facts and characteristics of a particular event. This research is limited to the effort to express a problem or event as it is so that it is fact-finding, which is then proceeded by analysing the data or phenomenon to find solutions. With this method, the author wanted to find out the relations of depopulation, power, and economy growth on Shinzo Abe's policy.

F. Scope of Research

The scope of research is necessary for the author to limit the analysis and accommodate the data information. The scope of research focuses on 2018 during the Abe administration passed the “foreign labour” policy. However, because this thesis drive about the change of policy, it is necessary to expand the scope from WWII where depopulation first occurred.

G. Outline

This research has five chapters that will be arranged as follow:

- Chapter I:** This chapter contains Background, Research Question, Theoretical Framework, Hypothesis, Research Methodology, and Scope of Research that guides the writer to the next chapter.
- Chapter II:** This chapter explains about Japanese economic development and labour policy.
- Chapter III:** This chapter discusses the change of labour policies that started from the post-WWII until nowadays.
- Chapter IV:** This chapter analyses the factors affecting the changes in Japanese foreign labour policy.
- Chapter V:** This chapter concludes all the materials that are written above.