

Chapter 3

Cost of Hiring Foreign Care Workers for Employers: Implications of the EPA Policy

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Chapter 3

Cost of Hiring Foreign Care Workers for Employers: Implications of the EPA Policy

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This chapter discusses the costs of Japan's policies to accept foreign care workers (FCWs), mainly from the viewpoint of employers, and attempts to draw some policy implications for the new gate-opening measures recently introduced. Discussions are made in reference to the estimated economic costs generated in a precedent policy of accepting FCWs under the economic partnership agreements (EPAs). Section 1 briefly reviews the changes in recent policies on receiving FCWs in Japan. Section 2 examines the employers' costs in the EPA based on the two questionnaire surveys collected by mail. Section 3 examines the possible changes in cost sharing under the new gate opening measures by recomposing the EPA cost estimates. Section 4 discusses the implications of the major findings, keeping in mind the economic viability of Japan's FCW policies.

1. Background

With few specific exceptions, Japan has mainly accepted only highly skilled professional foreign workers who engage in non-human service sectors, particularly until 2018. A notable exception was the acceptance of FCWs under the bilateral EPAs with three Asian countries (i.e. Indonesia, the Philippines, and Viet Nam) which started from FY2008. However, despite the rising demand for long-term care, the acceptance has been limited to 300 workers a year and subject to strict conditions. FCWs are required to have a nursing diploma or college degree with care experience, be recruited through a semi-governmental agency (Japan International Corporation of Welfare Services (JICWELS)), and be employed only by authorised care facilities. If they wish to continue working in Japan after completing the EPA programme, they have to pass the national exam to become a certified caregiver within 4 years after they start working in Japan. In return, for these strict entry conditions, the EPA FCWs are protected by the Labour Standards Act and guaranteed working conditions equal to Japanese care workers. Table 3.1 shows the basic features and conditions set for the EPA care workers.

Table 3.1. Basis Features of EPA Care Workers

| Economic Partnership Agreement (EPA) Foreign Care Workers | |
|--|---|
| Legal base for acceptance | Bilateral EPA with sending countries |
| Starting year (sending country) | 2008 (Indonesia), 2009 (Philippines), 2014 (Viet Nam) |
| Recruiting agency | Semi-governmental body (JICWELS) only |
| Qualification | 4-year college degree plus care experience, or a 3-year nurse school certificate |
| Language training before arrival | 6–12 months at a designated school in the sending country |
| Employer | Approved care institutions only |
| Labour contract | Formal, subject to standards set by laws |
| Training after arrival | 6 months for language and others in designated boarding school, and 3–4 years for the national exam |
| Wages and other working conditions | Equivalent to Japanese care workers subject to the Labour Standards Act |
| Maximum length of stay | 4 years (but no limit if passed exam) |
| Number of accepted FCWs | 4,265 (total, FY2008–2018) |

Source: Ministry of Health, Labour and Welfare (n.d.); JICWELS (n.d.).

The total number of accepted EPA care workers since its inception reached 4,265 in FY2018. Although the EPA FCWs programme was developed to facilitate bilateral economic activities and is not designed to ease the shortage of care workers (at least, officially), this is only a tiny fraction of the 260,000 care workers additionally required in Japan for 2020 (Ministry of Health, Labor and Welfare, 2017). Foreseeing further shortages of care workers, the government has started loosening the tight entry control of FCWs. In September 2017, a new residential category of ‘care’ (*kaigo*) became effective, so international students (IST) of caregiver schools can stay and work without limit once they have passed the national exam for certified caregivers (*kaigo-fukushi-shi*). In November, another path opened for FCWs to work as ‘trainees’ under the existing Technical Internship Training Program (TITP).

In December 2018, a more fundamental change in migration policy took place. For the first time in history, Japan opened the gate for non-professional workers for the reason of a ‘labour shortage’. The Immigration Law was amended to accept the entry of foreign workers who

have 'a certain level of skills' in 14 job areas, including care services (Ministry of Justice, 2018). This new residential category is called '*tokutei-ginou*' (specified skilled worker: SSW).

However, these new opening measures still have many strict conditions and controls to ensure the orderly acceptance of qualified FCWs. For instance, FCWs have to pass specific tests on Japanese language and care skills before or after entry or have sufficient caregiving experience in Japan, such as through the EPA programme. Employers must be qualified care facilities that follow government guidelines on the working and living conditions of FCWs, comply with labour related laws and, inter alia, ensure that FCWs' wages are equal to those of Japanese care workers. These conditions are essentially similar to those applied to EPA FCWs and employers.

It is no doubt that the new opening measures can bring benefits for selected FCWs and to the Japanese elderly, even though considerable conditions remain. Japanese wage levels were still eight times higher than those of Indonesia, the Philippines, and Viet Nam in 2018. The difference in demographic structure also lures FCWs to Japan. The ratio of the population aged 15–24 to those aged over 65 in 2015 was 3:1 in the three countries, whereas it was 1:3 in Japan (United Nations Population Division, 2019). Care institutes in Japan who are confronting worsening shortages of labour badly need young care workers.

However, when we turn our eyes to the situation of employers and the government, different pictures emerge. A study suggests that the annual economic cost for employers and the government to accept a FCW in the EPA programme is as high as US\$7,600¹⁸ and US\$18,700, respectively (Tsubota, 2018). The main reason for this high cost was that the EPA gate opening was introduced neither as an immigration policy nor a labour policy but as a by-product of trade agreements. For this reason, almost all the costs of accepting and fitting FCWs to the Japanese care system were borne mostly by the government and employers.

In the new gate opening measures, the cost burden of the government will be partly reduced or passed on to employers and FCWs. However, employers' cost burden may remain unchanged or become even higher. Their financial capacity that hinges on the reimbursement from the Long-term Care Insurance (LTCI) is quickly eroding as the ageing population and stagnant economy continues. If the burdens on employers and/or the government are excessive, not many FCWs will be hired even if the gates open further.

2. Estimated costs for employers to hire EPA care workers

Various costs inevitably accrue from the acceptance of FCWs. Costs of agency services, travel, documentation, language and skill training, lodging and salaries, and management and monitoring are amongst them. These costs are shared by major stakeholders, i.e., FCWs, employers, and the government. How have they been shared by the employers in the EPA?

Two surveys are available in this regard. One was conducted by mail in February 2012 and the other was similarly done in April 2019. Both surveys targeted the same 264 care facilities that

¹⁸ Excludes salaries and bonus.

accepted EPA FCWs during FY2008–2011. The 2019 survey is a simplified follow-up survey of the previous one. The collection rates were 32.6% and 18.2%, respectively. Although the question content, covering periods,¹⁹ and respondents were not necessarily identical, the surveys allow us to make some blunt comparisons.

Table 3.2 summarizes the estimates of the average ‘additional cost’²⁰ required for the care facilities to hire an EPA FCW during the 4-year contract period. It was about ¥2.2 million excluding salaries, allowances, and bonus in 2018. This amount has not changed very much since 2012, though its composition and share have changed.

Care facilities had to pay ¥800,000 to receiving an FCW in their workplace according to the 2019 survey, whilst the amount was about ¥900,000 in the 2012 survey. This is a sort of fixed cost accruing only once during the contract period. It comprises two elements, i.e. payments to agencies and travel costs. Agency costs include the costs of recruitment and matching conducted by JICWELS, an initial obligatory training course upon arrival, daily subsistence for FCWs, and surcharges paid to the sending country.

The training and education costs include the ones that care facilities actually paid tutors/teaching materials to assist FCWs in Japanese language and preparation for the national exam. They cost about ¥400,000 per FCW in both surveys. The item ‘specific allowances’ can be a controversial one in terms of the validity of categorising it as the cost to employ EPA-FCWs because they may be paid to Japanese staff as well. However, it was included in the ‘additional costs’ as our interviews often suggested that the care facilities offered ‘special’ subsidies for lodging, food, and powers that are not applicable for Japanese staff. This amount is reached ¥2 million per FCW in 2019. This means that ‘providing an appropriate living condition’ for foreign workers requires substantial costs.

Table 2.2. Estimated 4-Year Additional Costs for Employers in the EPA
(¥1,000 per FCW)

| | 2019 | 2012 | Components |
|--------------|------|------|---|
| Agency costs | 523 | 750 | Payments to 1) JICWELS, including the cost for recruiting, matching, and coordination, and 2) the training agencies to cover the costs for the 6-month training after arrival |
| Travel costs | 277 | 148 | Airfare of the FCWs, travel costs of the employer's staff for matching and receiving FCWs, etc. |

¹⁹ FY2008–2011 (2012 survey) and FY2008–2018 (2019 survey). The former was a trial period for most care facilities and, thus, the derived cost estimates may include a sort of initial investment cost.

²⁰ ‘Additional cost’ means the extra expense and additional staff time required for receiving and assisting FCWs. If the same lodging allowance is paid to Japanese staff as well, or staff assist FCWs within their normal routine work, the expense and staff hours are not counted as additional costs.

| | | | |
|--|-------|-------|---|
| Training and education costs | 397 | 398 | Costs paid by employers for language and skill training and support for the national exam |
| Allowances | 982 | 664 | Specific allowances for lodging, food, and others |
| Sub-total | 2,179 | 1,960 | |
| Government subsidies | -159 | -173 | Subsidies for hiring FCWs, language training and exam preparation |
| Staff additional labour (opportunity cost) | 680 | 1,306 | Staff labour hours additionally required for training and taking care of FCWs |
| Total | 2,700 | 3,093 | |
| (ref.) No. of care facilities responded | 48 | 86 | |

Source: Original data of the author.

Table 3.2 has two more cost items, government subsidies (negative costs) and additional staff labour. Care facilities receive subsidies from the central/local governments to assist FCWs. The subsidy amount varies by the location of the care facilities. Some facilities reported receiving ¥1 million per FCW, but many others reported smaller or no subsidies. The average was about ¥165,000 per FCW.

The additional staff labour required is a hidden cost element and a major source of stress for the care facility staff. The 2019 survey shows that in a normal month of 2018, about 40 staff hours were allocated to taking care of EPA FCWs. Of this, on average 14.1 hours and 14.5 hours were used for Japanese language training and assisting with preparation for the national exam, respectively. The staff needs to teach or assist the FCWs, who has limited Japanese language abilities. Documentation and support for FCWs' daily lives also required individually on average 5.5 hours and 4.9 hours. We have to keep in mind that these were additional workloads for facility staff and not the kind of tasks to be done by ordinary staff. These labour hours were converted to monetary values as 'opportunity costs' by using the rate of ¥1,595/hour, which is the average wage for care facility staff reported in the government wage survey (2019). The estimated staff labour cost per FCW was ¥680,000 in the 2019 survey, which was ¥620,000 less than in the 2012 survey. The reduced staff labour hours per FCW are attributable to 1) the increased number of FCWs per care facilities, 2) accumulated institutional knowledge on FCWs in the care facilities, and 3) the lengthened period of Japanese language training before entry.²¹

²¹ In the early stages of the EPA, language training before arrival used to be 3–6 months, but now it is 6–12 months depending on the sending country.

Combined, the 4-year cost for care facilities is estimated at ¥2.7 million per FCW, down by ¥300,000. This decline in the staff labour cost is a good sign, but the level of economic burden remains high. We have to keep in mind that the care facilities paid, on top of this cost, more than ¥10 million per FCW for 4-years as salaries under the condition of having equivalent salaries to Japanese workers.

This situation is well reflected in the answers of the respondents to the questions on the economic viability of FCWs (Table 3.3). Only 4% of respondents said FCWs were economically viable under the current conditions. Even if other indirect benefits, such as the positive impact on Japanese staff or having an international image, are counted, the economic viability was admitted by only 23% respondents. The answer item chosen by most respondents was ‘economically viable if FCWs continue to work in the same facility after passing the national exam’ (54%). In other words, they felt that if an FCW who had passed the exam change their employer or returned to their home country soon, the economic benefits would disappear. Indeed, 13% respondents explicitly replied so.

Table 3.3. Perceived Economic Viability of FCWs: Employers
(%)

| | 2019 | 2012 |
|---|------|------|
| Viable under current conditions | 4 | 0 |
| Viable as other benefits also accrue | 19 | 17 |
| Viable if FCWs are counted in the payment from the LTCI | - | 26 |
| Investments for the future | 10 | 33 |
| Viable if FCWs continue to work after passing the national exam | 54 | 15 |
| Not viable because of the difficult national exam | 0 | - |
| Not viable because of frequent resignations or changes in employers after passing the national exam | 13 | - |
| Not viable by any means | 0 | 8 |
| Total | 100 | 100 |

Source: Original data of the author.

This concern is critical for them. In the 2019 survey, more than 70 % of facilities replied that a considerable number of EPA FCWs had returned to their home countries before the 4-year contract had expired, or that they had changed their employers or returned to their home countries after having passed the national exam (Table 3.4).

Table 3.4. Number of Facilities with FCWs Who Returned to Their Home Countries or Changed Employers

| | Returned to home countries before contract expired | | Changed employers or returned to home countries after passing the national exam | |
|----------|--|-------|---|-------|
| | No. of facilities | % | No. of facilities | % |
| None did | 16 | 35.6 | 13 | 28.9 |
| Few did | 24 | 53.3 | 22 | 48.9 |
| Many did | 5 | 11.1 | 10 | 22.2 |
| Total | 45 | 100.0 | 45 | 100.0 |

Source: Original data of the author.

3. Possible costs for key stakeholders under the new entry measures

The new opening measures sound like good news for most care facilities. Unlike the EPA FCWs, no official ceilings on the number of acceptable FCWs exist.²² No nursing certificate/college degree is required for FCWs regardless of its type. Care facilities are relieved of the pressure of helping FCWs pass the national exam. In the TITP and SSW, FCWs can stay a maximum of 5 years, and, in both programmes, they can stay further after passing the national exam. FCWs who started their career in Japan as international students are supposed to pay all the costs by themselves.

However, will the employers' economic viability of hiring FCWs improve with these new measures? It may be premature to discuss this because no data on the new measures are currently available. However, we may get a rough idea through an 'exercise on paper' by reviewing and 'recomposing' the cost components of the EPA in accordance with the policies specified in each new measure.

3.1. Basic assumptions of the cost estimate exercise

A starting assumption is that whichever entry routes are used, someone must pay similar costs to enable FCWs to work as qualified caregivers and live in harmony with other people in Japan. The benchmark to be used is the costs for EPA stakeholders estimated in US dollars based on the 2012 survey. In the EPA, these costs have been shared exclusively by the government and employers, but in the new measures, some of the government costs may be reduced or passed on to employers and FCWs. Some costs that employers pay in the EPA would be shared by FCWs. To make the comparison easier, the costs are estimated for 4 years (the FCW contract period in the EPA) for all measures, although the actual time required may

²² However, the government announced a 'forecast' on the number of SSWs in each area. For the care services it was 60,000 in the coming 5 years.

vary by the measure.²³ The EPA 2012 cost data are converted in accordance with the US dollar–yen rate in 2018.

Other major assumptions made for each new measure are as follows.

(1) TITP

- Language/skill training costs: 6 months of training supported by the Japanese government before arrival is not required any more, but either FCWs themselves or employers have to pay the training cost for FCWs' Japanese language skills to reach the JLPT N4 level. The 6-month training after arrival is not required any more, but employers have to pay the cost of 1–2 months of introductory training after arrival (obligatory).
- Agency costs: employers have to pay the costs of recruitment, matching, documentation, the FCW's travel, and other administration fees to the authorised private agency instead of a payment to JICWELS. Employers also have to pay the agency every month a supporting fee to verify the appropriate implementation of the approved training plan. The supervision agency for the TITP is the Organization for Technical Internship Training (OTIT). We conducted this cost estimate exercise assuming the cost size is the same as the EPA programme.

(2) IST

- Recruitment and language/skill training costs: FCWs come to Japan as an international student and learn Japanese language in a language school for a year. After completion, they learn care skills and related knowledge in a caregiver school in Japan for 2 years. The costs include those for migration as an international student, agency, admission and tuition for schools and for living in Japan during the schooling period. After receiving them as certified caregivers, employers have to pay half of the cost of the on-the-job training for EPA FCWs.²⁴
- Subsidies: International students receive scholarships or concessional student loans. The government compensates one-third of the employer's scholarship to FCWs who study in caregiving schools.²⁵ International students are also eligible for concessional student loans from local governments through caregiver schools. Loan repayments are exempt if FCWs work as certified caregivers in the same local area for 5 years. In our cost estimation, we assume that FCWs would choose the scholarship through their employers.

²³ The base contract period is 3 years, but this is extendable by 2 years in the TITP. International students need at least 3 years for schooling. The SSW contract is 1 year but extendable up to 5 years.

²⁴ Graduate students from a caregiving school used to be automatically granted the title of 'certified caregiver', but it is likely that international students need additional training to reach the level of graduates of the EPA programme. In 2017 this rule was modified so that students of caregiver schools have to pass the national exam to get the title. The application of this new rule was suspended by another 5 years (this is the third suspension) and will begin to take effect only for graduates in 2022. We assume that half of the employer's on-the-job training costs would be required further.

²⁵ One-third of the 'base' costs that are fixed by each item (i.e. tuition, admission fee, job application cost, national exam preparation and living cost) are subsidised for care facilities who provide scholarships to students (MHLW, Tokyo Municipal Government). As the actual costs are often much higher than the base costs, it is assumed that employers pay two-thirds of base costs and FCWs pay the difference between the estimated actual costs and the base costs.

- Food/lodging subsidies and agency fees for supervision: These are not required because once FCWs pass the national exam, they are neither 'candidates'²⁶ nor 'students' who require special support.

(3) SSW

- Language/skill training costs: FCWs who have acquired this category of state of residence are supposed to have 'certain levels' of Japanese language capacity and care skills so that they can start working immediately after entry. Applicants are those who have passed the specific tests or completed the EPA or TITP programmes. This means that most of the training costs are paid by the FCWs themselves or those who have been involved in the previous programmes. Employers' costs for training are nil if the FCWs have completed the EPA or TITP programmes.²⁷ We assume that FCWs pay the same amount of cost as international students have to pay for training net of government subsidies.
- Recruitment costs: Employers have to pay the costs of recruitment, including those for matching and documentation. Travel costs are assumed to be paid by employers.
- Costs of 'employer's duty': Employers are obliged to extend their 'support' to FCWs in many aspects²⁸ in addition to the ordinary duties arising from labour contracts and the related laws (Tsubota et al., 2015). Employers may do it by themselves, but we assume they would ask the registered supporting agency (RSA) to take up these duties on commission. The agency fee rate is determined by market forces but is likely to be higher than the rate of TITP agents due to the heavier workload.
- The government needs to bear the cost for monitoring and supervision, as in the EPA and TITP.

The assumptions and cost data are summarised in Table 3.5. Possible cost data are derived from the EPA study (Tsubota, 2018; Tsubota et al., 2015) and the websites of the relevant agencies (One World Japanese Language Centre, n.d.; Gaikokujin Roudousha Shinbun, n.d., Tokyo Global Connect, n.d.; Tokyo Metropolitan Government, n.d.).

²⁶ In the EPA, FCWs are called 'candidates' to be a qualified caregiver until they pass the national exam.

²⁷ However, some concerns remain for the FCWs who have passed the exams for the SSW outside Japan. Except for those FCWs who have returned to the sending countries after the experience of the EPA or TITP programmes, more practice in Japanese language and actual care skills would be required to reach the level of the skills of final year EPA FCWs.

²⁸ For instance, providing a detailed prior 'guidance' on contracts, laws, and working and living conditions in a language that FCWs can understand, making a concrete 'support plan', finding appropriate lodging, giving Japanese language lessons, counselling by experts, arranging interpreters when asked, reporting every 3 months the status of the FCW, their conditions, and progress of the support plan, assisting in finding new employers if unable to continue to employ, and so on.

Table 3.5. Costs to Be Paid by the Three Stakeholders Under Four Different Entry Measures

| Cost Component | | Entry Measures | | | | Possible Cost (¥1,000/FCW) | |
|----------------|--|----------------|------|-----|-----|----------------------------|------------------------------------|
| | | EPA | TITP | IST | SSW | Value | Source |
| 1 | Agent fee for migration | EM | EM | EM | EM | 410 | EPA study |
| 2 | Training before arrival (6 months) | JG | | | | 1,819 | EPA study |
| 3 | Language training before arrival | | EM | EM | | 200 | One World Japanese Language Centre |
| 4 | Training after arrival (6 months) | JG | | | | 3,557 | EPA study |
| 5 | Training after arrival (obligatory 1–2 months) | | EM | | | 156 | Gaikokujin Roudousha Newspaper |
| 6 | Schooling and living costs (3 years) | | | CW | | 2,559 | Tokyo Global Connect |
| 7 | Subsidies for schooling | | JG | JG | | 1,107 | Tokyo Metropolitan Government |
| 8 | Scholarship by employers | | | EM | | 2,214 | Assume the same as above |
| 9 | Visa renewal | EM | | EM | | 20 | EPA study |
| 10 | Training expense of employers | EM | EM | EM | | 546 | EPA study |
| 11 | Additional staff labour costs | EM | EM | EM | | 1,791 | EPA study |
| 12 | JICWELS administration fee | EM | | | | 110 | JICWELS |
| 13 | Agent fee for supporting | | EM | | EM | 2,953 | Gaikokujin Roudousha Newspaper |
| 14 | Food/lodging allowances | EM | EM | | | 869 | EPA study |
| 15 | Training and exam subsidies | JG | JG | | | 1,760 | EPA study |

| | | | | | | | |
|----|-------------|----|----|--|----|-------|-----------|
| 16 | Supervision | JG | JG | | JG | 1,059 | EPA study |
|----|-------------|----|----|--|----|-------|-----------|

CW = foreign care workers, EM = employers (care facilities), JG = Japanese government.

Notes: Costs from the 2012 EPA study were converted to 2018 prices (US\$1 = ¥78.9 to ¥109.4).

Cost figures in *italic* are estimates. Data were derived through websites accessed in August 2019.

Four months training before arrival is assumed for the FCW to reach JLPT N4.

Visa renewal costs for the TITP and SSK are included in the agent fee.

Source: Original data of the author.

3.2. Estimated possible costs and cost sharing amongst stakeholders

Table 3.6 shows a rough magnitude of the estimated possible costs that would be shared by the three key stakeholders under four different entry measures. We can point out several notable findings.

First, the government per FCW cost burden would fall sharply in all three new measures from ¥8 million in the EPA to ¥1–¥2 million. The main reason is the exemption of the government from the duty of two 6-month training periods before and after arrival, which require ¥5.4 million per FCW in the EPA case.

Second, the employer's cost burden would increase rather than decrease in all new measures. The increase is particularly large for the TITP measures. Employers have to take on some of the costs of language training that the government used to pay. And more importantly, employers in the TITP and SSW have to pay around ¥40,000–¥50,000 per month per FCW to the agencies who carry out monitoring and advisory tasks instead of the employers and the government. Therefore, employers' costs would not decline, even in the case of SSWs where no particular training costs are required.

Third, the decline in employers' costs would be marginal in the IST even if we assume that the government provides scholarships and that FCWs themselves pay part of the schooling costs. The main reason is that very high schooling and living costs (¥6 million per FCW for 3 years) require additional support from the potential employers.

Fourth, in all new programmes, the total cost per FCW would not decline very much compare to the EPA. Government costs would fall sharply from ¥8 million to ¥1 million–¥2 million but would be partly offset by the increased costs of employers and/or FCWs for training and agency services.

Fifth, the share of training costs in the total cost to employ FCWs is high in the EPA (65%) and IST (58%). The relatively modest share in the TITP (40%) is a reflection of the shorter training time (4 months in the sending country and 1–2 months after arrival) compared with that of the EPA (6 months in the sending country and 6 months of training in a boarding school after arrival).

Table 3.6. Estimated Costs for Key Stakeholders by Entry Measure

(¥ million/FCW)

| Stakeholder | EPA | TITP | IST | SSW |
|------------------------------------|------|------|-----|-------|
| Foreign care worker | 0.0 | 0.2 | 2.8 | 2.8* |
| Employer (= care facility) | 3.7 | 6.7 | 4.1 | 4.2 |
| Central and local governments | 8.2 | 2.0 | 1.1 | 1.1 |
| Total | 11.9 | 9.0 | 8.0 | 8.1* |
| (of which education/training cost) | 7.7 | 3.6 | 4.6 | 2.8 * |

Note: Cost figures in italic are estimates.

Source: Original data of the author.

3.3. Policy implications and the future of Japan's long-term care system

In 2008, Japan agreed for the first time to accept a small number of foreign care workers under the EPA. The government said that this was not due to the shortage of care workers. However, the situation of the Japanese care system has drastically changed since then. Rapid ageing population has accelerated the shortage of care workers. It is now forecast that the size of the shortage may reach 550,000 workers by 2025 (MHLW 2017). Against this background, the government introduced several gate opening measures for FCWs in the last 2 years, i.e. creating a new residential status for caregivers, acceptance to the technical internship programme, and allowing the migration of FCWs who have a certain level of skills. These new measures sound like good news for employers who are confronted with severe labour shortages.

However, our exercise on paper indicates that employers' cost burden would increase rather than decrease in the new measures. The past two surveys suggest that accepting EPA FCWs is economically sensible only if FCWs continue to work in the same facility. With further increases in possible costs, would many care facilities wish to hire more FCWs under the new measures? We can consider two possibilities.

One is the case that the current policy framework, including budgetary support, continues. The number of hired FCWs will increase but mainly in large and financially sound private care facilities. They can afford and attract FCWs through EPA and TITP programmes whilst investing in international students. They would start hiring the 'graduates' of these programmes as SSW FCWs. However, small and financially weak care facilities would not be able to hire FCWs who are costly and risky for them.²⁹ As a result, the number of elderly in the waiting lists of care facilities will remain or even increase.

The other case is the possibility that worsening labour shortages will compel the government to ease the entry control further and turn a blind eye to the quality of care services and an

²⁹ FCWs can change employers once they pass the national exam. This becomes a big risk, especially for small and financially weak care institutions.

increase in social costs. The recent successive gate opening measures suggest that this is also a likely scenario. The government may increase the number of acceptable FCWs, lower the hurdle on language and skills,³⁰ simplify the national tests and monitoring/inspection, and make labour standards more flexible, and so on.

Whichever possibility comes true, population ageing will further advance and aggravate the shortages of care workers in Japan. Budget deficits are swelling every year under the stagnant economy, and so are the costs of social security systems, including the long-term care insurance. If an increase in budgetary support and a raise in the insurance premium is difficult, not many options remain. Although relying on the FCWs could be a possible option, it has many shortcomings and side effects too. This study indicates that FCWs are not necessarily low-cost labour, even now. Somebody has to pay the costs of recruitment, migration, supervision, and, inter alia, education and training. It would be the employers who pay the cost when financial assistance from the government ebbs away. How long can Japan's long-term care system be sustained?

One silver lining is that FCWs who have been hired under these measures may help disseminate Japanese care skills and knowledge after their return to home countries. With relatively high standards being required, the current FCW policy framework looks costly for Japanese employers and the government but may contribute to the dissemination of quality care services in these countries where population ageing will come sooner or later. From a longer and global perspective, these costs might be partly regarded as an investment for the better welfare of these countries.

³⁰ Indeed, the level of Japanese language proficiency required for TITP applicants was lowered from N3 to N4 in the process of consultation with concerned parties. In the same vein, verification of a 'certain level of skills' by tests was exempt if SSW applicants had completed the EPA or TITP programmes or caregiver school. The government plan to make the passing of the national exam obligatory for caregiver students was postponed three times since 2014.

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