

# **The Economic Impact of the COVID-19 Pandemic on Nepali Residents in Japan**

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## **I. Introduction**

Globalization has accelerated population migration between countries. Increased global competition requires every country to maximize its benefits by combining domestic and international elements. Although Japan has a reputation for being resistant to immigration, nothing has changed in this respect.

The coronavirus disease (COVID-19) pandemic has affected many foreign residents in Japan. This pandemic reminded them of their status as foreigners. This study deals with the economic impact of the COVID-19 pandemic on Nepali residents of Japan. As mentioned later in this paper, the number of Nepali residents is rapidly increasing in Japan; however, their situation has not been sufficiently discussed.

## **II. Nepali Residents in Japan**

Historically, the majority of foreign residents in Japan have been of five nationalities. According to the Ministry of Justice (2021), people from China and South Korea account for approximately 40% of all foreign residents in Japan. In particular, the number of Vietnamese immigrants has rapidly increased over the last ten years. Between 2011 and 2020, the number increased tenfold from 44,444 to 448,053. In 2017, Vietnamese immigrants surpassed Filipino immigrants, who were previously ranked third. Furthermore, in 2020, Vietnamese immigrants overtook South Korean immigrants, who had been the second largest migrant group for a while. Chinese, Vietnamese, and South Korean immigrants account for 57% of all foreign residents in Japan. In June 2021, the combined percentage of immigrants from five countries, namely these three countries plus the Philippines and Brazil, exceeded 74% (Ministry of Justice, 2021).

Although South Asian countries have not been a significant group in terms of the number of foreign residents in Japan, Nepal rose rapidly to equal Vietnam. Nepali immigrants exceeded immigrants from Indonesia, Thailand, and

the United States in just three years, from 2012 to 2015. According to the most recent statistics, Nepal was ranked sixth and was the only South Asian country in the top 10 in 2020 (Ministry of Justice, 2021). Nepali immigrants increased tenfold, from 12,286 in 2008 (Immigration Services Agency of Japan, 2009) <sup>i)</sup> to 125,798 in June 2022 (Immigration Services Agency of Japan, 2022).

Table I : South Asian Residents in Japan as of June 2022

Region	All categories		Student	
	No.	%	No.	%
Overall	2,961,969	100%	260,767	100%
Asia total	2,501,521	84%	243,621	93%
South Asia total	247,689	8%	44,369	17%

Breakdown of South Asia total

Nation	All categories		Student	
South Asia total	247,689	100%	44,369	100%
Afghanistan	4,747	2%	186	0%
Bangladesh	20,954	8%	4,479	10%
Bhutan	465	0%	88	0%
India	40,752	16%	1,692	4%
Maldives	67	0%	17	0%
Nepal	125,798	51%	32,336	73%
Pakistan	20,927	8%	758	2%
Sri Lanka	33,979	14%	4,813	11%

Source: Compiled by the Author using data from the Immigration Services Agency of Japan (2022), *Statistics on Foreign Residents in Japan [Zairyu-Gaikokujin-Tokei]* as of June 2022

Table I depicts the percentage of South Asian residents in Japan as of June 2022, who do not form the majority among foreign residents in Japan. Although Asian residents account for 84% of all foreign residents, South Asian residents make up only 8% of all foreign residents. The percentage increases a little in the case of foreign students, but it remains at just 17%. As mentioned above, South Asian groups form a relatively minor proportion of immigrants. The

majority of East Asian countries have an overwhelming presence.

However, Nepal has an eye-opening presence from a narrower perspective. The second part of Table I focuses in detail on the percentage of South Asians, and the top three contributing countries in each category are highlighted. Among these three countries, Nepali immigrants form the largest group, with a difference of 35% from the countries placed second. Notably, 73% of the foreign students were Nepali. Given the above-mentioned rapid increase in Nepali residents and the overwhelming proportion of immigrants from South Asian regions, it is worthwhile discussing the living conditions of Nepali residents in Japan as well as those of inhabitants of other well-known countries.

Although Indians form a minor percentage compared to the Nepali population, they appear to be more popular among the Japanese. According to an open database of occupational telephone numbers supplied by NTT TownPage Corporation, the number of Indian restaurants increased from 569 in 2008 to 2,162 in 2017 (NTT TownPage Corporation, 2017, p. 2). As of December 23, 2022, there were 2,652 restaurants, which is a fivefold increase compared to 2008 (NTT TownPage Corporation, 2022). However, according to an interview conducted by the NHK [Nippon Hoso Kyoku], a Japanese public broadcaster with the Indian embassy in Japan, it seems that Nepali people run many Indian restaurants (Iida, 2018). The number of Nepali residents in Japan is growing under the cover of India.

### **III. Economic Impact of the COVID-19 Pandemic**

#### **Overall Impact**

As with many other countries, the COVID-19 pandemic has threatened the lives of foreigners in Japan. With the closing of many restaurants and izakaya (Japanese-style bars), students who worked part-time lost their source of income. According to a web questionnaire survey on the impact of the pandemic on the part-time jobs of international students, 75.7% of the respondents experienced a negative impact because of the pandemic, and to make matters worse, 28.6% of the respondents lost their part-time jobs (Leverages, 2020).

According to another telephonic interview survey conducted by a scholar at Kyoto University, the number of foreigners whose monthly income is below 20,000 yen has increased more than eightfold (Asato, 2021, p. 13). Generally, the

monthly rent for a single room is two to three times that amount, and the cost of one lunch with vegetables is 1,000 yen. It is easy to imagine that many foreigners have been suffering as a result of the COVID-19 pandemic.

The aforementioned survey regarding foreign part-time workers indicates that the more proficient students are in Japanese, the more likely they are to keep their jobs. The most popular Japanese linguistic test is the Japanese Language Proficiency Test, in which the easiest level is N5 and the most difficult is N1. Among N1 holders, the turnover rate is approximately 24.3%, which is the lowest, whereas among N5 holders, the turnover rate is 40% (Leverages, 2020). It is more difficult for students who have not stayed in Japan for a long time to achieve more advanced linguistic grades. Nepali students, who account for the highest percentage of the South Asian immigrant population, were most affected by this pandemic.

### **One concrete case story**

People have heated discussions about the economic impact because it is a fundamental aspect of human existence. However, the impact is not straightforward and affects people unpredictably. Economic damages, such as unemployment, wage cuts, inflation, and short supply, and non-economic damages, such as quarantine, movement restrictions, and infection tests, affect people simultaneously in a complex manner.

The same conditions apply to foreigners and Japanese citizens. However, foreigners are more vulnerable because of nationality differences. The pandemic has created more obstacles than ever for people to meet friends and attend ceremonial events such as weddings and funerals in their home countries. Even if foreigners wanted to return to their own countries, all pandemic-related restrictions and airfares had increased significantly.

One Nepali professor in the same situation provided the following information in response to the query about how the situation was at that time:

*I have faced economic and non-economic problems during the COVID-19 pandemic. I used to work in a Japanese language school as a part-time worker in Tokyo. After starting the pandemic, international students were not allowed to come*

*to Japan. For that reason, I lost my part-time job because of COVID-19 in February 2020.*

*My beloved grandfather passed away in April 2022. But I could not attend his funeral due to a lengthy procedure and a costly air ticket. The lengthy process means a corona test before going to Nepal and hotel quarantine at the time of entry in Japan. The workplace also did not provide extended leave.*

*I went to Nepal in November 2019 on Air China via Beijing, China. The two-way ticket price was 60,000 Japanese yen. But the Air China flight was canceled, and the average ticket price of other airlines is about 200,000 Japanese yen now. It means the price of plane tickets increased by three times more than before the pandemic.*

*(Interview with a Nepali Professor, on December 13, 2022)*

#### **IV. Structural Background that Affects Foreigners More than the Japanese People**

##### **Japanese Public Assistance**

In Japan, foreigners are generally not covered by public assistance. The Japanese Public Assistance Act [*Seikatsu Hogo Hou*] does not apply to foreigners who are limited by work restrictions. Accordingly, only a limited proportion of foreigners are covered by public assistance. More importantly, workers without permanent residency or any other equivalent qualifications are not assisted. Naturally, foreign students and technical trainees are, by definition, people without permanent residency. To make matters worse, they are the main subjects of employment regulation.

However, during the pandemic, the Japanese national and local governments provided extensive assistance to foreigners. Pandemic-related official support is not normal assistance; it should be discussed from the perspective of emergency assistance. Visa extensions, subsidies for cooperation in accordance with government policy, and emergency loans (with neither interest nor a bondsman) were made available not only for Japanese nationals but also for foreigners.

The Nepali professor mentioned in the previous section knew of a Nepali

restaurant manager who received a subsidy for cooperating with the Tokyo Metropolitan Government policy, in common with Japanese restaurants. Therefore, the discussion on whether foreigners suffer more than the Japanese people will need to be discussed with an emphasis on deeper structural causes.

### **Japanese-specific employment and labor management system**

Following Japan's defeat in the war, Japanese companies worked to develop harmonious systems between their business profits and social welfare <sup>ii)</sup>. For example, even private companies adhere to the common norm that employees are true corporate members, and companies always keep their employees' interests in mind. This custom is known as "lifetime employment [*Shushin Koyo*]." Additionally, Japanese companies frequently use seniority systems and extensive welfare programs. These unique systems have been combined to create a highly equal society in Japan.

It is not easy to fire employees, just as we do not easily cut off body parts or family members. As Professor Katsuhito Iwai (2009, p. 141) mentioned, most Japanese people call their employees "*shain*" (company members), which is a legal term for company owners. Even though Japanese legal systems do not adopt stakeholder management systems such as the codetermination systems in Germany, the Japanese routinely refer to and consider employees as authentic company members.

The typical Japanese working style is teamwork, in which inefficient members have already been discounted. Under "lifetime employment," Japanese companies tend to employ many new graduates at the same time every year. This custom is known as *Shinsotsu-Ikkatsu-Saiyo* (the custom of simultaneously recruiting new graduates) <sup>iii)</sup>. Hiring evaluation criteria include attributes such as the ability to learn from others, blend in with the group immediately, and remain with the organization for a long period. In fact, work allocation is based on teams; therefore, individual job descriptions are not widespread in Japanese companies.

### **Systems that are too unique to adapt to foreigners**

The unique Japanese systems were also applied to foreigners. A job-hunting guidebook for foreign students in Japan published by the Japan Student Services Organization (JASSO) in 2022 lists two main categories of reasons for

hiring international students. The first category includes strategic reasons for diversity and overseas expansion, whereas the second is merely the outcome of routine hiring practices regardless of nationality<sup>iv)</sup>. Many companies lack dedicated recruitment strategies specifically for foreign applicants.

JASSO (2022) encourages foreign students to exercise caution around the totally unfamiliar recruiting practices described below.

*What companies look for in international students is their “Japanese ability” and “communication skills”. Japanese language ability is required in order to explain yourself properly at interviews. (p. 2.)*

*Job hunting activities in Japan are very unique and very different from job hunting in your own country. In order to succeed in job hunting in Japan, it is important to know about the recruitment circumstances in Japan. (p. 4.)*

Japanese hiring practices, which have evolved to fit the country's uniqueness, make it more difficult to hire foreigners. Foreigners who arrive in Japan in their early twenties struggle to find full-time employment unless they have exceptional skills. They are unable to find jobs, mostly because of circumstances unique to Japan and not because of personal faults. Many of them are probably at least as good as young Japanese students if not excellent.

Furthermore, as Professor Kagono (2014, p. 178) noted, the Japanese share a culture of respect for those who have been deeply involved in a group for a long time, such as founders, “*senpai*” (seniors), benefactors regardless of formal membership, and even shareholders. Therefore, regardless of nationality, those with little contact or involvement with companies tend to be the main subjects of employment regulations. Temporary and part-time workers are typical examples of those who have little relationship or involvement with companies. With this custom and the COVID-19 pandemic, many foreign students and foreigners who arrived in Japan in their mid-twenties suffered greatly.

Table II: Employment Situation Gap between Japanese and Foreign Employees  
2021

	Japanese**		Foreigners**		Gap btw. Japanese and Foreigners
	No.	%	No.	%	
Regular employees* (overall)	28,210,870	100%	380,160	100%	
Permanent	23,978,230	85%	201,280	53%	− 32%
Non-Permanent	4,232,640	15%	178,880	47%	32%
Regular employees* (5 years or more)	18,679,590	100%	64,320	100%	
Permanent	16,436,410	88%	42,380	66%	− 22%
Non-Permanent	2,243,180	12%	21,940	34%	22%

\*Regular employees except for part-timers

\*\*Data of companies whose number of employees is 10 and more

Source: Compiled by the Author using data from the Ministry of Health, Labour and Welfare (2022), *2021 Basic Survey on Wage Structure [Reiwa 3 nen Chingin Kouzo Kihon Tokei Chosa]*.

Table II presents the employment situation gap between Japanese and foreign employees based on data from the *Basic Survey on Wage Structure* as of 2021, published by the Japanese Ministry of Health, Labour and Welfare in 2022 v). Among the overall regular employees, 85% of the Japanese are permanent employees, but only 53% of foreigners are permanent employees. Even in the case of those who have been working for five years or more, 34% of them - three times as many as the rate for Japanese workers - are still non-permanent workers. Although the COVID-19 pandemic has affected the Japanese population, foreigners have been more vulnerable.

Table III illustrates the total and the breakdown of foreign residents in Japan by age as of June 2022. These data do not identify whether people came to Japan when they were 23 or younger. However, in all three categories in this table, residents aged 23 to 65 years old comprise the majority, and the percentage remains the same at 74%. Except for those who originally lived in Japan, many foreign residents encountered various hurdles to full-time employment.



Table III: The Total and the Breakdown of Foreign Residents in Japan by Age as of June 2022

		total	age		
			22 or younger	btw 23-65	66 or older
Overall	No.	2,961,969	568,792	2,206,020	187,157
	%	100%	19%	74%	6%
Asia total	No.	2,501,521	478,067	1,862,526	160,928
	%	100%	19%	74%	6%
Nepal	No.	125,798	32,081	93,642	75
	%	100%	26%	74%	0%

Source: Compiled by the Author using data from the Immigration Services Agency of Japan (2022), *Statistics on Foreign Residents in Japan [Zairyu-Gaikokujin-Tokei]* as of June 2022.

Furthermore, the percentage of Nepali immigrants under the age of 22 is 7% higher than both overall and the total for Asia. This implies that Nepali residents tend to plan to move to Japan along with their families. If this is the case, developing a strategy and plan for utilizing Nepali residents in Japan may be as important as focusing on strategies that target those who intend to return to their home countries.

## V. Conclusion

The families of foreign nationals living in Japan are at risk owing to the COVID-19 pandemic. The Japanese government has put a lot of effort into saving foreigners without discrimination. Unfortunately, because of Japanese cultural customs, middle-aged foreigners who arrived in Japan were vulnerable to economic crises. Foreigners who are typically in more difficult circumstances than the Japanese are in a worse situation.

This study focuses primarily on the circumstances of Nepali residents, whose presence in Japanese society is growing. Although the percentage of Nepali residents continues to be lower than that of the Chinese or South Koreans, the Nepali population is already among the top ten population groups, and its number is increasing.

This study also pointed out that there is a structural issue that makes

foreigners vulnerable to economic emergencies regardless of nationality. Conventional Japanese business practices were favorable to Japanese society but unfavorable for foreign residents. Even the Japanese are abandoning such practices because of changes in their values and living conditions. However, the fact that Japanese people profit from traditional customs much more than any other foreigners do remains unchanged.

If Japanese people expect foreigners to work hard in Japan, traditional practices must be modified to adopt globally competitive designs. People work hard not for public well-being but for their own personal goals. If Japanese companies aim to become global leaders like the Japanese companies, they must simultaneously try to integrate globally and make the most of the resources dispersed around the world. Japan must adapt its old practices to create globally competitive and attractive designs for sustainable development.

## **Acknowledgment**

This paper is a further development of a presentation at the third international conference hosted by the Soka University South Asian Research Center in 2022. I appreciate the staff members of the center and the insightful comments and feedback offered by conference participants. I would also like to thank Editage ([www.editage.com](http://www.editage.com)) for the English language editing.

## **Notes**

- i) Historical data of the *Statistics on Foreign Residents in Japan [Zairyu-Gaikokujin-Tokei]* are available at the website of the Immigration Services Agency of Japan, [https://www.moj.go.jp/isa/policies/statistics/toukei\\_ichiran\\_touroku.html](https://www.moj.go.jp/isa/policies/statistics/toukei_ichiran_touroku.html), viewed December 14, 2022. (Japanese)
- ii) As a result of advances in social engineering, Japanese society, including individual organizations, have built a unique and advanced system. The most important trigger event was the defeat in the war. The opportunities presented to each person immediately after the defeat were not the results of previous individual behaviors based on free will but the results of work beyond individual responsibilities. The post war system was created with the aim of eliminating this inequality of opportunity, and the system consequently brought equality of outcome to many Japanese citizens as mentioned in this section. Incidentally, the system became a focus of criticism for various reasons as the times have changed today. Naturally, the policies of the occupying army such as the economic democratization and the situations inside and outside Japan at that time were also main factors.
- iii) Noteworthy is that this unique Japanese system succeeded in lowering the youth unemployment rate even in comparison with stakeholder economies. According to the World Bank (2022), the latest data of youth (15-24 years old labor force) unemployment rates in 2021 are as follows. France is 20.1%, Germany is 6.9%, and Japan is 4.4%. The Japanese youth unemployment rate is lower than other big Asian economies. For example, China is 11.4%, India is 28.3%, Singapore is 9.1%, and the South Korea (Korea, Rep.) is 7.8%.

- iv) In this guidebook, the JASSO quoted a result of the survey published by the Ministry of Economy, Trade, and Industry in 2015 (JASSO, 2022, p. 9). Among 199 sample companies of this survey, the top three reasons for hiring international students and its percentage in 2014 were “They were simply hired because of passing the selection process without regard to nationality (55.8%),” “To stimulate the workplace by increasing diversity within the company (55.8%),” and “To cultivate and expand overseas business in general (44.7%).” (Ernst & Young ShinNihon LLC, 2015, p. 31).
- v) A set of data files of the *2021 Basic Survey on Wage Structure [Reiwa 3 nen Chingin Kouzo Kihon Tokei Chosa]* are available at the website of e-Stat, <https://www.e-stat.go.jp/stat-search/files?page=1&toukei=00450091&tstat=000001011429>, viewed December 20<sup>th</sup>, 2022. (Japanese)

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