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Acceptance of Foreign Workers and Coexistence in an Era of Labor Shortages

**Boosting Potential Growth by 0.4 Percentage Points per Year /
The Key to Coexistence Is Japanese-Language Education**

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Summary

- Labor shortages have become a serious problem for corporations, and the degree of labor scarcity is expected to intensify further across many industries going forward. While measures to address the declining birthrate and to raise productivity through labor-saving investment are necessary, the effects of birthrate policies take time to materialize, and firms may miss opportunities to expand profits under supply constraints, potentially leading to insufficient investment.
- Against this backdrop, foreign workers are expected to play an important role in expanding labor supply. An increase in foreign workers would raise labor input and total factor productivity (TFP) and is estimated to boost Japan's annual potential growth rate by 0.4 percentage points through FY2035.
- At the same time, while the public's acceptance of foreigners tends to improve until the proportion of foreigners reaches a certain level, it may deteriorate if that share becomes excessively high. The analysis also suggests that language barriers reduce acceptance. It is therefore important to adjust the scale of acceptance in line with economic and local community conditions, and to improve Japanese-language proficiency. There is an urgent need to implement introductory programs open to all foreigners that cover Japanese language and everyday living rules, as well as to develop environments that make it easier to learn while working, such as weekend and evening classes and childcare support.