

# How to Prevent the Outflow of Foreign Talents -Attraction and Retention from the Viewpoint of Human Capital-

Yasutaka Saeki

Doctoral Student, Graduate School of Economics, Kwansai Gakuin University

**Key words:** labor mobility, migration as human capital investment, attraction and retention of migrants, student migration, highly skilled migrant, social integration or inclusion

This paper will explore the recent trends of inflow and outflow of foreigners to and from Japanese society, and analyze the determinants of the outflow of foreigners from Japan in comparison with those of their inflow. It will also propose some suggestions as to how Japan can draw some lessons and make recommendations on public policy of national and local governments through the reforms of personnel management of enterprises and the activation of civil societies.

Though many Japanese universities and private corporations have been conducting new strategies for “*internationalization*” and “*globalization*”, the number of foreign residents in Japan has been declining since 2008. This phenomenon can be partly explained by the economic crisis and natural disasters. However, not only these exogenous factors but also the impacts of endogenous factors need to be analyzed.

It is true that effort has been made to attract foreign students and highly skilled labor to Japan through 1) supporting their university/job search, 2) facilitating procedures for status change from student to employees, 3) making procedures for acquiring permanent resident status more transparent and 4) introducing point system for the highly skilled.

However, because several surveys show many of such foreign employees tend to change companies or even leave Japan, the question of how to retain the foreigners who have been studying/working in Japan is gaining their importance although they have not been analyzed in detail yet. In labor economics theory, workers choose labor to maximize utility and the outflow of foreign students and workers indicate that both of attraction and retention is indispensable for enhancing the utility.

As a main theoretical background, the author adopts human capital theory applied to labor mobility by Borjas (2012). According to him, migration is “*human capital investment*”, and people decide to migrate when the expected income in a foreign country outweighs the cost in the home country and the migration costs. In relying on this, the author employs the variables related to this theory, such as unemployment rate and wages, and infers the influence of these variables on emigration and immigration.

In addition, Iguchi and Shu Guang (2003) stress the importance of economic developments and labor market situation in sending and receiving countries. Shiho (2013) points out that people’s migration/emigration decision is influenced both by their hometown’s economic and social condition.

The author creates some data sets from emigration, immigration and resident statistics of foreigners in Japan as well as economic and social statistics of Asian Pacific countries for almost ten countries that have sent international students or highly skilled labor to Japan, and employs these statistics as independent variables. The author employs ordinary least-squares (OLS) to measure the impact of the independent variables on the emigration/immigration (dependent variables).

Besides statistical data, there are various immeasurable factors that influence people's decisions about migration and emigration, such as personal relationship and community bonds. The author understands the limitation of the multiple econometric approach, such as omitted variable bias. Therefore, the author is conducting qualitative research about the local municipalities' initiatives for social integration or inclusions and their impacts.

This paper also tries to make comparison between migration movements before and after the world economic crisis in 2008 together with the Great East Japan Earthquake in 2011. Uchida et al. (2011) pointed out that the disaster's impact on the mentality and behavior of Japanese younger generation. After the earthquake disaster, youth's priority of relationship with others substantially increased, and their interests in volunteer activities have been rapidly developed. However, the research on the impact of the disaster on the foreigners' mentality and behavior has not been adequate. Thus, the author has investigated the influence of economic crisis and natural disaster on the immigration/emigration, and how personal relationship and community bonds could influence on foreigner's decisions in the crisis.

In conclusion, Japan needs to put itself into perspective and consider the social inclusion/integration of foreigners as an important dimension of the overall revitalization, in particular, for local cities in facing the declining birth rate and a growing proportion of elderly people. Though the efforts to enhance the attractiveness for foreigners have been steadily increasing, there remains room for further discussion of the determinants of the retention of foreigners that will be the hope of the aging Japanese society.

### **Selected References:**

Borjas, G. J. (2008). *Labor Economics* (6<sup>th</sup> ed.). New York, NY: McGraw Hill

Iguchi, Y. & Shu Guang (2003). 高度人材の国際移動の決定要因:日中間の留学生移動を中心に[Determinants of international migration of skilled labor: Migration of international students between Japan and China]. *Kwansei Gakuin University Economics Discussion Paper*, 57(3). 101-121.

Organisation for Economic Development and Cooperation. (2012). *International Migration Outlook*. <http://www.oecd.org/migration/mig/internationalmigrationoutlook2012.htm>

Shiho, K. (2013). 中国人留学生の日本での就職意欲と彼らの出身地域の関係[ Chinese Students and their intention to work in Japan after completion of studies: The effect of their home region's economic circumstances]. *Kwansei Gakuin School of International Studies Research Forum*, 2 (1). 57-69.