



COVID-19 Pandemic's Impact on Japan's Food Industry

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ABSTRACT

Japan's food industry relies on foreigners in two ways. First, foreign tourists' demands for Japanese foods have been increasing. Second, Japan's new policy for accepting foreign workers is mitigating the labor shortage in the food industry. However, COVID-19 caused a suspension of cross-border movements and made the international community more aware of the possible emergence of new viruses. Thus, restrictions on cross-border movements will continue even after the eradication of COVID-19. Therefore, Japan's food industry must find a new strategy for stimulating food demands and mitigating labor shortage.

Keywords: inbound tourism, labor shortage, Tokyo Olympic Games, technical intern trainee, specified skilled worker, disguised student

INTRODUCTION

For years, Japan's food industry has suffered two major problems. First, there is a weakening demand for food due to the declining population. Second, reflecting the changing work ethic among Japanese employees, it is more difficult to maintain a sufficient number of physical workers for 3D (dirty, dangerous, and demanding/demeaning) jobs, such as dishwashing, farming, and food processing.

Simultaneously, before the outbreak of COVID-19, there was considerable hope that two types of foreigners may rescue the Japanese food industry from these difficulties. First, foreign visitors who demonstrate a strong demand for Japanese foods. Second, foreign physical laborers who seek jobs in Japan. Since the Tokyo Olympic Games were scheduled to take place in 2020 and new schemes for accepting foreign physical laborers were implemented in recent years, there were expectations that 2020 would be a good year for the Japanese food industry, owing to an inflow of a large number of the abovementioned types of foreigners.

Unfortunately, the outbreak of COVID-19 shattered these hopes. Additionally, to reduce the risk of COVID-19 infection, consumers became cautious about eating out together (sometimes the government enforced restrictions on restaurants and bar operations). This study reviews the impacts of the COVID-19 pandemic on the Japanese food industry.

FOREIGN TOURISTS AND THE IMPACT ON THE FOOD INDUSTRY

Japan has struggled with prolonged economic stagnation since the early 1990s. Previously, the manufacturing sector led the Japanese economy. However, since the 1990s, newly industrialized countries in Asia, such as China and Korea, gradually decreased the international competitive power of

Japan's manufacturing sector. Thus, discovering and developing a new leading industry has been a long-standing problem in Japan.

In January 2006, Jun-ichiro Koizumi, the prime minister of Japan (2001–2006), who was known as a radical reformer, presented his view that tourism for foreigners would be Japan's new leading industry¹. Based on this view, he initiated a national campaign, called "Visit Japan," aimed at attracting foreign tourists to Japan. This campaign has succeeded and has been scaled up by successive government administrations.

Table 1. Foreign Tourists entering Japan

Year	Visitor Arrivals (thousand)	Change (%)	Year	Visitor Arrivals (thousand)	Change (%)
1990	3,236	14.1	2005	6,728	9.6
1991	3,533	9.2	2006	7,334	9.0
1992	3,582	1.4	2007	8,347	13.8
1993	3,410	-4.8	2008	8,351	0.0
1994	3,468	1.7	2009	6,790	-18.7
1995	3,345	-3.5	2010	8,611	26.8
1996	3,837	14.7	2011	6,219	-27.8
1997	4,218	9.9	2012	8,358	34.4
1998	4,106	-2.7	2013	10,364	24.0
1999	4,438	8.1	2014	13,413	29.4
2000	4,757	7.2	2015	19,737	47.1
2001	4,772	0.3	2016	24,040	21.8
2002	5,239	9.8	2017	28,691	19.3
2003	5,212	-0.5	2018	31,192	8.7
2004	6,138	17.8	2019	31,882	2.2

Source: Ministry of Justice

In 2008, the Japanese government set a long-term goal of having 20 million foreign visitors by 2020. At the time, this goal appeared ambitious. However, foreign tourists increased at a surprisingly high rate, and as a result, this goal was achieved in 2016 (Table 1)². Subsequently, the government set a new goal to 40 million visitors by 2020³.

Foreign tourists demonstrate strong demands for Japanese foods. According to a Japan Travel Online Community survey, "enjoying Japanese foods" is foreign tourists' strongest motivation for visiting Japan⁴. In addition, the Tokyo Olympic Games were expected to be the prime opportunity for accelerating the inflow of tourists. Thus, the COVID-19 pandemic was detrimental to the optimistic view of Japan's food industry for 2020.

FOREIGN WORKERS AND THE IMPACT ON THE FOOD INDUSTRY

Reflecting the changing working ethic among Japanese workers, physically demanding jobs such as farming, food processing, and dishwashing have suffered labor shortages in recent years. Thus, managers in these workplaces have hired low-wage physical laborers from countries such as Indonesia

¹ Then-Prime Minister Junichiro Koizumi established a taskforce, called *Kanko Rikkoku Kondankai*, to extend the government's commitment toward the tourism nation on January 14, 2003.

² As can be seen in Table 1, the number of incoming foreigners dropped twice: (1) in 2009 because of the global financial crisis and (2) in 2011 because of the Fukushima Nuclear Power Plant accident.

³ The government presented this new goal at the press remark on March 30, 2016 (downloadable at <https://www.mlit.go.jp/common/001126601.pdf>)

⁴ Details of the survey are downloadable at <https://action.jnto.go.jp/library/1159>. Japan Travel Online Community is the Japanese government's agent for supporting tourism in Japan.

and Vietnam. However, the Japanese government has held the principle that unskilled foreign laborers (including physical laborers) should not be allowed to work in Japan⁵. This principle reflects Japanese citizens' anxiety that foreign laborers may deprive local workers of job opportunities and disturb the community's social order. Nonetheless, Japan has accepted unskilled foreign laborers. For example, the government allows foreigners to perform physical labor as "technical intern trainees" under a certain stipulated condition⁶.

Individuals who want to come to Japan as technical intern trainees must register at specific agencies called "sending organizations" in their original countries. Workplaces in Japan that accept technical intern trainees are called "implementing organizations." Before coming to Japan, each foreigner must prepare a technical intern training plan about the type of job at a specified implementing organization. If the plan is approved by the Japanese government, the individual receives a visa with a status of Technical Intern Training (TIT). This visa status should be given only once in an individual's lifetime. In principle, a person is not allowed to change this plan when entering Japan (If the Japanese government finds a person's actual situation is different from the initial TIT plan, the person is forced to return to his/her home country). Until 2017, the upper limit of the TIT term was three years. In 2017, the government extended the upper limit to five years. However, many employers find that five years is too short for a stable employer-employee relationship. In addition, this extension did not benefit Japanese employers who need seasonal foreign laborers⁷.

In 2018, the government made a historic decision on its immigration control policy by establishing a new category, called "Specified Skilled Worker (SSW)," for the list of the Status of Residence⁸. Hence, the government reduced barriers of entry for unskilled foreign laborers. Two SSW types exist: SSW Type 1 and Type 2. The government nominated 14 industrial fields within which foreigners are permitted to apply for SSW Type 1: agriculture, caregiving, restaurant, construction, building cleaning, food processing, hotel, foundry, shipbuilding, fishery, industrial machinery assembling, automobile maintenance, electronic device assembling, and aviation related services. Foreigners can obtain SSW Type 1 visa status in two ways. The first is an automatic transition from TIT upon completion of either a 3-year or 5-year "training" period, which means that the skill level of SSW Type 1 is the same as TIT. The second is to appear for an examination whereby foreigners are tested on their Japanese language proficiency and working skills (the contents and levels differ according to the 14 fields).

Unlike technical intern trainees, specified skilled workers enter directly into employment contracts with employers and have the freedom of changing workplaces within the same industry. Holders of SSW Type 1 visas can remain in Japan for up to 60 months. Unlike TITs, the SSW visa status does not expire even if the SSWs return to their countries of origin.

SSW Type 1 visa holders are qualified to appear for a skill's level examination to upgrade their status to SSW Type 2. SSW Type 1 and Type 2 differ by living conditions in two ways: staying period and family members. For the staying period, the status of SSW Type 2 is renewable and there is no limitation to the number of renewal times. For family members, SSW Type 2 visa holders are allowed to bring family members to Japan, while SSW Type 1 visa holders are not. However, the government announced that SSW Type 2 should be applied only for construction and shipbuilding workers; therefore, the food industry is not allowed to accept foreigners with SSW Type 2 visa status.

The Japanese government first announced its plan to establish SSW visas on July 5, 2018 in a draft on "Basic Policies for the Economic and Fiscal Management and Reform." This announcement heralded the government's significant progress toward inviting foreigners as permanent laborers at

⁵ The Japanese government has been cautious about foreign laborers by repeatedly referencing the Ninth Basic Plan for Employment Measures announced as a cabinet decision in 1999. The plan distinguishes between skilled and unskilled foreign laborers. In principle, the Japanese government does not accept unskilled foreign laborers without strong regulatory scrutiny but treats skilled laborers as human resources useful to the Japanese society.

⁶ For the history and details of Japan's technical intern trainee system, see Yoshihisa Godo and Lim Tai Wei, "Trainee Schemes in Japan: Utilizing Unskilled Foreign Workers in Japan Under Training Schemes," *EAI Background Brief* (National University of Singapore) No. 1232, 2017.

⁷ For seasonal laborers, the training period is shorter than one year. Immediately after training, technical intern trainees must return to their mother countries and are not allowed to apply for the TIT visa again during their lifetime.

⁸ For details on Japan's new immigration policy, see Yoshihisa Godo, "Japan's New Policy on Foreign Laborers and its Impact on the Agricultural Industry," *FFTC Agricultural Policy Database* (Food & Fertilizer Technology Center for the Asian and Pacific Region) November 22, 2019.

labor-intensive workplaces. The government submitted a bill to amend the Immigration Control and Refugee Recognition Act (ICRRA) to create SSW visa status on November 2, 2018, and it was passed by the Diet on November 27, 2018. The amended ICRRA became effective on April 1, 2019. According to the government's announcement on November 28, 2018, the total number of SSW Type 1 visa holders from April 1, 2019 to March 31, 2024 (fiscal years 2019–2023) should total 345,150: 36,500 for agriculture; 60,000 for caregiving; 53,000 for restaurants; 40,000 for construction; 37,000 for building cleaning; 34,000 for food processing; 22,000 for hotels; 21,500 for foundry; 13,000 for shipbuilding; 9,000 for fisheries; 5,250 for industrial machinery assembling; 7,000 for automobile maintenance; 4,700 for electronic device assembling; and 2,200 for aviation related services. By aggregating agriculture, restaurants, food processing, and fisheries, the total number of SSWs visa holders in the food business is 128,750.

FOREIGN STUDENTS AND PART-TIME WORKERS

The Japanese government permits “student” visa holders to engage in part-time work alongside their studies. However, they cannot work more than 28 hours per week. As far as this 28-hour rule is observed, foreign students can work in any job type. The food service industry and food processing factories are popular job placements for those working under the 28-hour rule, especially as many foreign workers do not mind late evening and early morning hours, when Japanese citizens do not prefer to work. Hence, foreign students have become an indispensable labor force. For example, nearly 10% of part-time workers at Lawson Japan, one of the top convenience store chains, are foreign students⁹.

A major problem is that many foreigners come to Japan on a student visa for earning money rather than studying. Since it is difficult for the Japanese government to investigate working practices, these “disguised students” easily escape the 28-hour rule, but often work in inhuman conditions.

Officially, the Japanese government has a policy that student visas should be issued only when applicants have sufficient financial resources. If this policy was strictly observed, disguised students would not come to Japan. However, “intermediaries” assist young laborers in developing countries to come to Japan as disguised students. A typical intermediaries pattern of activities is as follows¹⁰.

Intermediaries attract young people by making false promises such as the following: “You will be rich by working and living under comfortable conditions. In addition, by going to school, you will get an opportunity to enter Japanese universities. After graduation from a university, you will be employed as a permanent high-skilled worker in Japan.”

These intermediaries collect large commission fees, which are often paid by young people using money borrowed from friends and relatives. Dishonest intermediaries send youngsters to poor-quality language schools, where Japanese language training is provided for foreigners who have completed the secondary education level in their mother countries. Unlike ordinary tertiary level schools, such as universities and colleges, the Japanese government does not require a high-level of Japanese language proficiency before coming to Japan. As of November 1, 2017, the total number of Japanese language schools was 2,109, and 239,597 foreigners were enrolled in such schools¹¹.

When issuing student visas, the Japanese government requires foreigners to submit certificates that prove they have the financial means to study in Japan without spending excessive time working part-time jobs. However, this rule is ineffective, because exploitative intermediaries can easily prepare fake certificates to demonstrate adequate financial resources.

In principle, the term for a student visa for a person at a Japanese language school should be two years or shorter. However, as mentioned earlier, if a student passes an entrance examination for a tertiary-level school, the student visa can be renewed to study at a tertiary-level school.

Theoretically, it is difficult for disguised students, who spend most of their time working, to pass these entrance examinations. However, in practice it is common for tertiary-level schools to accept foreign students from Japanese language schools, even if their academic record and language level is

⁹ “Rouson Ichiman Gosen-nin no Gaikokujin ga Nihon-jin wo Koeru Hi (Foreigners will be a majority of part-time workers at Lawson),” *The Daily Industrial News*, January 10, 2019.

¹⁰ Yasuhiro Idei, an independent nonfiction writer, conducts deep case studies on disguised students and intermediaries. For example, see Yasuhiro Idei, *Imin Kurais Giso Ryugakusei* (Tragedies of Disguised Students in Japan), Tokyo: Kadokawa, 2019.

¹¹ The data are from the Agency of Cultural Affairs, Government of Japan.

insufficient, to obtain revenues from tuition fees. This is driven by a steady decrease in the number of Japanese students (most Japanese children complete their secondary-level education at the age of 18), which results in tertiary-level schools in Japan regularly experiencing severe financial distress.

Tokyo University of Social Welfare presents a typical example of this. From April 2016 to March 2019, the university accepted 12,000 foreigner students, mainly from Japanese language schools. Among this number, 178 were expelled, 700 dropped out, and 1,680 disappeared. This poor performance was revealed in March 2019 as a result of the government's special investigation into the university.

The disguised student problem, such as the case of Tokyo University of Social Welfare, occasionally appears in Japanese mass media. On these occasions, the Japanese government appears to tighten controls over disguised students by issuing an announcement that student visas should be used properly. However, recognizing disguised students are necessary for the proper functioning of 3D businesses, the government is reluctant to change its approach to the disguised student problem. As a result, many schools in Japan continue to accept disguised students.

COVID-19 IN JAPAN

The first case of COVID-19 in Japan was detected on January 15, 2020. A person who had stayed in Wuhan from January 3rd to 6th showed symptoms of COVID-19. On January 27, 2020, the government designated COVID-19 as a "Designated Infectious Disease," and patients were forced into quarantine. On February 1, 2020, the government prohibited people who had been in Wuhan in the last two weeks from entering Japan. Since then, the immigration prohibition gradually extended to other regions and countries. The number of countries from which Japan prohibited immigration reached 129 on July 3, 2020, meaning that Japan refused entrance from most countries in the world. On March 30, 2020, the International Olympic Committee determined that the Tokyo Olympic Games should be postponed until 2021.

As a result, the total number of foreign tourists for 2020 declined to 4.1 million¹². The government estimates that this decline reduced Japan's GDP by 0.8 %¹³.

In addition, the spread of COVID-19 disturbed economic conditions of Japanese workplaces and foreign laborers to the extent that many foreigners' immigration plans were canceled. Many employers were disappointed that foreign laborers did not come to Japan.

Individuals with TIT, SSW, and student visas are permitted to come to Japan as exceptional cases of the prohibition. However, after entering Japan, they must stay quarantine for two weeks.

People who entered Japan before the outbreak of COVID-19 faced difficulties. Many lost jobs because of the economic turmoil caused by the pandemic. It became difficult for foreigners to return to their mother countries due to the suspension of international flights and government immigration regulations. Thus, many foreign laborers became desperate.

The Japanese government exhibited flexible treatment for foreign laborers who lost jobs and/or found returning to their mother countries difficult, even after their visa status expired. Specifically, the government allowed these individuals to extend their visa statuses and/or allowed them to work even if that was not the plan when they entered Japan.

The spread of COVID-19 in Japan was slower than in Europe and North America. For example, as of June 3, 2020, Japan's death rate for COVID-19 was 7 persons per million. Nonetheless, the spread of COVID-19 shook the Japanese society. On February 27, 2020, then Prime Minister Shinzo Abe, called for an emergency school closure nationwide. On March 13, 2020, the bill for the amendment of the Act on Special Countermeasures against New-Type Flu and Other Novel Infections passed the Diet. This amended act enabled the government to issue a state-of-emergency declaration, whereby the government asked citizens to suspend designated activities, such as parties and adult entertainment.

On April 7, 2020, the government announced a state-of-emergency declaration for Tokyo, Kanagawa, Chiba, Saitama, Osaka, Hyogo, and Fukuoka. This was extended to the entire country on April 16, 2020. The government requested that citizens reduce immediate contact with non-family

¹² Japan National Tourism Organization announced its estimate on the total number of foreign tourists on January 20, 2021. The details are downloadable at https://www.jnto.go.jp/jpn/statistics/data_info_listing/pdf/210120_monthly.pdf.

¹³ The Ministry of Economy, Trade and Industry presented this estimate at the press remark on August 4, 2020 (downloadable at https://www.meti.go.jp/statistics/toppage/report/minikaisetsu/hitokoto_kako/20200804hitokoto.html).

members by 80% until the state-of-emergency was lifted.

In retrospect, mid-April was the peak of the first wave of the spread of COVID-19, with the newly infected rate at approximately 500 individuals per day. On May 14, 2020, the state-of-emergency was lifted, except for Hokkaido, Tokyo, Kanagawa, Chiba, Saitama, Osaka, and Hyogo. On May 23, 2020, the state-of-emergency was lifted for these areas. The second and third waves of the spread of COVID-19 started in early July and early October, respectively. While the number of the newly infected per day exceeded 2,000 (as of November 23, 2020), the government has not reissued a state-of-emergency declaration. Instead, the government has instructed citizens to have self-imposed control to protect themselves from COVID-19, such as social distancing, wearing masks, refraining from meeting in large numbers, and sterilizing and sanitizing with alcohol.

Obviously, the Japanese economy has been lagging since the outbreak of COVID-19. Even in February, when the infection of COVID-19 was quite limited, citizens were nervous, and many social places, such as theaters, stadiums, and libraries, were closed. On August 17, 2020, the Japanese government reported that the GDP for the second quarter of 2020 decreased 27.8% from the previous year, which was the biggest reduction in the post-Pacific War period. In particular, the food service industry, including restaurants and bars, suffered. According to the Japan Foodservice Association, which is Japan's biggest association for companies in the food service businesses, the total sales of member companies declined by 40% in April and 32% in May¹⁴.

JAPAN'S ECONOMIC POLICY UNDER THE COVID-19 PANDEMIC

Even after the cancelation of a state-of-emergency declaration, the Japanese government continued to control the spread of COVID-19. The government presented guidelines on business hours for shops and restaurants and the maximum number of people for theaters, restaurants, and stadiums. These restraints have hindered economic activities. Thus, the government has launched various economic programs for mitigating the economic damage. On April 7, 2020, the government announced its emergency compensation plan for medium- and small-size enterprises, whereby those who suffered a massive loss after the outbreak of COVID-19 may receive up to 2 million yen. On April 16, 2020, the government decided to provide emergent subsidy of 100,000 yen to each family. In August, the government started a large subsidy programs for promoting heavily damaged businesses such as food services and tourism.

CONCLUSION

Regarding the impact of COVID-19 on the food industry, distinguishing between short-term and long-term effects is important. The short-term effect is reduced consumption, which is particularly serious for restaurants and drinking places.

While a vaccine for the COVID-19 virus is awaited, even after its eradication, strict quarantine will remain as the long-term effect of COVID-19. There is a theory that environmental destruction, which is globally accelerated through human economic activities, will increase the possibilities of new emerging virus types¹⁵. The COVID-19 pandemic has increased the credibility of this theory. Now, the international society has become more cautious about the liberalization of cross-border movements of laborers and tourists, because these movements increase the risk of new infectious diseases. Previously, the Japanese food industry expected foreign tourists' strong demand for Japanese foods to bolster the industry. Additionally, a significant inflow of foreign workers could relieve the labor shortages at workplaces such as farms, food processing companies, and restaurants. However, the food industry will now need to find alternative solutions.

REFERENCE

¹⁴ According to the government's press remark on February 5, 2021, the total export of foods and agricultural products increased from 912.1 billion yen in 2019 to 922.3 billion yen in 2020 (<https://www.maff.go.jp/j/press/shokusan/service/210205.html>). This 10.2 billion yen increase is too small to stimulate the Japanese food and agricultural sector overall. Japan's agricultural GDP for 2019 is estimated as 4.7 trillion yen (<https://www.maff.go.jp/j/tokei/sihyo/data/01.html>).

¹⁵ For example, see Giordano Paolo, *How Contagion Works: Science, Awareness and Community in Times of Global Crises - The short essay that helped change the Covid-19 debate*, Weidenfeld & Nicolson, 2020.

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