



Digital Bridge: Positioning Pakistan as Japan's IT Partner

By Sharjeel Siddiqui

SYNOPSIS

For nearly two decades, Japan has been facing a severe demographic decline. The persisting impacts of COVID-19, along with the record low birth rate, have led to a severe worker shortage across various economic sectors, including the IT sector. This grants Pakistan a significant opportunity. The country's growing IT sector and demographic advantage in the form of skilled labour surplus can fulfil Japan's labour shortage.

COMMENTARY

Japan has a significant presence in the global IT market. Japan's IT market is valued at \$324 billion in 2023 and is projected to reach \$470 billion by 2028. However, the country's growth in the sector is hampered by a growing labour crisis. The COVID-19 pandemic worsened the already steep demographic decline in Japan. This grants Pakistan a significant opportunity. The country's growing IT sector and demographic advantage in the form of skilled labour surplus can fulfil Japan's labour shortage.

JAPAN'S WORKER SHORTAGE

Japan has been in the midst of a severe demographic decline for nearly two decades. The record low birth rate has led to net population loss, resulting in a widespread worker shortage across all economic sectors, including the IT sector. The country witnesses a shortage of [220,000](#) IT workers currently, which is projected to reach 3.26 million workers by 2040. Japan acknowledges this as a matter of serious concern, and it has already introduced policies to attract foreign workers having expertise in IT. India has already taken some steps to benefit from this opportunity. Both countries have signed an [Action Plan](#) this year under which 500,000 Indian workers will move to Japan over the next five years.

Pakistan has more than [300,000 IT professionals](#) presently, and it produces more than 20,000 IT engineers every year. While the country's current unemployment rate stands at [6.3%](#). In this regard, Japan's labour demand in the IT sector provides Pakistan with an opportunity to fill the shortage gap. In Japan, professionals with technical expertise

earn more than [12.5 million yen](#) on an annual basis. Thus, sending Pakistani IT professionals to Japan would contribute to a greater inflow of remittances to Pakistan. Moreover, it would lead to the growth of a skilled Pakistani diaspora in Japan, which is currently dominated by unskilled professionals or auto traders.

PAKISTAN'S CAPABILITIES

Japan also realises Pakistan's potentials in IT sector. Japan International Cooperation Agency (JICA) recognised Pakistan as the "[next ICT powerhouse](#)" and a good partner for Japanese IT companies. The JICA report recognised Pakistan's growing skilled demographic dividend and a thriving ICT market. It also highlighted the fact that Pakistan has the highest software export growth rate in South Asia at 19.5%, more than double that of India. This report was further substantiated by the "[IT Skills Survey 2021](#)" conducted by the International Development Center of Japan, which also noted that the skill level of Pakistani engineers is high.

JAPAN'S IMMIGRATION PATHWAYS

Japan has several pathways to facilitate the entry of foreign talent into its economic sector. The Highly Skilled Professional (HSP) Visa, with some eligibility criteria, is the primary route for the majority of foreign workers to join Japan's markets. Additional points can be gained for the HSP application by acquiring certifications such as the PhilNITS IT Passport Exam. The HSP Visa Scheme is also beneficial because it not only provides a faster route to Japanese permanent residency but also allows foreign workers to bring their families along with them.

Another visa scheme that can be used by foreign software engineers and IT professionals is Gijinkoku or the Engineer/Specialist in Humanities/International Services. It has the same basic educational and work requirements as the HSP Visa. One of the attractions of this scheme is that it does not differentiate in salaries between foreign workers and Japanese employees.

However, the poor state of Pakistan's human capital development is an impediment. The government must overcome this by establishing initiatives to provide its citizens with credentials of internationally recognised standards. Prospective workers can acquire a range of certifications which would improve their chances such as the Microsoft Azure certifications. An additional measure in this regard can be to align the skill standards for Pakistani IT professionals with those set by Japan's Ministry of Economy, Trade and Industry.

CHALLENGES

Pakistan's increased access to the Japanese market is dependent on the government taking certain practical measures to improve the skillset of Pakistani IT professionals. One of the core constraints for Pakistanis is their inability to speak Japanese. Many technical positions in Japan require the Japanese Language Proficiency Test (JPLT) N2 or higher. While some companies may conditionally accept N3 level but it is conditional

on higher technical expertise or work experience. Thus, Pakistan must initiate learning initiatives aimed at achieving JLPT N2 & N1 certifications for IT graduates. Whilst Pakistan already has numerous institutions offering courses for the Japanese language, such as the Department of Japanese in the National University of Modern Languages (NUML), more work can be done to improve Japanese literacy in Pakistan.

RECOMMENDATIONS

Pakistan-Japan labour cooperation is not a novel idea. In 2019, the two countries signed an MoU to give access to Pakistani specialists access to Japan's industry. The Specified Skilled Worker (SSW) addresses labour shortages in 14 fields across various sectors. These include fields such as manufacturing, construction, accommodation and agriculture. Although this program does not include the IT sector but it could be made part of it in future.

In this regard, Pakistan should work to amend the SSW framework to include cooperation in the IT sector. The aim of this endeavour would be to provide Pakistani IT graduates with easier access to the Japanese market. Moreover, Pakistan should also work to send its IT companies to Japan. This could be accomplished with the aid of the Japan External Trade Organisation (JETRO), which works to aid foreign companies in accessing Japanese markets.

CONCLUSION

Japan's growing IT sector provides an excellent opportunity for Pakistan. It gives the chance to deal with its domestic employment shortage and stabilise its economy through increased remittances. This would also help Japan meet its worker demand while at the same time help diversify its labour supply.