

New pressures for economic restructuring as

# Japan's jobless rate hits record high

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Official statistics released last week show that the seasonally adjusted unemployment rate in Japan reached a new record high of 4.9 percent in June. Yet, despite growing signs of social distress there are mounting pressures, both at home and abroad, for further restructuring of the country's stagnant economy.

The latest jobless figure is up from 4.6 percent in May and is above the previous peak of 4.8 percent established in March and April. Among men, the unemployment rate is a new record of 5.1 percent, and for women it is 4.4 percent. The hardest hit were men in the age brackets 25-34 and 55-64. They recorded rates of 5.4 percent and 7.2 percent respectively.

These figures may appear low in comparison with many other countries. In Japan, however, official statistics vastly underestimate the actual level of unemployment: anyone who works more than one hour in the last week of a month is regarded as having a job. Some commentators say that the actual level of joblessness in Japan is closer to twice the official rate.

The overall number of unemployed improved in June by 50,000 to 3.29 million. This was due to the large numbers of people dropping out of the workforce, which declined by 130,000. In some sectors of the economy, the number of workers contracted sharply: company employees by 210,000; the manufacturing sector by 90,000 workers; and service industries by 100,000 employees.

The statistics also point to a breakdown of the "lifelong employment system" under which many employees, particularly in larger corporations, were guaranteed a job, steady promotion and other benefits. In June, the number of workers who were forced to leave their jobs due to company bankruptcies or restructuring hit a new high of 1.18 million—up from 1.15 million in April.

After the spectacular collapse of the stock and property boom at the end of the 1980s and nearly a decade of low or negative growth rates, many corporations are being compelled by low profits to undermine the lifelong employment schemes. An article in last weekend's *Sunday Times* entitled "Japanese firms rewrite rules of employment" noted: "The methods used to get workers to leave the company of their own accord often border on harassment. Unwanted employees are deprived of job title, desk and dignity—Japan's docile 'house unions' accept such abuses."

The article cited the case of the Sega Corporation. It has a number of special windowless, phoneless rooms at its head office. "Workers were sent to this room—officially called the 'persona room,' but known to employees as the 'company jail'—when Sega had no further need for them and wanted them to quit, according to Mr Sakai, a 35-year-old quality controller. A week or two idling in the room were enough to persuade most people to accept 'voluntary' retirement. However, Mr

Sakai endured three months of 'solitary,' as he calls it, until Sega finally fired him in March for 'insufficient work ability'."

A government-sponsored fast-track deregulation committee set up in January to oversee the economic reforms announced last week that promoting "labour flexibility" would be one of its main focuses this year. The committee of 14 academics and corporate representatives is charged with making restructuring recommendations to the government of Prime Minister Keizo Obuchi, based on requests made by business groups and foreign governments. Japan has been under considerable pressure, particularly from the US, to remove existing trade and foreign investment barriers.

Rising unemployment and job insecurity are creating sharp social tensions. Many middle-aged people are suddenly finding themselves out of work in a country with very little in the way of unemployment benefits, and without the prospect of finding a new job. For those in work, average wages are also on the decline—the latest statistics showed a year-on-year fall of 4.4 percent, as well as a 9.3 percent, drop in bonus payments as companies sought to cut costs.

A survey by the *Yomiuri Shimbun* newspaper in mid-July revealed that 69 percent of people felt under stress recently, always or occasionally—up 7 percent from a similar poll in August 1996. Of those who experienced stress, 59 percent said it was related to work, citing heavy workloads, fatigue, concern over the future of the company or work responsibilities. Other people said they were affected by uncertainties over their future or finding a purpose in life; their health or that of their family; the raising and education of their children; and housing.

The growing social pressures are expressed in the latest police figures. They reveal that 32,863 people committed suicide in Japan during 1998. This is both the largest number and the highest rate since records began in 1947. Comparable figures are not yet available for most other industrialised countries, but even in 1997, the suicide rate in Japan was 19.3 per 100,000—nearly double that of the US at 11.1 per 100,000. Among certain age groups, the increases in 1998 are staggering: a rise of 44.6 percent in suicides for men aged 40 to 59, and some 40 percent for men in their 20s.

An article last month in the *New York Times* entitled "In Japan, Mired in Recession, Suicides Soar" related the increases directly to growing job losses and insecurity as a result of restructuring. Atsuhhi Murayama, the managing director in charge of personnel at the Matsushita Electric Industrial Company, said his company had tried to avoid layoffs but was under pressure from foreign investors and analysts. "Yes, we have to be competitive with global companies, but seniority pay emphasises security. We have to adapt to the free-style competition but also take consideration of the Japanese social situation."

Many older men who lose their jobs are unable to find new employment. A recent Labour Ministry survey of 13,000 businesses with more than five employees found that only 34 percent were planning to hire new employees over the next three years. Of those, only 17 percent indicated that they would be prepared to hire people over 50. According to the Bureau of Employment Security, unemployed white-collar workers in their 50s who manage to find jobs receive on average an income of just 60 percent of what they were previously making.

Many younger men are unable to start a career. Yukkiko Nishihara, who runs a suicide prevention line in Osaka and Tokyo, told the *New York Times*: “Even if you graduate from the best university, you cannot always find a job. Young people are feeling very hopeless about their future.”

Perhaps the most shocking statistic is the 53 percent increase in suicides in 1998 among children and teenagers aged between 10 and 19. The figure reveals a profound alienation among young people. Uncertainty about their own future, social and economic pressures on families, as well as broader concerns about the state of the world are undoubtedly factors in producing intense frustrations and depression.

Another insight into the turmoil among children and teenagers was provided by an article in *AsiaWeek* in April entitled “Chaos in the Classroom: What has got into Japanese schoolchildren?” It dealt with a new phenomenon in Japanese schools known as *gakkyu hokai*, or classroom collapse.

“In many grade schools these days, anarchy rules,” writes Murakami Mutsuko. “Groups of children walk out abruptly in the middle of class. Some don't even bother to enter the classroom and instead hang around in the corridor. Others continue to talk after lessons begin. Often the chatter is so loud teachers cannot make themselves heard. Many students read comics or play cards, turning toward the blackboard only when summoned by name. Entire classes boycott lessons. Some children verbally abuse their teachers. A few beat them up.”

Little is offered in the way of explanation. The most perceptive remarks are made by Ryu Miri, the author of a book about a Kobe teenager who sent shockwaves through Japan two years ago when he decapitated a fellow student and left his head outside a local school. The article notes: “The problem, Ryu feels, is a society that does not value children as they are. Instead, acceptance and approval are too often based on good grades. But there are only so many prodigies. What about the rest?”

Rising unemployment and greater job insecurity, compounded by a lack of welfare and other public services such as health care and housing, create substantial pressures on individuals and families, which find their reflections among young people. The economic stagnation that has afflicted Japan throughout the 1990s has undoubtedly had a profound social and political impact—the rising suicide rates are one of the sharper indications of a broader social malaise.

As in other countries, the Japanese government has no solution to these problems. Under considerable pressure from the US and the major European powers, it is moving towards further restructuring, particularly of the heavily indebted banking and financial sectors. This includes the removal of barriers to foreign competitors, both in goods and services, an end to the life-long employment system, and the abolition of subsidies for services to rural areas. Such measures will only intensify the social breakup.

A special report entitled “Empty Isles Are Signs Japan's Sun Might

Dim” in the *New York Times* last weekend pinpoints those aspects of the Japanese economy regarded, in the US in particular, as obstacles to more dynamic investment and profit making.

“After a dazzling century in which Japan emerged on the globe first as a feared military power and then as a formidable economic one, its influence may be on the wane.

“The real problem is not the economic crisis that dominates the headlines, but a pair of intertwined long-run concerns: the workforce is shrinking fast, and Japan undermines its economy's productivity by squandering money on life support for moribund industries and backward regions.

“In the next few decades, unless Japan somehow manages to arrest current trends, it may find that its share of global economic output has shrunk considerably.”

In a tone bordering on disbelief, if not derision, the article describes in detail the services provided to the small island of Akashima, in southern Japan, with its population of just four people: a \$2.5 million project to build a new pier, a \$490,000 subsidy for a ferry service, and undersea cables for a guaranteed electricity supply.

For the author Nicholas Kristof—and no doubt he speaks for much of the US establishment—Akashima epitomises what has to go in Japan. In order to cut the costs of electricity, telephones, postal services and transport for big businesses, subsidies to rural areas—a crucial base of support for the ruling Liberal Democratic Party—have to be abolished.

“Japan's Total Factor Productivity, the broadest measure, is now growing by only about half of 1 percent per year, much less than half the level of the United States.

“Fundamentally, the reason is that Japan steadily lost its capacity for what the economist Joseph Schumpeter called ‘creative destruction’. Japan never built up a huge public welfare system, but it has instituted safety nets and subsidies to create a welfare state for companies and towns and declining industries.

“The result is welfare dependency among inefficient corporations and moribund economic sectors and fading islands and villages. Instead of ‘picking winners,’ Japan is now picking losers and subsidising them on a huge scale.”

The conclusion to be drawn from Kristof's article is obvious: just as “welfare dependency” is rapidly being abolished for individuals in the US, Britain, Australia and elsewhere, so it must be ended for the towns, villages and islands of rural Japan, as well as for the country's “declining industries”.

The advocacy of a far reaching restructuring to boost productivity and profits is completely in line with the requirements of US and European capital, keen to exploit opportunities in the Japanese economy. For millions of people in Japan, the results will nothing short of a catastrophe as industries and services are shut down, lifelong employment ended and the millions of “excess” workers are shown the door.



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