Nissan announces 21,000 jobs to go in Japan's first major downsizing

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Nissan, the world's fourth largest automaker, announced a far-reaching restructuring plan on Monday that will mean the destruction of 21,000 jobs by April 2003, as well as the closure of three assembly plants and two engine factories. Overall the measures will result in a 14 percent cut of Nissan's employees and 30 percent of its domestic capacity in Japan.

Nissan's chief operating officer Carlos Ghosn announced the plan, describing it as very aggressive for Japan. Ghosn arrived from France nearly six months ago when the French carmaker Renault formed an alliance with Nissan and purchased a 36.8 percent stake in the corporation.

Ghosn who earnt himself the nickname of “le cost killer” for his ruthless restructuring of the French carmaker, said: “The key facts and figures about Nissan point to a reality: Nissan is in bad shape. Drastic solutions are needed.” Nissan's share of the global auto market has fallen from 6.6 percent in 1991 to 4.9 percent, and its production has declined by 600,000 cars over the same period. In six of the last seven years the company has made a loss.

The plan is aimed at paying off a sizeable proportion of the company's huge 1.4 trillion yen ($US12.7 billion) in debt. Yoshikazu Hanawa, Nissan's chief executive commented: “There is no alternative for us. In order for this company to survive we must implement this plan.” The corporation is hoping to restore profitability by April 2001.

Central to Nissan's plan is to more closely integrate all aspects of its operations globally. Its press releases stresses: “Sales, general and administrative cost are to be reduced by 20 percent by cutting incentives, rationalising worldwide advertising and reducing bureaucracy; the company will be changed from the current multi-regional organisation to a truly global company... Financial operations worldwide will be centralised to develop global financial controls and risk management.” The corporation plans to share components, platforms and research with its French partner.

The plants earmarked for closure are in Murayama near Tokyo, which currently employs 3,100 and produces 300,000 vehicles a year and another in Kyoto operated by the affiliated Nissan Shatai Company with 1,270 workers. Nissan had announced earlier in the year that an assembly plant operated by Aichi Machine Industry Co would close. In addition, two engine factories at Kurihama and Kyushu are to go.

As a result of the closures, Nissan's available domestic capacity will shrink from 2.4 million vehicles a year to just 1.65 million. The company is currently only producing 1.28 million vehicles annually and thus is only utilising 53 percent of existing capacity—an indication of the huge glut in productive capacity that exists not only at Nissan but throughout the global auto industry.

Up to 4,000 jobs are to go in manufacturing in Japan and another 6,500 jobs in the Japanese dealer network. Nissan is also to make cutbacks in its managerial and office staff. The impact will be felt far more widely, however, as the corporation more than halves the number of its parts suppliers from 1,145 to a mere 600 by April 2003.

The restructuring announcement comes as Japan is experiencing the highest official unemployment rates in the post-war period. For decades, Japanese workers in major corporations such as Nissan were part of a life-time employment system, which guaranteed jobs and other benefits to employees. Now the system is increasingly under attack, as Japanese corporations, seek to slash costs in order to compete with their international rivals.

Nissan has promised to carry out its job cutbacks through “natural attrition, an increase in part-time employment, spin-off of non-core businesses, and early retirement”. But already cases have been cited in other firms where employees are put under huge psychological pressures to “voluntarily” take retrenchment packages.

The Nissan announcement is already been seized upon by commentators as a sign of far more extensive restructuring throughout Japanese manufacturing industry. The British-based *Financial Times* noted in its comment yesterday: “It is an important test case. The pattern of overcapacity and indebtedness, the hang-over from the bubble economy, is common throughout corporate Japan. Until recently, the pace has been slow. But increasingly companies (and the government) seem to be waking up to the fact that Japan's problems are structural as well as cyclical, and that change is unavoidable.”