

# Further major corporate restructurings in Japan

Terry Cook  
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Mitsubishi Motors Corp, Japan's fourth largest auto manufacturer, announced on October 26 that it would slash 9,900 jobs over the next four years from its total workforce of 88,800, a reduction of 11 percent. Earlier in October, Mitsubishi entered into an alliance with European-based Volvo that will see the two companies exchange 5 percent stakes in one another.

The company said the job cuts would be achieved mainly by attrition—the non-replacement of workers who leave—and by utilising an early retirement program that “offers special benefits”. Mitsubishi is already in the midst of implementing a plan to cut 1,400 engineering and clerical jobs from its Japanese operations by March next year. Even though the redundancy and retirement schemes on offer are voluntary, Mitsubishi workers, like their colleagues in other companies, will be placed under considerable pressure to accept them.

A company spokesman said the latest cutback was part of an ongoing restructuring program drawn up to “boost competitiveness” after registering poor sales in Japan and the rest of Asia. The decline in sales resulted in the company announcing its first-ever loss in March last year. It posted a further loss of 28 billion yen (\$US243 million) for the six months to the end of September 1998.

At that time, the company responded by announcing it would axe jobs worldwide to cut costs by over \$US3 billion by 2001. The restructure included cutting 1,000 jobs from its US workforce, 1,200 of the 4,000 jobs in its operation in Thailand and 300 from its production plant in Australia. The company also said it would consider closing two of its plants in Japan.

The move by Mitsubishi is the most recent in a wave of corporate restructuring and downsizing now underway in some of Japan's top companies, including

Sony, Sega Electronics, Hitachi, NEC, Honda and department store giant Sogo. In total 58,000 jobs will go from these companies globally.

Last month, Japan's second-largest automaker, Nissan Motor Co, announced that it would shed 21,000 jobs worldwide, or about 14 percent of its group workforce. The union representing workers at Nippon Telegraph and Telephone Corporation (NTT), Japan's telecommunications giant, revealed on October 19 that the company proposed to cut 20,000 jobs over the next three years.

Indications are that other major companies suffering profit losses or downturns will soon follow suit. Toshiba, the country's second-biggest comprehensive machinery maker, registered a parent company loss of 46.1 billion yen in the six months to September due to a decline in sales, a sharp reduction in microchip prices and mounting restructuring costs. The company said sales fell 3 percent to 1.55 trillion yen.

Computer giant Fujitsu incurred a 71 percent drop in group net profits over the same period due to “foreign exchange losses caused by the yen's rapid appreciation”. Sony's audio-equipment subsidiary AIWA announced last week that it had been hit by an 80.1 percent slump in pretax profit because of “increased tough competition and a stronger yen”. In the last six months alone the company's revenue slumped 10.5 percent to 159.9 billion yen, compounding the 800 billion-yen loss it made last year.

The company has already cut hundreds of jobs and relocated the major part of its production facilities overseas in an attempt to reduce costs. Even so, a new round of downsizing seems imminent. Hinting that jobs could be hit across the board, an AIWA spokesman said this week: “Price competition is quite fierce in the audio market at the moment, therefore we have to cut

not only production costs but lower costs in the supply network also.”

The job cuts in auto and other industries are further evidence that the major Japanese corporations are being forced to abandon the country's system of “lifelong employment” which guaranteed jobs and other benefits to employees. In previous downturns, companies kept on their staff but after nearly a decade of recession and low growth, massive job cutbacks are being planned to prevent corporate collapses.

As the *Australian Financial Review* noted last week: “There has been a marked change in Japan over the past year, with a growing consensus among business and political leaders that structural reform is now inevitable if Japan is to return to sustained long-term growth. This contrasts with the denial even last year that such reforms were necessary.”



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