Mazda plans to shed thousands of jobs in Japan

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Mazda, Japan's fifth largest automobile producer, announced extensive restructuring plans on March 2, which will destroy thousands of jobs in its Japanese plants over the next 18 months.

Mazda intends to reduce its domestic capacity by roughly 20 percent, axe 4,000 jobs from its 24,000 strong workforce and close production lines in at least two plants. By the year 2002 it will shut down one of its three assembly lines at its Ujina passenger vehicle plant, which has an annual capacity of 500,000 units, and one of two lines at its commercial vehicle plant in Hiroshima which turns out about 200,000 units.

Mazda's president Mark Fields said the company aims to relocate the production of its Demio, Familia and Capella models to Ford plants in Europe. The Ford Motor Company substantially controls Mazda, having bought a 33.4 percent share four years ago. Fields said the shift to Europe would create “a foreign exchange risk-free structure”.

Last year Mazda profits were seriously affected by the strength of the yen, which made exports less cost-competitive abroad and reduced the value of overseas earnings when converted back into Japanese currency. Mazda estimates that the company loses about three billion yen ($US28.5 million) on operating profit for every one yen appreciation against the dollar.

Approximately 65 percent of the 1.1 million units produced by Mazda in Japan every year are for export. In 1999, Mazda's sales in Europe rose 1.3 percent to 241,000 vehicles, making it the leading Japanese automaker in major European markets. The company expects its European sales to keep rising this year to reach 250,000 units and projects a market share of 1.5 percent.

Even so, last month the company drastically reduced its profit forecasts and halved its expected dividend payment for the full financial year to March 31, blaming “tough competition for cutting overseas sales”.

Management plans to begin negotiations with the Mazda group of unions to gain acceptance of its plans. To date the union leaderships at other car plants have not organised any opposition to downsizing. Unions at Nissan, for example, fully embraced the company's restructuring plans announced in October last year. There is little reason to expect anything different at Mazda.

Mazda is the third major Japanese auto company to unveil cost cutting plans and mass downsizing in the past five months. Following Nissan's October announcement that it would shed 21,000 jobs by 2003, closing three assembly plants and two engine factories, Mitsubishi revealed in November it would slash its 88,800 workforce by 11 percent over four years, sending 9,900 jobs to the wall.

The companies face increasingly cutthroat competition and a growing glut in productive capacity both in Japan and globally. Japan's domestic over-capacity is currently estimated at 2 to 3 million units, the equivalent of 30 percent of the country's annual automobile output.

The Mazda announcement is a further signal of the end of the long-standing policy of “lifetime employment” adopted by major companies, such as Nissan, Mitsubishi and Mazda in the post-war period, guaranteeing jobs and other benefits to workers.

Japan continues to experience the highest official unemployment rates since World War II. The Management and Coordination Agency (MCA) last week reported that the country's jobless rate for January remained at the same level recorded in December 1999, when it reached 4.7 percent.

The total number of people unemployed stands at

3.09 million, 110,000 or 3.7 percent higher than in January last year. These figures vastly underestimate the actual level of unemployment because anyone who works for more than one hour in the last week of the month is regarded as having a job.

The MCA bureau noted: "The number of permanent jobholders fell 520,000, or 1.1 percent on-year, to 46 million, declining for the 25th straight month as companies continue to replace lifetime workers with temporary staff."