

Mass layoffs underway in Japan

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With the domestic and global economy slowing down, major Japanese high-tech transnationals are announcing drastic falls in profitability and massive job cuts. Over the weekend, Toshiba, Japan's largest producer of computer chips, announced it would cut 20,000 jobs from its global workforce of 190,000, while Hitachi, the largest manufacturer of electrical machinery, revealed plans to carry out a major restructuring.

Toshiba's job cuts accompanied news that its profit forecast for the coming year was being slashed from a \$US500 million gain to a \$958 million loss. Some 14,000 jobs will go in Japan and the remainder internationally. A memory-chip plant in Mie prefecture will be closed completely. Toshiba's president Tadashi Okamura declared no recovery in the IT industry was expected until "2003 or later".

According to the *Yomiuri Shimbun*, Hitachi plans to "reduce fixed expenses by trimming jobs in its semiconductor division and comprehensively reorganising peripheral operations." The company employs 340,000 workers worldwide and has suffered major losses due to falling chip prices and electronic sales. No details have been released but estimates put the job cuts at more than 20,000.

The restructuring by Toshiba and Hitachi follows the August 20 announcement by semiconductor and hard-drive manufacturer Fujitsu that it will eliminate 16,400 jobs, nearly 10 percent of its global workforce, after declaring it expected a \$US1.83 billion loss for the year to March 2002.

In Japan itself, production has been suspended at three plants and one semiconductor plant has been shut permanently. As a result, over 3,000 jobs will be eliminated through workers being offered incentives to take early retirement and some 4,700 employees will be compelled to transfer from the company's traditional fields of hardware manufacture into new divisions such

as internet software development. New hiring will effectively cease.

In the United States, 3,000 jobs will be cut, with heavy losses expected from the company's mobile phone flash memory chip plant in Oregon. In Britain, up to 1,000 jobs will go from ICL, a computer manufacturer and Fujitsu subsidiary, and a further 220 at a telecommunications centre in Birmingham. Some 4,200 workers will be laid-off from Fujitsu hard-drive assembly plants in the Philippines, Thailand and Vietnam.

Job cuts are also underway by flagship Japanese electronics giants, NEC and Matsushita—which manufacture the Panasonic and National brands.

Matsushita Electric is eliminating 5,000 jobs, mainly in Japan, after recording its first-ever quarterly loss. Company director Testuya Kawakami told a press conference: "We cannot see a recovery scenario for the IT market."

NEC declared on July 31 it would shed 4,000 jobs throughout its international operations after recording a 73 percent collapse in profits. Three chip assembly plants will be merged in Japan and one closed, at the cost of 2,500 jobs. The remaining 1,500 will go from plants in California, Britain and Asia.

The major Japanese banks, which are weighed down with massive bad loans, have also unveiled sweeping restructuring plans. Mizuho, the world's largest financial group, will close 153 branches in Japan, 58 overseas branches and eliminate 7,400 jobs by 2006. UFJ Holdings intends to close 108 branches in Japan, 33 overseas and cut 8,100 jobs by 2007. Daiwa Bank is cutting 1,000 jobs.

Japanese automakers Nissan, Mitsubishi, Mazda and Isuzu are presently eliminating over 42,000 jobs between them, both at home and internationally, in response to glutted car markets and falling profits.

Such rationalisation and restructuring is sweeping

through whole areas of the economy. In July, another 1,567 businesses, employing 14,916 people, declared bankruptcy. It was the 19th month in a row that bankruptcies affected over 10,000 workers.

Daiei, Japan's largest retailer, announced at the beginning of the month it was closing 30 loss-making stores. With union agreement, Nippon Telegraph and Telephone (NTT), Japan's former state-owned telecom monopoly, is transferring 110,000 workers to regional divisions of the company and cutting their wages by 20 to 30 percent in the process. Last week, audio equipment manufacturer Sansui revised its loss for the last business year from \$4 million to \$7.2 million—its second year of losses in a row—and foreshadowed cost-cutting measures.

Even before the major corporate layoffs take effect, the official unemployment rate has risen to a new postwar high of 5 percent or 3.3 million people. The real level is far higher. Overall, 980,000 Japanese workers lost their jobs in the last four months, but only 120,000 have been able to officially register as unemployed.

For most of the postwar period, the Japanese ruling class was able to ameliorate social and class tensions with virtual full employment and steadily rising living standards for the majority of the population. Now, after a decade of economic stagnation, falling real wages and growing political frustration, worse is in store for workers.

Despite interest rates being virtually zero and repeated attempts by government to stimulate economic activity, the August economic report by Prime Minister Junichiro Koizumi's office was compelled to admit: "Exports and industrial production have fallen substantially, and business investment is falling as well. Housing construction is declining. Job offers and overtime hours are edging down. Private consumption has remained broadly flat."

Within that climate Koizumi is under pressure to work with the major banks to reduce the indebtedness of the financial system. This will involve bankrupting thousands of companies that have outstanding loans they cannot pay back. Estimates are that 1.1 million jobs will be lost just from purging the economy of the worst \$109 billion worth of debtors. While the banks admit to \$270 billion in bad debt, institutions such as Goldman Sachs believe the true figure could be as high

as \$1.9 trillion.

Ken Courtis, the vice-chairman of Goldman Sachs Asia, warned on August 2: "Japan is in a debt trap. Remember three years ago when Thailand went under? It set off a crisis that eventually shook Wall Street. Japan's economy is 42 times larger than that of Thailand, so when Japan gets to a point when it can't keep putting off the day of resolution of this crisis, then I think we should all attach our seatbelts."



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