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Trauma of Job Uncertainty Confronts Workers As Japan's Manufacturers Are Forced to Retrench

By KARL SCHOENBERGER
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MURORAN, Japan—Until three weeks ago, Katsuro Yamada's life was making steel. Today he is taking a disorienting crash course in computer programming, writing software instead of casting molten metal into steel bars.

His employer, Nippon Steel Corp., has promised to try to return him to the plant floor in five months. But his old job will be gone. Indeed, it won't be long before the last furnace in Muroran is cold after eight decades of steelmaking in this industrial port on Hokkaido, the northernmost island in Japan.

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The 34-year-old steelworker isn't counting anymore on the company's tacit guarantee of lifetime employment. Mastering computer skills may be his only hope.

Mr. Yamada's dilemma tells the story of a structural upheaval in Japanese industry. Hurt by the yen's sharp appreciation, manufacturers are scrambling to retrench. They are investing in plants overseas and diversifying into "soft" industries at home to protect profits—and jobs.

Repeating U.S. Mistakes?

Some economists and labor leaders fear that Japan might repeat the mistakes of U.S. industry. Others see deindustrialization as a painful but necessary way to curb Japan's reliance on exports and fit more harmoniously into the global economy.

Scratch the surface of the debate, however, and there is deep anxiety about economic stability. There is a stubborn belief that exports are synonymous with jobs. Despite the nation's fabulous wealth, a sense of vulnerability makes the coming changes in economic structure confusing and traumatic. Japan's ethos of austerity, urgent national purpose and full employment is dying hard.

"Japanese are seriously worried about the exodus of manufacturing," says Hiromitsu Takemi, an economist for Japan Development Bank. "It could lead to a shortfall in domestic capital investment and a gradual loss of competitiveness for Japanese products."

Mr. Yamada, the steelworker, says it is Japan's destiny to export goods. "We bring in raw materials, process them and export products, and we have to eat on that margin," says the wiry retrainee, who joined Nippon Steel out of high school 16 years ago. "Japan isn't big enough to survive on its own resources."

High Labor Costs

Nippon Steel, the world's largest steelmaker, says it doesn't want to cast off surplus workers like Mr. Yamada. But the company said Friday that it incurred an unconsolidated net loss of 13.08 billion yen ($90.8 million) in the year ended March 31 on a 19% decline in sales and a 29% fall in exports. With the yen having risen 70% against the dollar since September 1985, labor costs in Japan's steel industry are now seven times those in South Korea, which has become a major steel exporter.

To cope, Nippon Steel plans to slash capacity over four years and "rationalize" 19,000 jobs, nearly one-third of its work force. By 1995, less than half the company's annual sales target of four trillion yen ($27.8 billion) is to be derived from steelmaking. New businesses in such areas as computers systems, urban development and language schools would account for 40% of sales.

About half the job cuts are to be achieved through early retirement, says Shigeaki Sugita, a senior manager in the corporate-planning division. The rest of the redundant workers will be transferred to subsidiaries and new business ventures, or will simply join the *adogiwa-zoku*—literally, the "window-seat tribe"—which Mr. Sugita defines as "unemployed people within the company." In some cases, Nippon Steel will bankroll small enterprises to lure employees out the door.

The Japanese corporate commitment to full employment is legendary. During the oil crisis of the late 1970s, about two million idled workers were kept on company payrolls. They resumed work when exports picked up.

But now, the social contract is cracking. Superfluous labor in industries such as coal and shipbuilding is getting cut. Even Nippon Steel hints it may actually dismiss workers outright.

Trading Partners Unhappy

Estimates of the number of expendable workers range from 500,000 to 1.2 million, as profits decline and the nation skids into a deflationary period. At the same time, Japan's wide trade surplus, which totaled $89.77 billion in the year ended March 31, has become intolerable to its trading partners.

Tatsuro Uchino, the economics department chairman at Tokyo's Sophia University, says Japan can't continue business as usual. "If you look at Japan's economic history, you see a pattern of exporting out of economic trouble," he says. "But that paradigm has got to change. It just isn't true anymore that Japan is a weak country that has to export. We've got to get over our inferiority complex."

That view is reflected in the Maekawa Report, drafted by an advisory group and endorsed by government and industry leaders this year. The report conceives a shift from an export-oriented economy to one that would grow on domestic demand. But the price for realizing that objective may be unacceptable where jobs are concerned. Unemployment already has reached 3% of the labor force; although low by the standards of many other industrialized countries, the rate is a record for Japan.

Moreover, the job security of big corporations doesn't extend to many subcontractors and suppliers, so certain regional manufacturing centers are hard hit. In the steel-making town of Muroran, for instance, unemployment is approaching 7%.

Economic restructuring isn't new to Japan. The industrial base has evolved from labor-intensive industries such as textiles, to capital-intensive sectors such as shipbuilding, and finally to knowledge-intensive industries such as semiconductors. But the idea of shifting growth away from exports is a radical, untested concept.

Attitudes Haven't Changed

Many manufacturers will cling to overseas market share and continue to export goods for as long as foreign-exchange rates allow. "The basic attitude hasn't changed. If companies can still export without going into the red, they will," says Hatsuo Yamanaka, research manager at Marubeni Corp., the trading house.

Says Mr. Uchino, the Sophia University economist, "Japanese companies are thinking about their competitors, not about macroeconomics."

Take Daihatsu Motor Co., a maker of minicars affiliated with the Toyota group. Daihatsu is battling with Suzuki Motor Co. for dominance of the domestic minicar market and will start exporting to the U.S. this year, having secured a tiny allotment out of Japan's export quota. By 1989, Daihatsu plans to produce one million minicars a year and boost its exports by two-thirds.

This kind of corporate ambition has led some opinion leaders to call for the government to rein in exporters. "Japan has got to suppress the overheated competition of its producers," says Osamu Shimomura, an economic critic. "You can't say free trade is so righteous that you'll sacrifice everything for it."

But Shinji Sato of the ruling party, a member of parliament and chairman of the lower house's Commerce and Industry Committee, says government intervention is inappropriate, and wouldn't work anyway. "We can talk all we want about the Maekawa report, but if companies don't go along, not much is going to change."

Indeed, all indications are that initial changes in the industrial structure are caused by the high yen, rather than government policy or industry self-discipline.

"It isn't because of international opinion or any ethical problem that we can't export our way out of deflation," says Takuji Matsuzawa, chairman of Fuji Bank Ltd. "It's simply a matter of being unable to compete with the high yen."