Ford Argentina adds to job cuts sweeping global auto industry

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22 September 1998

Announcing that it will cut production for the 'foreseeable future,' Ford Argentina laid off 1,400 workers Monday because of falling demand in Argentina and Brazil. The cutbacks will affect the General Pacheco plant north of Buenos Aires which produces the company's Escort model. Output will be reduced from 489 to 300 units per day, and one shift of workers will be eliminated.

Earlier in the month Ford suspended production at the plant for four days, temporarily laying off 2,000 workers. The company has cited a 15 percent decline in sales in Argentina and about 35 percent less demand in Brazil as the reason for its cutbacks.

Ford management complained that Argentine labor laws forced the company to suspend the workers with full pay, rather than dismiss them permanently. Ford Argentina Industrial Relations Director Rodolfo Ceretti said, 'It's a lot of money, but if you consider how much we would have to pay in indemnities if we fire them it's a much cheaper option.' But he added, 'If market conditions deepen, firing might become an option.'

The American carmaker acted only days after its European counterparts announced similar plans. Last Tuesday Italian auto company Fiat's local unit closed its plant in the central province of Cordoba for the fourth time since July. A day later, French carmaker Renault announced plans to halt production at its plant in Cordoba for three days.

US and European automakers have heavily invested in Latin America. Since Asia's financial crisis, and the economic collapse in Russia, however, there has been a flight of capital from the region and the economic situation has deteriorated sharply. But the layoffs in Argentina are just part of the many job cuts that are sweeping a global auto industry beset by falling demand and chronic overcapacity.

In Southeast Asia's four main markets, figures for the first seven to eight months of 1998 showed sales down from 54 percent in the Philippines to 84.2 percent in Indonesia versus a year ago. Throughout the region thousands of auto workers are losing their jobs, plants are being closed and new factory startups halted.

Astra International, Indonesia's main auto producer, announced last week that it was laying off 25,000 workers. The company, partially owned by the son of the former dictator Suharto, posted a record loss of 7.36 trillion rupiah (US$634.5 million) in the first half of the year. The company virtually halted output in June and July. Mitsubishi, the second largest Japanese automaker in Indonesia, announced that it would halt the launch of multipurpose vehicle production at a new Indonesian plant, after earlier delaying the start-up date to next year.

Job cuts have been most severe in Thailand, Southeast Asia's biggest auto market before last summer's financial crisis. According to a spokesman for the Thai Automotive Industries Club (TAIC), all 'Thai-based car manufacturers have sharply downsized operations in the last 15 months.' TAIC estimated that, including parts suppliers and other related industries, the auto sector has lost nearly 100,000 jobs in the past year and another 50,000 are likely to go by year's end, from an original total of 285,000. Mazda, Ford Motor Company's Japanese affiliate, recently shut down a Thai joint venture and laid off 600 employees.

Analysts have also estimated that South Korea and Malaysia have cut 20 percent of their auto sector workers, with more cuts expected from South Korea's automakers: Hyundai, Daewoo and the bankrupt Kia Motors. Domestic sales and exports were down 30 percent in the January to August period.

The big Japanese automakers--Toyota, Nissan, Honda, Mitsubishi and Mazda--are facing a downturn in domestic sales because of the country's recession and banking crisis. Their problems have been exacerbated by the Southeast Asian crisis, where they are heavily invested, just as their American counterparts are in Latin America. Toyota, with the biggest presence in the region, is expected to lose about 20 billion yen (US$140 million).

Japanese and Korean automakers have attempted to soften the impact of the crisis by increasing exports to the US. In a speech before the Economic Club of Detroit last week, General Motors Chairman Jack Smith complained, 'The world economic relapse is clearly affecting the auto industry. As economies crash around the world, everyone seeks to export their products to the land of the free and the home of the brave.' The GM CEO said US automakers no longer had the ability to raise prices because of intense price competition, which comes, in part, from the weakened Japanese yen, making Japan's exports cheaper in the US. Smith called on the Federal Reserve, the US central bank, to lower interest rates to spur demand for US exports throughout the world and increase buying in the US.

GM announced the first major layoff of US auto workers last week with the elimination of the second shift at its Orion Township plant near Pontiac, Michigan. The company will end production of its long-time Buick Riviera and Oldsmobile 88 full-size models and lay off 1,400 workers for an undetermined length beginning January 4. Wall Street analysts have said that GM must lay off 30,000 to 50,000 workers over the next few years to remain competitive with its domestic and international rivals.

Falling demand in the 'emerging markets' of Asia, Latin America and Eastern Europe, as well as the US, Japan and Europe, has served to deepen the crisis of overcapacity in the industry. A new consolidation and restructuring of the industry is expected that will threaten the jobs of millions of auto workers internationally.

Over the weekend, shareholders from Daimler-Benz and Chrysler Corporation approved the $40 billion merger of the German- and US-based auto companies, which will create the world's fifth largest automaker. Analysts expect the new company to be a model of cost-cutting efficiency for the global industry. The *Detroit News* boasted that Daimler-Benz Chairman Juergen Schrempp, who will soon lead the $131 billion transnational giant, has earned the nickname 'Neutron Juergen' for slashing more than 40,000 jobs since becoming Daimler chief executive in 1995.

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