

## The downsizing of America

## GM plant closing in Saginaw, Michigan

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Saginaw Steering Plant No. 2

Last month General Motors announced the closure of one of its facilities at the Delphi Automotive Systems complex in Saginaw, Michigan. The shutdown of Saginaw Steering Plant No. 2, and possibly the nearby foundry, will affect 2,500 hourly workers and 200 salaried employees. The first to feel the effect are some 300 temporary workers, mostly young employees, who are reportedly facing layoff on December 23.

GM's announcement is the latest blow to the city of 70,000. Saginaw--like Flint, Pontiac, Lansing and other cities in GM's southeastern Michigan manufacturing chain--has suffered more than two decades of downsizing by the world's largest industrial company. Just three years ago 500 jobs were eliminated at the Saginaw Steering complex.

The plant closing is part of the auto company's plans to sell off its Delphi parts unit in 1999, a move aimed at trimming 63,000 US workers from its payroll. In order to maximize the pre-sale value of the parts unit GM intends to consolidate Delphi's operations, and replace older, higher-paid workers with a younger, lower-paid work force.

As many as half of the 7,000 workers at the Delphi Saginaw Steering plants in Saginaw have 30 years of service and most of them are now thinking of retiring to lock in their GM pensions. Concern spread in the factories last month when Delphi told the US Securities and Exchange Commission that the pension fund for its nearly 85,000 hourly and salary workers was short \$1.9 billion due to its falling stock market value. (To prevent a flood of retirements that would disrupt production, the United Auto Workers union has since negotiated an agreement to allow employees to retire with GM benefit and pension plans until October 1, 1999.)

Overall, GM, which recorded \$6.7 billion in profits in 1997, has eliminated 70,000 jobs since 1992. Top managers regularly speak about the need to reduce 'head count' to compete in the global auto industry.

The UAW has been ineffectual in resisting job-cutting. Last summer, after a 54-day walkout at two parts factories in nearby Flint, the longest shutdown of GM since the 1970 national strike, the union agreed to management's demands for continued downsizing. A week after the conclusion of the strike the company announced the sell-off of Delphi. UAW Vice President Richard Shoemaker has stated, 'We can't stop this downsizing from happening. But the UAW has done the best job of any union in slowing it down.'

Industry leaders predict that the restructuring of the global auto industry will lead to the shutdown of 30 assembly plants and the elimination of hundreds of thousands, if not millions, of jobs. The impact

of this is being felt from Saginaw and Dayton, Ohio in the US; to Wolfsburg, Germany; Toyota City, Japan and many other industrial cities throughout the world.

## Saginaw's history

Saginaw's story parallels that of many industrial cities in the US. For nearly three-quarters of a century the city's factories have produced aluminum and iron castings for engine blocks, transmissions, and chassis systems. During World War II the area was billed as the 'arsenal of democracy' for its military production. During the postwar years Saginaw's economy boomed with the city's population reaching a peak of 99,000 in 1960.

Beginning with the energy crisis of the mid-1970s the situation changed drastically. It has culminated with wave of mass layoffs in the 1980s and 1990s. Over the last 30 years, as employment levels at the Saginaw Steering plants fell from 15,000 to 7,500, the city's population declined by 30 percent.



Workers outside the Saginaw plant

A reporting team from the *World Socialist Web Site* recently visited the city. At Coty's Lounge, near Plant No. 2, we spoke with some Saginaw Steering workers about the decline of Saginaw and the recent layoff announcements.

'There was a big push by GM to hire from 1965 to 1970, especially the guys who were coming back from Vietnam,' Frank, a GM worker with 30 years, told the WSWWS. 'The whole complex was built up during that time. When we were growing up the plants were the best option. Some guys quit high school to go in. I hired in during the late 1960s for \$3.65 cents an hour. That was a lot back then. We were working 60 to 70 hours a week. Everyone got along well when we were working. Now the good paying jobs are going and you have to struggle harder than ever to make ends meet.'

'It's like we're a dying breed, like dinosaurs,' said Marty who has worked for GM for 23 years. He continued, 'There are 300,000 GM workers earning decent wages out of 280 million people in this country. Most of the rest are making \$8 or \$9 an hour.'

Nick, another Saginaw Steering worker with 23 years seniority, told the WSWWS, 'I was transferred here from Buick City in Flint. In 1976, when I hired in, there were 20,000 workers in the Buick local. Now there are 2,500 and GM is going to shut the plant in September. There is no such thing as job security anymore. I picked the Delphi plant because I figured it diversified and might last. It was a crapshoot to get my last seven years

to retire. Now they are closing it.'

#### The low-wage economy and poverty

With the disappearance of better paying jobs the younger generation of workers are predominantly left with low-paid temporary, contract and part-time employment. Although the city unemployment rate has fallen from 19 percent in 1980 to 8 percent today many workers are barely earning enough to stay out of poverty. GM jobs paying close to \$20 an hour are being replaced with jobs paying between \$5.50 and \$9.50 a hour with few or any benefits.

Joe Turner, an economic developer for the city of Saginaw, said the city has moved away from a manufacturing base towards services and other areas. 'We are in a transitional society,' he said. 'When that happens, just like when the lumbering jobs left this area one hundred years ago, you always have ripples in society.'

Twenty-five-year-old Tracy Hughes, a housekeeper, described the human impact of such 'ripples.' She told the WSWs, 'It's wrong that they are closing these plants. There isn't any thing left but fast-food restaurants and K-Mart's. The good jobs are gone. This is only going to make things worse. With the layoffs and the ending of welfare the crime situation is going to get hectic. You already see homeless people on the streets.'

'They say the economy is good. But it takes two people to make ends meet now when one income used to be good enough to take care of everything. The economy is no good for us. The CEOs don't care as long as they are making their fortune.'

'What these companies want to do is get rid of the older workers and work the young ones like slaves for \$7 to \$8 an hour. My dad worked at Plant No. 6 for 31 years. He was able to raise us, but now it's hard. These jobs don't pay much and you are lucky if you get any benefits.'



Beth Levasseur

Beth Levasseur is a 38-year-old physical therapist at the nearby Bay City Medical Center. She told the WSWs, 'I come from a family of Chevy workers. My dad, uncle and cousins work or have retired from the plants. This whole area--Saginaw, Bay City and Flint--is dominated by Chevy. When we were growing up we thought we would end up in the plants, but it didn't happen. As soon as they take these jobs the economy is going to go down. The people who lose their jobs will be lucky to find something at half the wages.'

'The result of this downsizing is that workers are earning less and less. In Bay City there are plenty of new stores, malls and restaurants. Now they are talking about turning the area into a tourist attraction, maybe with an amusement park. These are mostly service jobs, not industrial. How can we support our families and ourselves with these jobs? These companies are cutting back to make even more profits. The rest of us are living paycheck to paycheck.'

The official poverty rate in Saginaw County is 17.2 percent. According to officials there are 1,900 homeless individuals and their families moving in and out of shelters each year. Countywide 37.9 percent of all school children qualify for subsidized meals because they come from low-income families. In the city of Saginaw the rate is 70 percent and in some inner-city schools between 95 and 100 percent of the students qualify for subsidized meals.

Richard Premo is the president of Hidden Harvest, which redistributes surplus food from hospitals and restaurants to some 40 agencies that feed the hungry and poor. He told the WSWs, 'We gathered and distributed 279,000 pounds of food this year. If we had 300,000 pounds we could

have given it away easily. One of our agencies, the Eastside Soup Kitchen, serves 80,000 meals a month.

'We are seeing an increase in demand for food baskets prepared by churches and organizations. A lot more people asking for help are employed, but are making lower wages. The more these better paying jobs go, the more people need some type of help to subsidize their income.'

#### Tax and union concessions to GM

The loss of more jobs will further reduce tax revenues in the city. For years city officials have reduced GM's taxes in an effort to keep the company in Saginaw. In 1979 a cap on municipal taxes was put in place. Because of this the city collects \$3.8 million in taxes today, the same level it did 20 years ago, despite inflation. This has led to drastic cuts in city services, including the reduction of the municipal work force by 40 percent, from 1,000 to 600. One spokesman for the Saginaw Public Schools, said, 'This latest plant closure won't hit us too hard because GM has already confiscated our tax base. For years they were given abatements and they are still moving out.'

Corporate tax concessions have reverberated throughout the area. In the Alma schools, a rural district 50 miles outside of Saginaw, the school superintendent recently said the schools 'had a steak appetite' but 'needed to get used to liking hamburger.' The district, which cut \$2 million from its budget during the 1990s, is now considering the elimination of elementary and high school teaching positions, and raising classroom sizes.

The United Auto Workers leadership has granted GM one concession after another. Gary Sheppard, the service representative from UAW Region 1 D, boasted that Local 699 has one of the most 'flexible' local contracts in the country. In March 1998 the local agreed to the extended use of 350 temporary workers, who make 70 percent of full-time workers' wages and no benefits. The agreement included the stipulation that the temporary workers pay union dues to the UAW.

Sheppard told the WSWs, 'The local parties are in talks now about what work is transferred and what jobs will remain. The 350 temporary workers will be let go, and their jobs filled by full-time workers laid off from the V-8 Engine, Buick City and the Coldwater Peregrine plants, which are closing in Flint. There is also an appendix to the contract that says we can reclaim the work if we are competitive. Right now we are competing with a Ford operation in another state which produces the same gears.'

This reporter then asked the UAW official what good it did to underbid workers at other locations. Sheppard was at first silent, and then suggested that jobs could be saved if the US had an 'industrial policy,' i.e., a joint labor, management and government effort to block imports and limit US companies from shifting production to other countries.

Throughout last summer's GM strike UAW officials repeated the same protectionist and 'America-first' refrains. In the end the union caved in to all of the demands of GM and its wealthy stockholders for downsizing and cost-cutting.

When the WSWs reporting team went to Plant No. 2 three workers posed for a photograph in front of a union-management sign that read, 'We are dedicated people striving to exceed our customers' expectations.' As he pointed to the sign a worker said, 'Yeah, we're dedicated to our plant being shut down.' Another worker, commenting on GM's policy of shifting production to lower-wage areas like Mexico, said, 'Those workers will find out. If the Mexican workers fight for higher wages, GM will do the same to them as they did to us.'

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[11 December 1998]

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