DaimlerChrysler to cut thousands of jobs in North America

Larry Roberts, Jerry White
28 November 2000

Auto analysts say DaimlerChrysler must eliminate between 20,000 and 40,000 jobs at its North American Chrysler division and permanently close at least one of its 13 plants in the US and Canada because of huge financial losses. Over the last several weeks the very future of the Chrysler unit has been called into question after third-quarter losses of more than half a billion dollars, projections of even higher losses in the fourth quarter and into 2001 and a precipitous fall in the company's share value.

DaimlerChrysler Chairman Juergen Schrempp told employees last week that Chrysler had only 14 percent of the US market, but it was staffed as if it had a 20 percent share. According to analysts at Deutsche Bank (a major owner of DaimlerChrysler), that means the company must eliminate 38,000 salaried and hourly workers, or a third of Chrysler's 129,000 employees.

The discussion of mass layoffs followed an emergency meeting in Stuttgart, Germany where management fired several leading executives at the Chrysler division, including unit president James Holden, who was replaced by longtime Mercedes Benz executive Dieter Zetsche. Within days the company announced that four plants would be idled during Thanksgiving week and the next because of large inventories of unsold cars. The temporary layoffs affect some 17,000 workers.

Schrempp, who laid off more than 40,000 employees after taking over Daimler Benz in 1995, picked Zetsche because of his reputation for slashing jobs to cut costs. In September, Zetsche directed the layoff of 20 percent of the US workforce at DaimlerChrysler's truck division, Freightliner, eliminating 3,800 jobs after orders fell. In a recent letter to Chrysler employees Zetsche said the division faced “far-reaching structural problems” that required “painful, but necessary actions.”

Senior DaimlerChrysler executives have begun discussions with representatives from the United Auto Workers union to reopen the four-year contract covering 76,000 workers in the US in order to clear the way for the layoffs and carry through other cost-reducing measures. Management wants “more flexible” contract terms, particularly involving those provisions that guarantee laid-off workers 95 percent of their pay and prohibit the closure or sale of plants during the duration of the contract, which expires in 2003.

UAW officials have issued no public response, but UAW President Stephen Yokich, who sits on the company's supervisory board, reportedly gave his approval before management fired Holden and announced the temporary layoffs. DaimlerChrysler management first conferred with officials from the UAW and the German trade unions, which also have seats on the company's board of directors. Erich Klemm, deputy chairman of the supervisory council, said both unions were pleased with the cost-cutting proposals.

The factories temporarily idled include: the Jefferson North plant in Detroit, which produces the Jeep Grand Cherokee; the Toledo, Ohio plant, which produces the Jeep Cherokee and Jeep Wrangler; the Bramalea plant in Brampton, Ontario, a Canadian plant that produces the Chrysler Concorde, Dodge/Chrysler Intrepid, Chrysler 300M and Chrysler LHS models; and the Belvidere, Illinois, plant, which produces the Dodge Neon subcompact car.

Auto analysts expect more plant closures will be announced because of high inventories of cars, mini-vans, light trucks and Jeep SUV's (sport utility vehicles). Auto dealers have cut back their orders of new vehicles, creating a projected imbalance of 94,000 more vehicles produced than ordered.

Chrysler's huge losses in the third quarter were attributed to its efforts to cut rising inventory levels by offering cash rebates, in some cases as high as $4,000 per vehicle, as an incentive to customers. Due to the competition from other automakers, particularly in the glutted market for the highly profitable SUVs, the company was unable to raise prices to cover their losses.

The crisis facing Chrysler is widely recognized as the product of the slowdown of the US economy. Over the past several months the auto industry has been impacted by the Federal Reserve Board's efforts to slow the economy by raising interest rates, the higher costs of car loans, as well as higher gasoline prices. In addition to Chrysler, General Motors announced temporarily layoffs at four plants in Janesville, Wisconsin; Shreveport, Lousiana; Wentzville, Missouri and St. Therese, Quebec, affecting 10,000 workers. Ford Motor Co. announced temporary layoffs affecting 3,600 workers in Kansas City, Missouri and Avon Lake, Ohio.

Since January 1999 DaimlerChrysler's stock value has plunged 57 percent from its high point of $108 per share. During the last year the value of the stock dropped 45 percent, closing at an all-time low of $40.10 on November 21, a loss of $68 billion of market value since January 1999. The collapse of the company's share value led to speculation that the Chrysler division might be sold off, and disclaimers from other auto companies—including from Nissan—that they had any intention of buying it.

When the German automaker merged with Chrysler in May 1998, the American company was considered highly competitive because of its ability—with the willing assistance of the UAW—to slash jobs, boost productivity and maintain high returns for investors since its near brush with bankruptcy in 1980-81. Chrysler shrank from 160,000 workers in the early 1980s to 79,000 at the time of the merger.

One major factor contributing to the company's decline, no doubt, is the high degree of parasitism practiced by the American auto executives and big investors. Top Chrysler officials made tens of millions of dollars in buyouts and other bonuses before leaving the company, with little regard given to the long-term health of the business or its employees. Because of “golden parachute” clauses, which provided especially generous stock options in the event of a takeover or merger, former Chrysler CEO Robert Eaton netted $62.9 million personally, while Vice Chairman Robert A. Lutz made $24.2 million.

More fundamentally, the recent events at DamilerChrysler are part of a global restructuring of the auto industry, which is being driven by a crisis of overcapacity. It is estimated that there presently exist 80 assembly plants in excess of the number needed to satisfy world market demand. In other words, even if the entire US auto industry were to be removed from the equation, there would still be a glut on international markets.

Since the merger of the German and American auto companies there have been a series of mergers and consolidations aimed at eliminating excess capacity and gaining competitive advantage over global corporate rivals. This has led to a worldwide assault on auto workers' jobs, as well as business failures, including the bankruptcy announcement earlier this month by Daewoo Motors of South Korea.

US workers can expect no lead from the UAW, which has demonstrated its unwillingness and inability to defend jobs. In the early 1980s, when Chrysler faced bankruptcy, the UAW collaborated in the wave of concessions for auto workers. In exchange for a position on the company's board of directors, the UAW accepted the shutdown of dozens of plants, the layoff of tens of thousands of workers and sweeping cuts in wages and benefits. The union bureaucracy has dedicated itself to labor-management “partnership” and the defense of the profit system. At the same time the UAW has promoted chauvinism against workers in Japan, Germany, Mexico and elsewhere for stealing “American jobs.”

If the UAW bureaucrats have refrained to this point from anti-German rhetoric its only because they have been assured by DaimlerChrysler management that their income and privileges will be preserved in return for cooperation in imposing a new round of mass layoffs, plant closings and concessions on auto workers.

A serious fight to defend the jobs of workers in the US is only possible on the basis of a common struggle by American and German auto workers against the multinational corporations. This struggle must take as its starting point the need to protect the jobs and livelihoods of all workers, not the profits of wealthy investors and corporate executives.