Mass layoffs hit US auto industry

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With analysts debating whether or not the American economy is already in a recession, the Big Three automakers in the US—General Motors, Ford and DaimlerChrysler—have sharply scaled back production and announced plans for the elimination of tens of thousands of jobs and the possible closure of a half dozen or more North American factories.

The production cutbacks take place as DaimlerChrysler executives are about to announce a major restructuring plan that will involve wiping out between 20,000 and 40,000 jobs and the possible sale of all or part its cash-strapped US Chrysler division.

According to Challenger, Gray & Christmas, December job cuts were the highest since the job outplacement firm began tracking layoffs in 1993, with US employers announcing plans to cut 133,713 jobs. The auto industry led the way in job cutting, announcing 85,231 layoffs last month. “We shouldn't debate too long on whether the slowdown is here—it is,” said John Devine, GM's vice chairman. “The issue for me is much more of duration.”

US auto production accounts for 4 percent of the nation's economic output and is responsible for a quarter of the output for the major states in the Midwest, including Ohio, Michigan and Indiana. The job cuts by the Big Three have already impacted auto suppliers and related industries, including steel companies, which are already facing a crisis as seen in the recent bankruptcy announcement by LTV Steel.

In addition to the thousands of layoffs it has already announced in the US and Mexico, Delphi Automotive Systems announced that another 1,100 workers in eight plants located in the Dayton, Ohio area would be laid off indefinitely because of the fall in production by GM. On January 4, 300 more workers at its compressor plant in Moraine, Ohio were laid off permanently.

The crisis in the US auto industry erupted as American carmakers were enjoying a record sales year. In 2000 the Big Three sold 17.4 million vehicles, surpassing their previous record of 16.93 million in 1999. But sales declined sharply in the last two months of 2000, with December sales falling 18 percent for GM, 14 percent for Ford and 15 percent for DaimlerChrysler's US-Chrysler division.

In an effort to maintain sales the auto companies offered discounts and incentives after the slowdown began during the summer of 2000 and continued similar levels of production at their factories through the autumn. In the last two months, however, the auto companies scaled back output and temporarily closed factories that only a few weeks earlier were running overtime production.

The slowdown in sales “is happening faster than anybody thought it would,” stated Jamie Jameson, Chrysler vice-president for sales and marketing, echoing other auto analysts who compared the unexpected drop in demand to running into a wall. Analysts expect that sales in 2001 will not surpass 16 million or 16.5 million units.

The automakers have decided on sharp production cuts for 2001, including a 26 percent reduction for Chrysler, 17 percent for Ford and 21 percent for GM. After temporarily idling 16 plants last month, GM, Ford and Chrysler have already furloughed over 100,000 workers thus far in January. Chrysler has announced plans to idle 30,000 workers, with the shutdown of five factories during the weeks beginning January 8 and January 29, and smaller cuts during the intervening two weeks. Ford plans to close 16 factories during the month, with 13 plant closures during the week of January 15, affecting 33,000 workers. GM announced plans to close 12 facilities during the month involving another 25,600 workers.

Spokesmen for all three car companies have made it clear that job cuts will continue in February and March, with the possibility of further cuts depending on market conditions. “I am not going to stand here and say there won't be additional cuts,” warned Ron Zarella, a top GM sales executive. “There is a downward momentum in the market. The move by the Fed [to cut interest rates] helps. But it's going to take a lot more than that to reverse the downward momentum,” he said.

The sharp downturn in demand for vehicles in the US has been widely attributed to last year's increases in interest rates by the Federal Reserve, the rise in fuel costs, which jumped 50 percent over last year, the fall in the stock market and the general loss of consumer confidence. But the problems in the US auto industry are part of a much wider crisis. The global auto industry is plagued by such a level of overproduction that analysts say even if all US auto plants were closed there would still be more cars produced than the world's markets could absorb. Thus over the last several years a series of mergers, global alliances and other consolidation measures have taken place, resulting in the destruction of hundreds of thousands of auto workers' jobs.

While in most cases the present layoffs in the US auto industry have been temporary, all of the auto companies are contemplating permanent job cutting and plant closures.

Of all of the automakers, DaimlerChrysler confronts the most serious financial crisis. During the third quarter of last year the US-Chrysler division lost $512 million and is expected to post an additional $1.25-1.4 billion loss in the fourth. Company projections estimate the company could lose another $2 billion in 2001, privately acknowledging that the projections could worsen dramatically if the market should continue to fall.

Dieter Zetsche, the newly installed president of Chrysler, warned last week during Detroit's auto show that company executives had concluded the company needs to be smaller, with fewer people making less cars and trucks in order to stay in business. Zetsche said Chrysler would reveal its reorganization plan at the end of February. Several analysts say the company will eliminate 15 percent of its 33,000 salaried workers, close 5 to 8 of Chrysler's 41 North American assembly plants, and wipe out between 20,000 and 25,000 production workers' jobs.

On Sunday, January 14, the British *Sunday Times* reported that DaimlerChrysler's two largest shareholders, Germany's Deutsche Bank and the government of Kuwait, gave DaimlerChrysler Chief Executive Juergen Schrempp six months to turn its US division around or parts of the company would be broken up and sold. Spokesmen for DaimlerChrysler denied the report, but the rumor triggered comments from executives from several other car companies expressing interest in buying up a piece of the company.

The anticipated move by DaimlerChrysler will have a devastating effect on the lives of tens of thousands of workers and their families in cities such as Detroit, which have never recovered from the wave of plant closings and mass layoffs the company—then wholly US-owned—carried out during the 1980s.

DaimlerChrysler has already announced plans to end production of its Jeep Cherokee sport utility vehicle, produced at its Toledo, Ohio plant, and transfer workers to a nearby facility. It is inevitable, however, that the company will use the threat of plant closings to whipsaw workers in different factories to accept further concessions in wages and working conditions.

The company is currently holding talks with the United Auto Workers union on reopening the national contract in order to carry though the layoffs and other cost-cutting measures. Thus far UAW officials have publicly told US workers that they are opposed to opening the contract. However, spokesmen for the UAW—which has a seat on DaimlerChrysler's board of directors—have told the German media they are open for discussion on structural changes in the company.

General Motors, the world's largest car producer, has also announced plans for sweeping job elimination and cost-cutting long demanded by Wall Street. GM executives decided last month to shut down the company's 103-year-old Oldsmobile division, and some analysts are suggesting it should do the same with the Buick brand as well.

GM management has also decided to eliminate about 14,000—mostly white collar—jobs in North America and Europe, close an engine plant in Lansing, Michigan, cutting 900 jobs, and another plant in Luton, England, resulting in the loss of 2,000 more jobs. The company will cut European capacity by 15 percent.

At the same time as US demand is slumping, Detroit automakers are facing increased competition from Japanese and European companies, particularly in the highly profitable markets for pickup trucks, minivans and sports utility vehicles. In an effort to fend off the impact of the long recession in Japan and falling demand in Europe, US competitors are building new plants in Mississippi, Alabama, West Virginia and other states, and have increased their market at the expense of US companies.

There are already hints that American auto executives may push for the lowering of the value of the dollar against the euro and yen or demand trade tariffs and other restrictions against foreign imports. Last week, on the eve of the North American International Auto Show, the *Detroit News* ran a special supplement entitled, “An intensified foreign invasion has Chrysler, GM and Ford ... under siege.” The *News* warmly recalls the “Buy American” campaigns used by the trade unions and US automakers in the 1980s, but complains that reviving them is more difficult today because the definition of an “American car” has been blurred by the alliances of the Big Three with international auto companies and the production of Japanese and European cars in the US.

According to an article in the *New York Times*, while these economic ties have led auto executives, at least temporarily, to refrain from demanding restrictions on imports, that has not stopped the trade union bureaucracy. The *Times* points out, “The only people talking about using trade laws against imports these days are at Solidarity House, the headquarters of the United Automobile Workers union.”

During the recession in the 1980s, the UAW joined Chrysler Chairman Lee Iacocca in a vicious anti-Japanese campaign. Among other things, this resulted in the murder of a Chinese-American, Vincent Chin, by a Chrysler supervisor and an accomplice who blamed Asians for the loss of jobs in Detroit. All the while, in the name of “defending US jobs,” the UAW collaborated with Chrysler in the destruction of tens of thousands of jobs and the cutting of workers' wages and benefits.