

DaimlerChrysler to wipe out 26,000 jobs in its US division

Six plants to be closed over the next two years

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DaimlerChrysler management Monday announced a program of sweeping job cuts and plant closings at its US-based Chrysler Group that will result in the elimination of 26,000 salaried and hourly workers' jobs over the next three years. The restructuring plan, presented by Chrysler Group President and CEO Dieter Zetsche, includes the shutdown of six plants over the next two years in the US, Canada, Mexico, Argentina and Brazil.

The job cuts, which represent about 20 percent of Chrysler's workforce, will affect 19,000 hourly and 6,800 salaried workers, including 1,800 contract workers, Zetsche said. About 75 percent of the job cuts would be realized by the end of the year 2001, with the schedule for cutting white-collar and contract workers—not covered by labor agreements or seniority protection—accelerated to begin immediately.

The layoffs will have a devastating effect in cities like Detroit, where Chrysler is the single biggest employer. The move, which will reduce the company's overall production capacity by 15 percent, will also lead to a ripple effect of further layoffs at auto parts suppliers, dealerships, advertisers and other related services. One in four jobs in the Canadian province of Ontario depends on the auto industry.

While three-quarters of the reductions would be attained through so-called voluntary retirements, incentive programs and attrition, Zetsche said, thousands more would be outright layoffs. Zetsche declined to estimate the number, saying this would depend on how many workers chose to retire. But other company officials said layoffs would include 3,000 production workers in the US and Canada who were hired after October 1999 and 4,300 white-collar and contract workers, mostly from the group's headquarters in Detroit's northern suburbs. Another 3,100 factory workers in Mexico and South America will lose their jobs.

Facilities targeted for closure are: Detroit's Mound Road engine and Toledo, Ohio, Jeep plants (where production will be shifted to newer nearby plants, which employ far smaller workforces); the Lago Alberto Assembly and Toluca engine

and transmission plants outside of Mexico City; and assembly plants in Cardoba, Argentina, and Parana, Brazil.

In addition the company will eliminate a production shift at each of the following plants: Belvidere, Illinois, Jefferson North in Detroit, Toledo II in Ohio, Bramalea in Brampton, Ontario and the Pillette Road plant in Windsor, Ontario. The company will also reduce output by slowing line speeds at its Newark, Delaware and Windsor, Ontario assembly plants.

According to a company statement, all of Chrysler's remaining facilities would have “new targets to accelerate quality levels and productivity, so the company can operate more efficiently and at a much improved cost structure.” To back up the demand for increased output the company has made it clear that several plants are still “under review” as to whether they will receive a new production model or be phased out permanently.

At Monday morning's press conference Zetsche said in order for the company to remain “truly competitive in today's auto industry environment, we need to be a more nimble company, more closely aligned with current and future market conditions.” He blamed the company's poor performance on “brutal competition” in the industry, a “North American market pressured by imports” and an “incentive war,” in which automakers offer customer discounts to grab market share from their rivals.

The restructuring announcement by DaimlerChrysler had been long expected. At the time of the 1998 merger between the US and German companies, Chrysler's operations accounted for nearly half of the new company's profits. In the last year, however, amidst a slowing US economy, the division posted a third quarter loss of \$512 million, and fourth quarter losses are expected to double.

The announcement—made a month before DaimlerChrysler had said it would release its “turnaround” plan, was clearly aimed at assuring Wall Street that management was prepared to carry through brutal cost-cutting measures. Over the last

year, big investors have punished the company's stocks, which have fallen to \$48 a share from a high of \$103 in January 1999. Earlier this month billionaire investor Kirk Kerkorian, who made a failed bid to buy the company before the merger, dumped more than half of his stocks in the company.

Wall Street investors, however, expressed dissatisfaction with the scope of the cutbacks, indicating they wanted even further reductions. The company's stocks continued to fall Monday, losing nearly 2 percent. Analyst David Garrity of Dresdner Kleinwort Benson in New York said it had been shortsighted for the company to cut production the most in Mexico and Canada, where costs were lower, while shielding higher-paying jobs in the US. "You have a company that in some respects had been hamstrung by the UAW [United Auto Workers] agreement," Garrity complained.

Under the current UAW contract, workers hired before October 1999 will continue to draw 95 percent of their after-tax, straight-time pay for the life of the agreement. The company has been involved in negotiations with the UAW—which has a seat on DaimlerChrysler's board of directors—to clear the way for the restructuring plan. Zetsche reported that the plan was achieved "within the framework of the existing union contracts," and press accounts say the company got around the agreement's so-called prohibition on plant closings by calling the shutdowns "indefinite idlings".

As the *Detroit Free Press* reported Monday, "In recent weeks Chrysler executives have been quietly discussing the cuts with union officials in automotive labor unions in the United States, Canada and Mexico. Though the unions are likely to denounce the cutbacks publicly, privately they are said to understand the business predicament that has forced severe cost-cutting."

Zetsche did not disclose what additional concessions the union was prepared to give up, although he did say that Chrysler would delay the payment of workers' 2000 profit-sharing checks until some time in 2002. In the early 1980s, when Chrysler faced near-bankruptcy, the UAW agreed to the first-ever concession contract in the industry, accepting the shutdown of dozens of plants, the elimination of 45,000 jobs and wage and benefits cuts of thousands of dollars per worker.

The UAW bureaucracy did not bother to issue a statement Monday about the loss of thousands of its members' jobs. Canadian Auto Workers union leader Basil "Buzz" Hargrove said the union was helpless to do anything about the destruction of nearly 3,000 jobs in Canada. "We have signed a collective agreement with [the company]. We cannot strike. We cannot threaten them with much,"

Hargrove told a news conference in Toronto Monday, adding that he felt it was unfair that a higher percentage of layoffs were taking place in Canada, instead of in the US.

At the Mound Road engine plant in Detroit workers reacted angrily to the announcement.

Tim Harris, 35, began working at Chrysler in 1998. He told the *World Socialist Web Site*, "If I were to lose my job here it would be devastating. I waited almost eight years to get in here. I worked at a Chrysler supplier before coming here. I was making about \$10 an hour, about half of what I am making now, so this is a big change for me. I decided not to get myself into a bind by buying a big house. I decided to wait. I have two kids. My oldest son will be going to college in three years, so I have big expenses.

"The union hasn't said anything. We had a town hall meeting today in the plant. That's where they get different departments during different times of the day and the union and management get together and tell everyone what is going on. They said the plant was scheduled to shut down in June of 2003. They moved it up to December 2002, that's when the last motors are going to roll out of here."

A young woman worker told the WSWs, "I feel that we not are told enough of what is going on. It's the whole way American society is run. Let's be honest, I don't think much of how this country treats workers. People at the top can make millions of dollars. We have a very sick mentality with the myth of Horatio Alger, that you can make it on nothing by working hard. But America is a caste system superimposed on a class system.

"This is just a sign of the times that we are going to go back into a recession. I know so many people during this boom period that did not do very well. It is a symptom of what is wrong with the whole country."



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