General Motors announces plans to eliminate 25,000 jobs in US

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General Motors, the world's largest automobile manufacturer, announced plans June 7 to close an unspecified number of plants and eliminate 25,000 manufacturing jobs in the US by the end of 2008. The cuts will reduce GM's hourly workforce in the US by 23 percent, from 111,000 to 86,000. As recently as 1991, GM employed 260,000 hourly workers in the US. In the late 1970s, the company's US workforce, hourly and salaried combined, was more than 600,000.

According to the outplacement firm Challenger, Gray & Christmas, the car maker's announcement is the largest single announced job cut since January 2003, when retailer Kmart, flirting with bankruptcy, revealed plans to eliminate 37,000 jobs.

GM is also demanding that the United Auto Workers union (UAW) agree to reopen the current contract, which expires in September 2007, to implement major cuts in health benefits for both active and retired workers.

GM Chairman and Chief Executive Rick Wagoner outlined the cuts, expected to generate $2.5 billion in annual savings, at the company's yearly shareholders' meeting in Wilmington, Delaware. Wagoner refused to specify which plants would be closed, but industry analysts speculated that older assembly facilities in Janesville, Wisconsin; Doraville, Georgia; Oklahoma City; and Pontiac, Michigan, were likely targets.

In addition, powertrain plants in Livonia and Bay City, Michigan may be at risk. Already this year GM has closed or stopped production at plants in Baltimore, Maryland and Linden, New Jersey, and two plants in Lansing, Michigan. GM's North American factories currently operate on average at 85 percent of capacity, compared, for example, with Japanese automaker Toyota's 107 percent.

The *Detroit News* reported Wednesday: "Analyst Stephen Girsky at Morgan Stanley recently estimated that 45 percent of GM's North American production capacity—the equivalent of 15 plants—is unused or produces models that generate little or no profit, such as vehicles sold at cut rates to employees and cars sold to rental fleets."

Sean McAlinden, chief economist at the Center for Automotive Research in Ann Arbor, Michigan told a reporter that GM's plan "works out to [the closure of] about four assembly plants, a couple of stamping plants and a couple of powertrain plants."

Another part of GM's plan, as detailed by Wagoner, involves making the company's eight brands more distinct from one another. Only Chevrolet and Cadillac will continue to have full vehicle lineups, while GMC, Pontiac, Buick, Saturn, Saab and Hummer will concentrate on niche markets.

General Motors faces a severe crisis. The company's North American operations lost $1.3 billion in the first quarter of 2005 and investment firm Morgan Stanley estimates GM's pre-tax losses could total $4 billion in North America in 2005.

In early May, the firm's corporate debt was reduced to junk bond status. In recent months GM's shares have traded at 12-year lows. Sitting on an inventory of 1.2 million unsold automobiles, the automaker recently offered the general public its employee discount.

Every indicator points to growing desperation in the company's boardroom. The possibility of bankruptcy is on the lips of a host of commentators, an extraordinary turn of events considering GM's stature in the US and world economy.

GM's share of cars and trucks sold in the US fell to 25.4 percent in May, down from 27 percent a year ago. As recently as the 1970s the auto giant built one of every two vehicles sold in America. GM's sales are off 5.2 percent this year, as sales of sports utility vehicles (SUVs) in particular have fallen sharply in response to deteriorating economic conditions, including rising gas prices.

Asian automakers' share of the American market continues to rise, reaching 36.5 percent in May, up from 34.3 percent a year earlier. Toyota's share of the US market now stands at some 14 percent, only a few percentage points behind DaimlerChrysler and Ford.

According to *Hoover's Online*: "In the 2004 fiscal year, Toyota produced $85.41 of net income per employee while GM produced $8.66 and Ford $10.73 ... In the fourth quarter of last year, Toyota generated an operating profit margin of 9.1 percent, compared with 0.5 percent for GM and minus 2.3 percent for Ford, according to Merrill Lynch & Co."

The *Detroit News* noted June 8 that GM's share value is now one-seventh that of Toyota, the world's second-largest automaker. The Japanese carmaker's market value was $131.6 billion in early May, compared to GM's value of $18.5 billion. Honda and Nissan, two of GM's other Japanese rivals, each had market values of $44.8 billion. GM's market value is now about the same as that of The Gap, the US clothing chain, which has one-tenth of the automaker's annual sales.

GM's plan to wipe out tens of thousands of jobs is accompanied by demands for major cuts in auto workers' benefits. GM is the world's largest private consumer of health care, providing coverage to 1.1 million current and former workers and their families. The 2004 company health care bill was $5.2 billion and that is expected to rise to $5.6 billion this year.

Wagoner asserted in his remarks Tuesday that health care expenses add $1,500 to the cost of every GM vehicle. He suggested a more acceptable figure might be $1,000, a 50 percent reduction.

GM's chief executive told shareholders the company was engaged in intense negotiations with the UAW on ways to lower the company's health care costs. He declared, "We have not reached an agreement at this time, and to be honest, I'm not 100 percent certain that we will.”

Industry and Wall Street analysts generally downplayed the significance of Wagoner’s plan or dismissed it altogether as “too little, too late.”

USB analyst Rob Hinchliffe told clients in a note, according to *Marketwatch.com*, that the plan was not aggressive enough and the job cuts and brand focus were old news. “This amounts to little more than past 5 percent attrition levels. Fundamentals remain poor given soft SUV sales and declining market share.”

Maryann Keller, a consultant and “longtime GM watcher,” told the press, “Is GM going the way of some airlines, or will it reinvent itself? The latest moves don’t solve the problems.”

Commented Daniel Howes in the *Detroit News*: “Will the Wagoner turnaround be enough? Today’s headlines will scream ‘25,000 GM jobs to go’ by 2008, but the fact is that GM sheds between 5,000 and 6,000 jobs each year just through attrition and natural retirements. Some 36,000 of GM’s hourly work force is eligible to retire right now; 50,000 will be eligible within five years. Do the math: Under normal circumstances, GM would eliminate close to 24,000 jobs between now and the end of 2008. Are those jobs lost to the national—and Michigan—economy? Yes. Do they represent a radical downsizing that wasn’t already occurring? Not really.”

The UAW, while refusing for now to renegotiate the contract, has shown its readiness to assist GM management in placing the burden of the company’s crisis on the backs of the workers. In a press release, UAW Vice President Richard Shoemaker, responsible for GM, made clear the union will put up no opposition to massive job cuts and plant closures, and is prepared to work out a deal to slash GM’s health care costs.

He began his statement: “It’s one thing to present in a speech specific targets for job reductions and closing plants by the end of 2008; in reality, various important factors will come into play—including the natural attrition rate, changes in volume and market share, and, of course, the 2007 UAW GM negotiations.”

Shoemaker went on: “The UAW is not convinced that GM can simply shrink its way out of its current problems. What’s needed is an intense focus on rebuilding GM’s US market share, and the way to get there is by offering the right product mix of vehicles with world-class design and quality.”

Brett Clanton in the *Detroit News* observed, “Facing job losses at Detroit automakers and major parts suppliers, the union has shown a new willingness to adapt or compromise.”

The mass media and its pundits are unanimous in the view that auto workers and retirees are receiving far too generous benefits and that these must be sacrificed. The company, all the experts agree, has been “hamstrung” by health care and other costs that are a “drag” on GM’s earnings.

Peter Morici, a professor at the University of Maryland quoted in the *Baltimore Sun*, blames a “culture of entitlement” at GM for the company’s woes. Bruce Belzowski, an analyst at the University of Michigan’s Office for the Study of Automotive Transportation, told the *Detroit News*, “The only option that I see [for the UAW] is capitulation on health care issues.” The British *Economist* pronounced bluntly, “There is a sickness at the heart of General Motors—the car giant’s generous health care plan for blue-collar workers.”

The same commentators have little or nothing to say of the huge salary and benefits packages enjoyed by GM’s top executives. As a result of GM’s poor performance last year, CEO Wagoner’s compensation package declined 22 percent, to a “mere” $10 million: $2.2 million in salary—the same as 2003—a $2.5 million bonus and 400,000 stock options currently valued at $5.1 million. In 2003, he received a $2.9 million bonus and 500,000 stock options. Wagoner also earned $3.3 million in long-term incentives in 2003, but none for 2004.

GM North America’s chairman Bob Lutz and chief financial officer John Devine received cash compensation totaling $4.4 million and $4.2 million, respectively, for 2004. The year before they each made about $6.4 million. Lutz and Devine each was awarded 160,000 stock options for 2004, valued at about $2 million, down from 200,000 in 2003. GM North America’s President Gary Cowger’s cash compensation totaled $1.6 million for 2004, down from $2.3 million a year earlier. Cowger received 50,000 stock options for 2004, 5,000 fewer than the previous year. (*Detroit News*, April 30, 2005)

The impact of the new job cuts on many communities will be devastating. One only has to consider the wretched conditions that prevail in Flint, Michigan, once a city dominated by General Motors. The *New York Times* points out that GM once employed as many factory workers in Flint (in the 1970s) as it will employ in the entire US at the end of the current round of cuts. John Challenger, CEO of Challenger, Gray & Christmas, commented, “The massive job cut will, of course, have a rippling effect as plant closings adversely impact surrounding communities, suppliers and other businesses that depend on these facilities for sustenance.”

GM’s assault on jobs is certain to be followed by sweeping cuts by other companies. As Challenger noted: “This may not be the last major job-cut announcement we see this year as other companies, including the other American automakers, struggle to make a profit amid escalating health care costs, not to mention the cost of providing ongoing health benefits to the growing ranks of retirees.”

The GM announcement is a major intensification of an ongoing corporate assault on the working class, which is backed by the Bush administration and tacitly supported by the Democrats. In recent weeks, United Airlines and US Air have unilaterally terminated their employee pension plans, setting the stage for a wholesale attack on pensions and health benefits in every sector of the economy. The logic of this process, driven by the crisis of the profit system, is the destruction of every social gain made by the American working class in the course of a century of struggles.