

Delphi plans to cut 24,000 US auto jobs

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The United Auto Workers union (UAW) revealed November 16 that Delphi Corporation plans to eliminate 24,000 of its 34,000 US factory jobs over the next three years. The drastic downsizing plan was part of Delphi's "final offer" to the UAW and several other unions representing workers at the largest US auto parts manufacturer, which declared bankruptcy October 8.

In addition to wiping out two-thirds of its hourly workforce, Delphi is demanding that wages for the remaining workers be reduced from \$27 an hour to \$12.50, and \$10 for new-hires. This latest wage-cutting demand is a small revision from the company's original demand for wages to be set at \$9 to \$10.50 an hour.

The *Indianapolis Star* reported that the Delphi also plans to dump its pension obligations by turning them over to the government's severely under-funded Pension Benefit Guaranty Corporation. The move would drastically reduce benefits for more than 10,000 retirees and surviving spouses. New-hires would no longer be covered by a defined benefit plan, but would be put in a "defined contribution" pension plan, such as a 401k.

According to a Delphi spokeswoman, the total wage and benefit package would be reduced to \$21 an hour from the current \$65 an hour. "We think it's competitive," said Karen Healy. "It's similar to our competitors, many of whom have employees from the same unions."

At a press conference in Detroit on Wednesday, UAW President Ronald Gettelfinger called the new offer "insulting" and said it would not be brought to the membership. "Delphi's contract proposal was not designed to be a framework for an agreement," he said, "but a road map for confrontation." The UAW represents 24,000 of the company's 34,000 US unionized workers.

Delphi has given its unions until December 16 to

reach an agreement before it asks US Bankruptcy Judge Robert Drain to nullify existing labor contracts and impose its demands. Such a move would allow unions to legally strike, a scenario that Wall Street analysts increasingly believe is likely, according to the *Detroit News*.

UAW officials said they had not ruled out a strike. "We're going to keep all of our options open," Gettelfinger said. At the same time he said he has not endorsed a work-to-rule slowdown in Delphi factories, as was earlier reported.

The elimination of 24,000 jobs—the equivalent of closing down 12 plants—would devastate communities in Michigan, Ohio, Indiana and western New York, where tens of thousands of Delphi employees and their families live.

Delphi won approval earlier this month from Bankruptcy Judge Drain for enhanced severance packages for its top 21 executives, guaranteeing them millions in compensation if Delphi removes them or they leave. The compensation includes 18 months of salary and 18 months of bonuses, up from 12 months, once the executives sign a document barring them from immediately joining a competitor.

In addition, Delphi is seeking court approval for its "Key Employee Compensation Program," which provides \$87 million in cash incentives to the company's top 486 executives, including average bonuses of \$2.5 million for top four executives, excluding CEO Robert S. Miller. The CEO pocketed a \$3.7 million signing bonus when he joined Delphi last July.

Since hiring on as a "turn-around specialist," Miller has repeatedly complained about overpaid workers, suggesting that many were getting \$65 an hour for mowing lawns at Delphi plants. Most recently, Miller said that white-collar workers would be exempted from the drastic reductions in health care benefits being

imposed on blue-collar employees.

The Big Three automakers and Wall Street investors are backing Delphi's attack. GM decided not to intervene to stem the losses at Delphi—which it spun off in 1999—and keep it from declaring bankruptcy. The number one US automaker said it hoped to save billions in reduced costs for parts once Delphi slashed its labor costs.

On November 17, General Motors said it would announce its own restructuring plan next week. The company pushed up its announcement—which was originally scheduled for the end of the year—after big Wall Street investors carried out a sell-off of its stock and analysts suggested GM would likely follow Delphi into bankruptcy, particularly if a walkout at its major supplier caused a shutdown of GM's operations. The company, which recently gained the approval of the UAW to impose unprecedented health care cuts on its active and retired workers, plans to wipe out 25,000 jobs, shut down at least four assembly plants and some stamping operations, and eliminate shifts at other plants across the country.

According to the *Wall Street Journal*, there are ongoing negotiations between GM, Delphi and the UAW to reach a deal that would allow the auto parts company to unload some of its retiree costs onto its former parent company, while moving ahead with its wage-cutting and job-slashing plans. The negotiations involve a possible \$25,000 buyout for many of the 24,500 active UAW workers at Delphi who are within five years of retirement.

The *Journal* reported: "Any buyout would likely be dependent on GM receiving assurances that Delphi-UAW workers wouldn't follow through with recent threats to strike to protest wage cuts proposed by Delphi management, people familiar with the talks said."

David Cole, chairman of the Center for Automotive Research in Ann Arbor, Michigan, and a consultant with ties to GM, said he believes the UAW, GM and Delphi could announce "something fairly significant" by the end of the year "that wraps together GM's plan for Delphi workers with workforce reductions and plant closures at GM."

It has long been the policy of the UAW bureaucracy to support the lowering of wage rates in the auto parts industry in order to boost the competitiveness and

profitability of GM, Ford and Chrysler. After agreeing to allow GM to cut \$1 billion a year in medical costs, the UAW has now opened negotiations with Ford for similar concessions before the 2007 renegotiation of their labor contract.

The behind-the-scenes dealings by the union bureaucracy highlight the bogus character of the supposed "war" the UAW and other unions have declared on Delphi. A series of publicity stunts, including appeals to Democratic Party politicians and Delphi's big investors, is only an effort to conceal the UAW's collaboration with the auto bosses.



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