Chrysler job cuts to hit Detroit area

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Thousands of jobs will be eliminated in southeastern Michigan as well as other Midwestern states as a result of the restructuring plans announced by DaimlerChrysler last week. Eight factories in Michigan, Ohio and Indiana will be affected in addition to the three already identified as part of the plan to eliminate 13,000 Chrysler Group jobs in the US and Canada.

The additional factories make components for slow-selling mid-sized sport utility vehicles, pickup trucks and other large vehicles that will face production cutbacks between now and 2009, according to a company report.

Nearly half of the job losses in the US—5,300 out of 11,000—will occur in Detroit and its surrounding suburbs. In the 1950s, when four out of every five cars in the world were made in the US, the Detroit area had the highest median income and the highest rate of home ownership of any American city. Today, after three decades of plant closings and mass layoffs, the Motor City is one of the poorest big cities in America.

Already reeling from the loss of thousands of jobs at GM, Ford and parts supplier Delphi last year, Michigan has the second-highest unemployment rate in the nation, and a record number of its citizens are facing home foreclosures and relying on emergency food assistance.

The hourly job cuts announced by DaimlerChrysler include 1,000 positions when the shift is eliminated at the Warren truck plant, plus 250 jobs at a Detroit axle plant. About 200 more jobs would be lost at the Mack Avenue Engine Plant I in Detroit, another 100 at an engine factory in suburban Trenton, 65 more at a stamping plant in Sterling Heights and another 100 at a stamping plant in Warren.

In addition, about 1,600 of the 2,000 white-collar layoffs will come at the company's headquarters in the northern suburb of Auburn Hills. Across the Detroit River, in Canada, another 1,300 jobs will be lost at the assembly plant in Windsor.

In Ohio, about 200 jobs will be eliminated at the Toledo machining plant and another 110 at a stamping plant in Twinsburg, near Cleveland. One Indiana plant, Indiana Transmission Plant I in Kokomo, would lose 100 jobs this year, said a Chrysler spokesman.

The layoffs are part of the 13,000 job cuts announced on February 14. They are in addition to the previously announced plans to close an assembly plant in Newark, Delaware, that employs 2,100 workers and a parts distribution center near Cleveland. In addition to the elimination of a production shift in Warren, the company also plans to cut out a shift at its St. Louis truck plant.

According to the company, all the cuts will take place during the next three years and will be accomplished with buyouts and early retirement packages that are under negotiation with the United Auto Workers (UAW) union in the US. Unlike General Motors and Ford Motor, Chrysler is not expected to offer a "voluntary separation agreement" to its entire unionized workforce. Instead, it is likely to offer retirement incentives at select assembly plants and other manufacturing locations in the US where layoffs will occur.

The Canadian Auto Workers has already reached an agreement for the 2,000 workers being axed by Chrysler, which includes payments ranging from up to C$100,000 (US$85,900) for workers with eight years or more service; and C$85,000 (US$73,000) for skilled trade workers eligible for retirement plus a C$30,000 (US$25,700) voucher toward the purchase of a new Chrysler vehicle.

Meanwhile, Ford has reportedly withdrawn buyout offers to many white-collar workers after receiving far more responses than it was seeking. Employees who thought they had buyout deals were shocked and angry after learning the offers were being pulled, some Ford workers told the *Detroit Free Press*. Last year, more than 38,000 hourly workers—more than half of the US workforce—took the buyout.

During the February 14 press conference announcing DaimlerChrysler's restructuring plan, company Chairman Dieter Zetsche made it clear the German-based company is considering spinning off its money-losing US operations.

The company has hired the Wall Street investment bank JPMorgan to explore a possible sale. Figures familiar with the internal discussions in top management say continuing the recent integration of the company with the Mercedes car group is “the least preferred course of action,” according to the *Financial Times* of London.

Daimler-Benz took over Chrysler nine years ago in a $36 billion deal. Chrysler’s business is now worth $14 billion, but its healthcare liabilities are $12 billion or more, leaving the company with little operating expenses and basically insolvent.

News reports have cited several possible buyers, including General Motors, Korean automaker Hyundai and China’s Chery Motors, although it is likely that JPMorgan has inflated the number of bidders to drive up the asking price. Analysts are doubtful that GM—which is already struggling with falling market share and large healthcare and pension liabilities—would buy Chrysler.

“If they do merge,” David Feinman, a fund manager with Havens Advisors, told Reuters News Service, “there would have to be massive streamlining and there would be hundreds of thousands of more jobs lost.” Feinman added, “The only one to benefit would be Daimler because they would get rid of Chrysler.”

Perhaps a more likely scenario is that the 82-year-old company will be purchased by speculators and simply stripped of its assets. This would no doubt involve a massive assault on the healthcare and pension benefits of Chrysler workers and the tens of thousands of family members who depend on them. In recent years, after decades of attacks on auto workers’ working conditions and living standards, the industry has once again become a profitable target for corporate raiders such as Carl Icahn.

A takeover would no doubt provide a windfall for the wealthy investors and corporate executives who have driven the company into the ground. The 1998 merger allowed billionaire financier Kirk Kerkorian to pocket $5 billion for his Chrysler stocks. The company’s top 30 executives divided $500 million in cash, stock and severance pay, together with lucrative options to purchase stock in the merged DaimlerChrysler at favorable prices. This included Chrysler Chairman Robert Eaton, who alone took in $3.7 million in cash, $66.2 million in stock and a severance payment of $24.4 million.

Meanwhile, the tragic impact of corporate downsizing by the Big Three automakers is being felt inside the plants. Three autoworkers—one each at GM, Ford and Chrysler—have died on the job since the beginning of February, according to the *Oakland Press*, which said the fatalities raised questions “about the stress placed on employees as the domestic automakers slash payrolls and push organization changes in a bid to become more productive.”

With falling vehicle sales, the auto bosses are implementing a brutal speedup in the plants, forcing fewer workers to produce more cars and trucks. Productivity among autoworkers employed by GM, Ford and DaimlerChrysler increased by 11.5 percent at passenger car plants between 2001 and 2005, and by a substantial 17.4 percent in truck and sport utility vehicle assembly plants during the same five-year period, according to figures compiled by Harbour Consulting of Troy. In addition, workers are being pressed to do unfamiliar jobs and are working with supervisors who in many cases are new to an operation.

Over the last 25 years, the pro-company policies of the UAW have led to the destruction of virtually all shop floor protections. One worker employed at a DaimlerChrysler plant in Detroit told the newspaper, “The union’s position is they don’t want to hear any complaints. Their position is, ‘We have to do everything we can to help the companies.’ ”

Last week, Tom LaSorda, Chrysler chief executive officer, said the company’s restructuring plan assumes new savings from its next labor contract with the United Auto Workers. For its part, the UAW bureaucracy has already warned its members to “expect sacrifices.”