US: General Motors to offer more job buyouts

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General Motors executives are planning to offer early retirement incentives or buyouts to the automaker's 72,000 hourly workforce, an indication that significant new production cuts are coming in the face of declining auto sales.

GM CEO Rick Wagoner announced January 17, at an industry analyst conference in Dearborn, Michigan, that the company will offer retirement incentives to some 46,000 workers. Further job buyouts will be announced in February. The company has cut 34,000 jobs since announcing its so-called turnaround plan in 2005.

GM is anticipating sales declines in 2008 and has indicated that it wants to run its plants as close to 100 percent capacity as possible. It is now producing at around 85 percent capacity.

However, it is hardly a secret that the main goal of the buyouts is to reduce costs by forcing out higher paid older workers. Under terms of the recent contract negotiated with the United Auto Workers, GM can replace senior workers with new hires earning as low as $14 an hour with limited benefits, about half the current $28 per hour standard wage.

Wagoner did not spell out how many total jobs GM plans to eliminate. He did indicate that the company may cut production at powertrain and engine plants if the US economy weakens further. However, the company's official plans are based on unrealistic estimates that project only a marginal decline of industry sales to the low $16 million range. Lehman Brothers analysts called GM projections "a little out of sync with the current economic environment."

US industry sales have fallen by some 1 million units already since GM announced its turnaround plan in 2005. At that time the company foresaw expanding US sales. In contrast to GM estimates, some economists are predicting a sales decline to 15.5 million units in 2008. Even that figure may be overly optimistic if the economy moves into recession.

The new round of job cuts by General Motors will have a devastating impact on communities in industrial states such as Michigan, where the company is the largest employer. Michigan already suffers from the highest unemployment rate in the United States, 7.6 percent, largely due to job cuts in the auto industry. Total employment in the state fell 90,000 in 2007, including 25,000 manufacturing jobs.

GM is taking advantage of the threat of recession and mounting economic fears among working class families to induce senior workers to take what incentives they can get and leave the plants. The total cost savings to GM for each senior worker it can replace are quite substantial. New hires will earn an average of $26 in wages and benefits compared to $62 for current full-time workers.

General Motors says it expects to save $5 billion in labor costs due to the two-tier system and other concessions surrendered by the UAW. The company also predicts its annual pension and health care obligations will drop to $1 billion annually from the current $7 billion by 2010 after it hands over responsibility for retiree health care obligations to the UAW. The 2007 national contract shifted responsibility for these obligations, totaling some $46.7 billion, to a voluntary employee beneficiary association trust fund to be administered by the auto union at a cost of less than 60 cents on the dollar.

There is no doubt that GM is in serious financial straits. US auto sales are at their lowest level in nine years. The company had to write down $39 billion from its balance sheet in the third quarter of 2007 and GM's stock is down about 50 percent since its high in mid October. Further, GM's financial arm GMAC Financial Services, in which it holds a 49 percent stake, has been hit hard by the mortgage lending crisis.

However, GM share prices rose 3 percent on Friday after Wagoner's announcement of the buyouts and

anticipated cost savings. Wall Street's confidence in GM is largely based on the continuing collaboration of the UAW in forcing the impact of the crisis of the US automakers onto the shoulders of workers.

The UAW justified the massive concessions it made in the 2007 auto contract negotiations on the grounds that they were necessary to secure job security. The announcement by GM underscores the bogus character of these assurances.

This is further demonstrated by the fact that the UAW is not opposing GM's plans. Far from it. In a recent statement UAW President Ron Gettelfinger boasted that the UAW was helping GM slash costs by $1,000 per vehicle.

According to a report in the *Wall Street Journal*, Chrysler is in discussion with the UAW over further cuts. Chrysler, which has far fewer workers near retirement age than GM, stands to gain far less in the short run from the two-tier wage system than its larger rival. The UAW has not indicated what, if any, additional cuts are under discussion, but there is no reason to believe they won't be substantial.

Ford, the second largest US automaker, also has substantially fewer workers at or near retirement age than GM. The auto company will undoubtedly insist the UAW match any additional concessions handed over to Chrysler.

All three US-based automakers are looking forward to negotiations with the Canadian Auto Workers later this year where they hope, based on the 2007 agreement with the UAW, to extract significant concessions.