After $39 billion loss

GM offers buyouts to entire US hourly workforce

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General Motors offered buyouts to all of its 74,000 US hourly employees as the automotive giant continues to downsize operations in response to declining US market share and massive financial losses. With the collaboration of the United Auto Workers union, the automaker plans to push out tens of thousands of higher-paid senior workers, replacing most of them with new hires making half the wages and far fewer benefits.

On Tuesday the company announced a staggering $38.7 billion loss for 2007, the largest in the history of the auto industry. The majority of the losses relate to the write-off of tax credits and other accounting charges. Excluding those charges, GM posted a pretax loss of $1.4 billion for the year, compared to a pretax profit of $628 million a year ago.

GM reported a fourth-quarter loss of $722 million due to the US economic slowdown, tighter credit markets and rising fuel prices, which have undermined sales of its highly profitable pickup trucks and SUVs. GMAC Financial Services—in which GM has a 49 percent stake—lost $2.3 billion in 2007 due to the housing and mortgage crisis.

About 40 percent of the company's revenues and more than half of its vehicle sales in 2007 came from outside the US. GM sales and profits grew in Asia, Latin America and Europe in 2007. However, Europe saw a year-to-year profit decline of $300 million despite a wave of plant closings and other cost-cutting in Belgium, Germany and Sweden. Company officials threatened to push through further "restructuring" in Europe if costs were not brought down.

With 9,369,524 vehicles sold worldwide, GM barely held on to its position as the world's largest car company in 2007, selling just 3,000 more vehicles than rival Toyota. In 1955, four out of five of the world's cars were produced in the US, half of them by General Motors. Today, Detroit's Big Three automakers—GM, Ford and Chrysler—barely produce half the cars and trucks sold in the US alone, with GM selling one quarter, compared to nearly 50 percent in the 1960s.

Company CEO Richard Wagoner said GM planned to save billions and return to profitability through the buyout programs and the new labor agreement it signed last fall with the UAW. The contract slashes wages and benefits for new hires and rids GM, Ford and Chrysler of their obligation to pay health-care benefits for hundreds of thousands of retirees and their spouses.

Under the new buyout offer, GM is offering $45,000 to qualified production workers and $62,500 to skilled tradesman to retire early with pension and health benefits. About 46,000 of GM's UAW-represented workers have the required 26 years of service to qualify for the offer. The rest of the workers are being offered up to $140,000 to sever all ties to the company and leave with no pension or health care.

The UAW has worked hand in hand with the auto companies to carry out an "orderly downsizing" of the US auto industry and transform the factories into low-wage sweatshops. Over the past two years, the UAW worked with GM to eliminate 35 percent of the workforce.

During the 2007 contract talks, the UAW suppressed rank-and-file opposition to the wage and benefit cuts. In exchange for the historic concessions granted by the UAW, the union bureaucracy was given control of a retiree health-care benefit trust fund—worth more than $50 billion.

UAW President Ron Gettelfinger said Thursday he

expects 15,000 to 20,000 GM workers to take the early retirement and buyout packages. Under the new labor agreement, Gettelfinger said, GM was obligated to replace these workers. While this would guarantee that the union bureaucracy suffered no loss of dues income, at least 16,000 workers would be hired under the lower-tier wage and benefit scale, agreed to by the UAW, which reduces hourly wages from $28 to $14. According to the *Wall Street Journal*, new workers will earn a total of $25.65 an hour in wages and benefits, as opposed to $73 an hour in total compensation for current workers.

Ford, the No. 2 US automaker, is also expected to offer packages to all 54,000 of its hourly workers. It also plans to eliminate laid-off workers whose salaries are guaranteed under the so-called Jobs Bank program, and hire thousands of lower-paid workers under its own agreement with the UAW.

Chrysler LLC is trying to cut up to 21,000 of its 45,000 US manufacturing jobs. The company's private-equity owner Cerberus Capital Management announced last week they would slash the number of models the number three US automaker produced and would consolidate their dealership network as part of a plan to transform Chrysler into a much smaller, more profitable company.

The destruction of thousands of jobs and the wage cuts are expected to have a devastating impact on living standards, particularly in the Midwestern US states, where the auto industry is centered. At 7.5 percent, Michigan's unemployment rate is already the highest in the nation. Since 2006, more than 70,000 homes in Detroit have been foreclosed and property values are down nearly 20 percent.

Sean MacAlinden, an analyst with the industry-friendly Center for Automotive Research in Ann Arbor, Michigan, told the *Chicago Tribune* that Toyota, the leading foreign car manufacturer in the US, will start slashing wages for its new hires and that other foreign carmakers will be close behind. "Away we go. We are going to see a downward spiral in wages," MacAlinden said.

MacAlinden expects Detroit's Big Three to slash their workforces by another 59,000 blue-collar workers over the next three years, while hiring 38,000 new workers under the lower-tier wage and benefits package, which disqualifies them from the standard pension and retiree health-care benefits that UAW members previously received.