After 19,000 take buyouts, GM to announce further US job cuts

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General Motors will announce further downsizing and restructuring measures at its annual shareholders meeting in Delaware today. The company is expected to carry out sharp reductions at plants producing slow-selling pickups and SUVs, resulting in thousands of more job cuts and possible factory closures.

Last week the number one US automaker announced that 19,000 workers—or one quarter of its hourly work force—had accepted early retirements and buyouts to leave the company, as part of its previously announced restructuring program. Analysts, however, say this is short of the company's target of getting rid of 25,000 of its remaining 74,000 US hourly workers and that involuntary layoffs must occur.

GM plans to replace higher-paid veteran workers—who will leave the company by July 1—with approximately 12,000 new hires earning half the wages and substandard benefits, in line with the labor agreement signed last year with the United Auto Workers union. While the US auto industry will become much smaller in response to falling market share, the so-called Detroit Three—GM, Ford and Chrysler LLC—expect to hire more than 38,000 lower-paid workers by 2011.

The automakers—which over the last decade have become heavily dependent on highly profitable light trucks—have been hard hit by rising gas prices and the tighter credit market, in the aftermath of the bursting of the housing and mortgage bubble. Large vehicle sales at GM are expected to fall by more than 19 percent in May.

Among those plants GM could shut down is the Moraine truck assembly plant, which employs 2,700 workers just south of Dayton, Ohio, an area that has been decimated by the loss of thousands of auto jobs over the last decade. The Moraine plant may fall victim because it is the only GM facility not represented by the UAW—which has collaborated closely in the company's cost-cutting measures. For its part, the International Union of Electrical Workers union's effort to negotiate a local contract with the lowest labor costs of any other GM factory in the US or Canada, may still have failed to save the factory.

GM recently announced plans to eliminate factory shifts at several light truck plants in North America. Last week it said it would accelerate those plans at factories in Flint and Pontiac, Michigan. Since it is not profitable to run plants with just one shift, those plants could also be targeted for closure.

At the same time the automaker is expected to ramp up production at factories making cars and crossovers, including plants in Lordstown, Ohio and Lake Orion, Michigan. Given that UAW locals have signed various sweetheart deals to secure these models, workers will have no protection against speed-up, unsafe conditions and management harassment aimed at pushing higher-paid workers out the door.

GM, which at one time sold 60 percent of the vehicles in the US, could see its share of US sales fall to below 20 percent for the first time ever when May sales are announced today. Toyota—which has already pulled even with GM in global sales—had a US market share of 17.4 percent in April and is positioned to expand even further.

General Motors, the one-time industrial icon, which will turn 100 years old in September, has lost $50 billion over the last year and has seen its total share value fall by half to around $10 billion—one 16th the size of Toyota's. The company's tailspin is symbolic of the long-term decline of US industry and the loss of American capitalism's once-dominant position in the world market.

Every automaker, including the Japanese companies, has been hard hit by the rise in gas prices to above $4 a gallon. Deutsche Bank analyst Rod Lache told Dow Jones news service he sees the seasonally adjusted annual rate of sales dropping to 15.2 million cars and trucks, down from 16.2 million in 2007, as the industry tracks toward its worst sales year since the early 1990s.

Ford, which has lost $15 billion over the last two years, has already said it will slash 2008 North American capacity by 280,000 to 350,000 vehicles, a decline of 10 percent, a move that will inevitably result in layoffs at Ford's seven truck plants.

Ford has also announced it will cut 2,000 to 3,000 or up to 12 percent of its salaried jobs in North America. Around 4,200 Ford workers took early retirement and buyout offers out of 10,000 jobs the company hoped to eliminate. The company is expected to announce a new restructuring plan in July.

The latest round of buyouts at GM brings the total to 53,000 hourly workers cut over the last two years, as part of a plan to reduce labor costs by $9 billion. The company will have less than half the work force that it had four years ago, when it employed 118,000 workers.

The UAW has worked hand-in-hand with GM to slash jobs and transform the auto plants into low-wage sweatshops. Under the two-tier wage agreement signed by the UAW last year, GM has classified 16,000 jobs as "non-core," meaning workers will be paid $14.50 an hour instead of $28 for current workers, will have to pay much higher out-of-pocket medical expenses and will receive no employer-paid pensions or retiree health-care benefits.

With restrictions limiting income protection for workers who don't take the buyout and are laid off, and with no chance for those nearing retirement to transfer to a lighter job—because those positions will now be paid half the wages—thousands of older workers decided to take the buyout and leave the industry. The so-called Special Attrition Program (SAP) allows those leaving under an early retirement package to retain their pensions and retiree health-care benefits. Others taking the $140,000 buyout will sever their ties to the company and receive no pension or medical benefits.

The mass exodus of older workers from the plants is a vote of no confidence in the UAW. Years of betrayed struggles—most recently the three-month-long American Axle strike—and the union's collaboration with the auto companies have convinced workers that the UAW will do nothing to defend them.

At the same time, the UAW bureaucracy has negotiated terms that help preserve the income of the union apparatus, even as union membership has declined to the lowest level since 1940 and new "union members" will be earning near-poverty wages. In return for the historic concessions last year, for example, the UAW was given control of a multibillion-dollar retiree health-care trust fund and tens of millions of shares in GM and Ford stock.

Acknowledging the crucial role of the UAW, Troy Clarke, president of the GM's North American operations, said in a statement, "The attrition program gives us an opportunity to restructure our US workforce through the entry-level wage and benefit structure for new hourly employees. We appreciate the UAW's support in making business improvements that provide a more secure future for General Motors and its employees."

While the crisis of the auto industry has meant untold levels of social misery for workers, with 143,000 jobs eliminated in Michigan alone since 2000, it has opened up new profit opportunities to Wall Street investors and other financial speculators.

GM and Ford have been punished by Wall Street over the last year—GM stock, for example, has fallen from $43.20 to $17.44 over the last year. With shares of the companies available at dirt cheap prices, big investors, including billionaire Kirk Kerkorian—who is in a bid to increase his stake in Ford—are beginning to see profit potential by 2010, when the automakers should realize billions in labor cost savings from the UAW contracts, which also relieve the industry of any responsibility to pay for health-care benefits for hundreds of thousands of retirees and their dependents.

In an article entitled "Buy GM," the investment magazine *Barron's* wrote yesterday that share values could rise to "at least 30 and maybe as much as 45 once those big cost reductions drop the bottom line in 2010.... Last fall's historic pact with the UAW deservedly made the headlines.... With the labor agreement, GM's target of trimming costs to 23 percent of revenue in 2012 looks achievable, despite higher material costs."

GM, the magazine continued, "now seems suited mainly for one group—bold investors who hope to eventually double their money but can afford to lose it all if their wager goes awry. The good news for GM fans: Despite the misery that the car maker is experiencing and might endure for another 12 to 18 months, such a wager ultimately should pay off."