In preparation for Treasury concessions deadline

GM slashes 10,000 jobs

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General Motors Corp., the leading US auto producer, announced plans Tuesday to cut 10,000 salaried positions within the next year. Of these layoffs, 3,400 will come in the US. Most of the cuts would take place by May 1, GM said in a statement. It will also cut the pay of those salaried workers not fired from the US workforce by 3-7 percent.

The new round of job cuts come as GM prepares to win the approval of the Treasury Department for continuation of $13.4 billion in loans signed into law in December, which the Democratic-controlled Congress made contingent on drastic reductions in labor costs, including layoffs and a lowering of pay that would bring US auto producers in line with foreign-owned auto assembly plants in the South.

GM and Chrysler LLC will submit restructuring plans next Tuesday that will detail how the automakers plan to win concessions from their workforces and bondholders by a March 31 deadline. There are indications that the deadline may be extended, or else the Treasury may determine to allow the two automakers to enter into bankruptcy.

The laid-off salaried workers will not be offered buyouts or early retirement, GM said. This is because Congress included terms in the automakers' emergency loans that prevent GM from using its pension fund to offer buyouts to salaried employees. Instead, layoffs will take place through GM's preexisting severance plan, which offers minimal assistance to dismissed employees.

That the pay and positions of layers of management and other white-collar workers are being targeted in the auto industry restructuring, points to the erosion of what was formerly known as "the middle class" in the US. But it also serves as a warning to rank-and-file autoworkers.

In the coming days, the automakers are likely to announce a new round of layoffs and concessions from autoworkers that the Big Three are preparing in collaboration with the United Auto Workers union. The UAW nominally represents the auto industry workforce, but in fact functions as a layer of management. In an unbroken chain, it has accepted all concession demands as far back as the Chrysler bailout of 1979, always in order to "save jobs."

Last week, GM joined Chrysler in offering buyouts to their combined hourly workforce of 89,000. The deals included vouchers worth $25,000 toward the purchase of a new GM vehicle and $20,000 in cash. This month, the UAW agreed to end its Jobs Bank program, which has functioned as an unemployment insurance program. Three months ago, GM forced retirement buyouts on 5,100 salaried employees.

The UAW has maintained strict silence regarding the current round of layoffs and benefit rollbacks it is negotiating. However, it is anticipated that, in exchange for shepherding through unprecedented concessions, the UAW bureaucracy will be rewarded with stock in the auto companies. For instance, it may agree to forgive cash payments owed by the Big Three to the VEBA (Voluntary Employee Benefit Association) fund it manages in exchange for stock. Such maneuvers will further convert the UAW into a business entity, a process that is already irreversibly advanced. The UAW will thereafter face a more and more pressing cash imperative to reduce the wages, conditions, and health benefits of autoworkers.

But whatever their precise nature, new concessions may prove insufficient to satisfy Washington. An analyst for J.P. Morgan, Himanshu Patel, was quoted in *Market Watch* as saying that the Obama administration

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may still allow GM to enter bankruptcy as a preferred method of driving down the conditions and pay of autoworkers. According to Patel, the likelihood of a negative consumer reaction toward a bankruptcy among the major auto companies has been reduced by the economic crisis.

While politicians of both parties have been ruthless in their drive to impoverish the autoworkers, the Obama administration has placed only token limits on the salaries of the top Wall Street executives whose institutions have collectively received trillions in government aid—and whose predatory financial activities have triggered the economic crisis. (See “The American ruling class”)

The preferential treatment shown Wall Street is no accident. Nor is it mistaken economic policy that widespread wage reductions and hundreds of thousands of new layoffs taking place in the US, including those in the auto industry, will further shrink the market for new cars and thus cause further layoffs.

The financial aristocracy that controls both parties, views the restructuring of the auto industry as the leading edge in a far-reaching redistribution of wealth out of the pockets of workers and into the bank accounts of the elite. The “American middle class” will not survive this process, as is suggested by the enormous layoffs and pay cuts carried out on salaried and management personnel in the auto industry and across the economy.

Autoworkers must take leadership of a working class counteroffensive that seeks to break the political and economic dictatorship of the profit system over the vast majority of the population. This struggle must be carried out in conjunction with autoworkers the world over, who are suffering everywhere under similar attacks.

Meanwhile, the crisis of the US and global auto industry continues to intensify.

US auto sales reached a 27-year low in January. Auto research firm R.L. Polk & Co., projects a 19 percent decline in the size of the US market for cars for 2009, after a 17 percent fall in 2008. Last year, GM lost its position as the world’s leading auto producer to Toyota Motor Co., of Japan, for the first time in 77 years. GM shares have lost 89 percent of their value in the space of one year. In January, GM’s US sales plummeted by nearly 50 percent, and China supplanted the US as the world’s leading auto market.

There are currently nearly 3 million new cars for sale sitting on dealer lots in the US. At present sales levels, it would take 118 days to deplete this inventory, according to Autodata.

Last week Chrysler announced plans to halt production at four more plants. Recently GM announced it would fire 2,000 workers at its Lansing, Michigan and Lordstown, Ohio assembly plants. Additionally, GM intends to intermittently idle production at 12 of its plants in North America over the coming months.

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