

US carmakers profit from wage-cutting, speed-up

Jerry White, Shannon Jones
10 May 2011

Each of the Detroit Three automakers recorded substantial profits in the first quarter of 2011 benefiting from the historic reduction in wages and other cuts in labor costs overseen by the United Auto Workers.

In announcements last week General Motors reported that it had tripled its first-quarter profits to \$3.2 billion and Chrysler reported a \$116 million profit for the first three months of the year, recording its first profit since 2006. In April, Ford announced \$2.6 billion in profit. At this pace, the US-based automakers are set to surpass last year's \$11 billion profits.

The recovery in profits for the auto industry is primarily the product of the savage attack on the jobs and living standards of auto workers engineered by the Obama administration on behalf of Wall Street. Following the financial crash of 2008, the White House used the historic collapse in auto sales and the threatened liquidation of GM and Chrysler to impose unprecedented concessions on auto workers, aided and abetted by the UAW.

According to Goldman Sachs auto analyst Patrick Archambault, GM now makes 28 vehicles per year for each employee—more than double the company's productivity during the 1990s and fully four times as high as in the 1950s. GM's hourly labor costs now amount to just 6 percent of its revenue in North America, down from nearly 30 percent a few years ago. New hires are paid around \$15 an hour, half the traditional wage of an auto worker.

The profit reports were the occasion for repeated claims that “Detroit is back.” The Obama reelection campaign sent an email entitled, “Saving the American auto industry,” which said, “If you've been hoping for good news about the Michigan economy, you got plenty this week. Chrysler and General Motors are both

reporting that they are healthy and growing.”

“The renaissance of the Detroit 3 is well on the way,” AutoNation CEO Mike Jackson told the industry publication *Automotive News*, which added, “As the U.S. economy continues to recover, the Detroit companies are well positioned to profit from rebounding auto sales.” Meanwhile, it cheered, the Japanese automakers could not exploit the growth due to dramatic production collapse stemming from the March 11 earthquake.

On Wall Street, however, the profit margins were considered too small. GM profits were less than analysts expected, the *Wall Street Journal* complained, adding, “GM's earnings disappointed investors and highlighted difficulties in its core North American operations and other units around the world.”

GM CEO Dan Akerson—who was paid \$2.5 million for four months of work last year—assured Wall Street there would be even greater cost cutting this year, which includes renegotiating a new five-year deal with the UAW this summer. “We are making steady progress, but there is more work to do,” Akerson told investors. The *Journal* added, “Mr. Akerson said ‘intensive cost cutting’ is essential to ensure the future profit growth as rising commodity costs push up the prices GM is paying for finished parts and materials.”

In its 2011 collective bargaining resolution, approved in March, the UAW made it clear it was willing to expand the number of workers making near poverty “tier two” wages and was committed to “innovation, flexibility, lean manufacturing, world best quality and continuous cost improvement,” in order to “promote the success of our employers.”

In order to boost the number of workers in the US—and its dues income—the well-paid managers who run the UAW are seeking to entice the automakers to

shift a portion of overseas production back to the US. To achieve this, the UAW is seeking to underbid auto workers in other countries. An industry analyst recently predicted the Detroit automakers would hire 35,000 new workers by 2015—all making drastically reduced wages.

Chrysler-Fiat CEO Sergio Marchionne has outlined plans to shift production from Italian factories to the US, where he has praised the UAW for its commitment to make Chrysler a globally competitive company, i.e., based on cheap, highly exploited labor.

There is growing anger among auto workers against the complicity of the UAW and the profits being made from the continuous attack on their living standards and working conditions. Reporters from the *World Socialist Web Site* spoke to workers at Chrysler's truck assembly plant in the Detroit suburb of Warren on Monday.

Mark, a worker with 15 years in the industry, said, "All the auto companies are making profits yet they want to cut our wages. It is not fair. They are making that profit off of our backs. You have a lot of people who don't like it. A lot don't speak out about it, but I will tell you in a minute it is not right.

"The UAW is in bed with management. To me it seems like they are bought off and are selling us out. We are paying all of these union dues and we get no representation. They are talking about expanding this two-tier wage—it is not right.

"[UAW President] Bob King never says anything. He says, 'OK, so you want to take some more?' All the concessions that have been given up over the years, we will never get those back, yet we are still giving up, giving up. When does it stop?

"You have workers right here in Warren Truck that are injuring themselves, going to medical. Half the time they don't want to see you, saying you are faking your injury. Yet they are talking about having these kids come in here and work for less than we are making now.

"They are doing the same job, but they are getting less. That creates dissension. You have a guy making \$14 an hour compared to the one making \$25-\$28. How would you feel about doing that?"

A worker with 10 years in the auto plants said, "I think it is crazy. They are adding insult to injury. A lot of workers are angry. We got a \$700 bonus before taxes. That was a slap in the face. The bonus equaled

what would have been our Christmas bonus, which we did not receive this year."

About the two-tier wages, she said, "At Jefferson Assembly you had 90 of the two tier workers quit in one day. I am a single mom. I can't afford to take a pay cut. If they cut my wage I will have to dump my house, ruin my credit and move into an apartment."

The recent struggles by auto workers in Fremont, California, Indianapolis and Lake Orion, Michigan were the initial signs of a rank-and-file rebellion against the UAW. This will intensify over the next several months as the UAW negotiates even greater attacks on the 114,000 workers at the Detroit Three automakers.

The fight to recover what has been taken from auto workers and to secure the right to decent paying jobs for all workers requires building new organizations of struggle, independent of the UAW and controlled by the rank and file. A new perspective of struggle is needed based on the international unity of the working class and opposition to the capitalist profit system and the big business politicians who defend it.



To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact