

# General Motors posts record first-quarter profits

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US carmaker General Motors announced record pretax profits for the first quarter of 2016, far exceeding analysts' expectations. The company earned \$1.95 billion, or \$1.24 per share, well above the market expectation of \$1 per share.

North America remained GM's most profitable sector, with \$2.3 billion in pretax profits. The company broke even in Europe, where it has pursued cost cutting and downsizing, and recorded a \$67 million loss for the quarter in economically depressed South America. Profits in China rose \$8 million to \$225 million. GM revenues were \$37.3 billion, up 4.4 percent.

Coming just months after the signing of the 2015 contract between the United Auto Workers and GM, these profit figures underscore the fact that the agreements were utter sellouts, designed to boost the company's bottom line. The 2015 deals followed decades of UAW-backed cost cutting and downsizing.

This included Obama's 2009 restructuring of GM, which slashed the wages of all new hires in half, abolished overtime payments after eight hours, and wiped out thousands of jobs. The White House essentially handed the giant automaker over to Wall Street "turnaround specialists," who restructured the company to guarantee huge returns to wealthy investors under virtually any market conditions.

The GM profits side-by-side with the stagnant and declining wages that autoworkers and workers throughout the US have faced make it clear who has benefited from Obama's so-called economic recovery.

GM's earnings were more than double the \$900 million it recorded in the first quarter of 2015. The record came despite a \$300 million payout by GM for restructuring costs, mainly for early retirement buyouts, and a \$500 million cash investment in ride-sharing company Lyft.

GM also overcame a decline in its global sales, which fell by 2.5 percent to 2.4 million vehicles. GM Chief Financial Officer Chuck Stevens attributed the decline to falling sales in South America and a reduction in sales to rental car companies, which return a lower profit. At the same time per vehicle prices in North America increased.

The record result in the first quarter follows the company's unprecedented \$11 billion in pretax profits for 2015, including \$6.3 billion in the fourth quarter alone. It recorded a 10.3 percent overall profit margin in North America, exceeding its return in China.

GM's profit figures come in the midst of a continuing, relentless, global assault on the jobs and living standards of the working class that has seen mass layoffs in steel, coal mining and the oil industry. On Tuesday, chipmaker Intel announced it is cutting its global workforce by 12,000, or 11 percent. That continues a wave of layoffs in the computer industry with tech companies slashing 72,333 jobs over the past year.

With the full backing of the UAW, GM has systematically driven older workers out of the auto plants and replaced them with new hires earning near-poverty wages, without traditional pensions and with inferior health care benefits.

The UAW barely pushed through the 2015 agreement last year. Fiat Chrysler workers rejected the union's first agreement—the first such rejection of a UAW-backed national contract in three decades. At GM there was a split vote, with production workers narrowly accepting the deal and skilled trades workers rejecting it by a 60-40 percent margin. The UAW ignored its own constitution and pushed the deal through. At Ford, the deal was narrowly passed, with widespread charges that the UAW stuffed the ballot box.

The 2015 deals maintained the hated two-tier wage, imposed a sharply lower rate for starting autoworkers and provided a paltry wage increase for senior workers. The contract also opened the way to employee co-pays and deductibles on medical insurance.

The UAW sellout facilitated layoffs and included cuts in supplemental unemployment benefits. Layoffs have already begun, with the elimination of a full shift, 1,420 jobs, at Fiat Chrysler's Sterling Heights Assembly and Sterling Stamping outside Detroit.

While GM and the UAW suppress the wages and benefits of autoworkers, the company has showered cash on stockholders. GM has increased its stock buyback program to \$9 billion, aimed at inflating share prices, and has increased its quarterly dividend by six percent.

The attack on autoworkers is the cutting edge of an assault on the social position of the entire working class. A new report by the Economic Policy Institute, "The Class of 2016," found that for young high school and college graduates, job prospects remain worse than before the 2008 economic crash. At the same time, since 2000, wages have remained stagnant for young workers in the US and workers overall. In constant 2015 dollars the wages of workers age 17-20 fell from \$10.93 an hour in 2000 to \$10.66 by 2016. Meanwhile, overall wages inched up from \$16.99 in 2000, to \$17.11 in 2016.

The United States is not the only country where wages are stagnating amidst booming corporate profits. Japanese-based automaker Toyota, which made a record \$19 billion profits last year, recently agreed to raise basic wages by just \$13 a month. Meanwhile, Japanese corporations are sitting on a massive cash hoard, equal to 50 percent of Japan's annual economic output.

The *World Socialist Web Site* spoke to a GM parts warehouse worker from Colorado about the continued GM profit surge. "The real issue is what are they doing to make those profits. Are they actually investing in the company? When they close plants, it seems their profits go through the roof."

Remarking on the claims by the UAW that the 2015 deal was the "richest" in history, he said, "The question I ask the UAW is 'what are you basing that on?' If you base it on past precedents it is the worst. It comes after 12 years of no raises.

"They talk up the profit-sharing checks we got, but one-half of my check went to the government in taxes.

"They don't have to do much to make themselves look good. In one sense, we are better paid than most, if you look at where the Obama administration has left the country, with most workers making \$10-13 an hour.

"The whole system is broken. Financially they are shuffling money around until the whole bubble breaks."

A tier-two worker from the GM Poletown Assembly Plant in Detroit said, "They made \$2 billion in the first quarter and we are still tier-two. We are still getting screwed. I have worked here eight years. We have no pension and the original tier-one workers are still making more money, and we will never catch up.

"We have to wait three years for dental and five years for vision. The UAW lets everything go. They are not for us, they are on GM's side."

A retired GM skilled trades worker from the Detroit area said UAW-represented contract workers employed by GM Subsystems had been abandoned by the union during the 2015 negotiations. While paying dues to the UAW, GM Subsystems workers earn vastly lower wages with few benefits, often working side by side with senior workers making more than twice the pay.

"Being a fourth generation autoworker, I am not happy with what the UAW did. With the company making all that money, it is ridiculous. It was a total sellout. These kids had no recall rights under the contract. These kids are their future. It is horrific what they did to them. They don't give a crap—one way or another at Solidarity House.

"My son worked 3 1/2 years for \$13 an hour and had no recall rights or anything. Now he is about out of unemployment benefits. He has a four-year college degree and is a National Guard veteran, but there is nothing out there for him.

"Under Obamacare he had to pay a \$190 fine because GM Subsystems did not even give him healthcare benefits.

"My grandfather helped start the UAW, but this is the worst I have ever seen it."



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