GM makes $9.4 billion in global profits as it slashes thousands of jobs

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General Motors made $9.43 billion in global profits last year. The world's third largest automaker generated most of its net income from its North American operations, which brought in $12 billion in pre-tax profits in 2016, up from $11 billion in 2015. The company lost money in economically stagnant South America and Europe, while profits remained flat in China.

Adjusted North American profit margins for the fourth quarter of 2016 rose to 12.1 percent from 10.5 percent a year ago, and full-year margins were 10.1 percent, down slightly from 10.3 percent in 2015. GM, like the other auto companies, has cashed in from brisk demand for highly profitable pickup trucks and sports utility vehicles in the US where gas prices and auto loan interest rates have remained relatively low. At the same time, GM has cut back on production of slower-selling passenger cars resulting in the loss of thousands of jobs.

Automakers have offered discounts and other financial incentives, long frowned upon by Wall Street, to maintain sales, which hit a record 17.6 million in 2016, up from 17.5 million in 2015. GM has made record profits from the pent-up demand during the Great Recession, which saw vehicle sales plunged to 10.4 million in 2009. The Obama administration's bankruptcy restructuring of GM and Chrysler halved the wages of new hires and allowed the corporations to dump their retiree health care obligations and slash jobs so investors could profit even as auto sales slowed.

Despite the profit report, GM stocks fell 4.5 percent after the announcement, with investors anticipating that the global slowdown and growing inventories of unsold cars signaled an end to GM's back-to-back years of record profits.

The number of unsold vehicles at GM's dealers in the US rose by one-third to 845,000 vehicles by the end of 2016. GM CEO Mary Barra and other top executives assured investors that they would carry out an aggressive campaign to reduce capacity at plants producing small and mid-sized cars and to implement "continued cost-efficiencies." In addition, GM executives said they were considering further "restructuring" in Europe and other regions.

GM is currently eliminating 3,300 jobs in Michigan and Ohio. January 20 was the last day for 2,000 workers on the third shifts at the Lansing Grand River assembly plant in Michigan's state capital and the Lordstown Assembly Plant near Youngstown, Ohio. Another 1,300 workers face the loss of their jobs at the GM Detroit-Hamtramck plant, the company's only plant in Detroit, when GM starts phasing out the second shift on March 6. GM is also cutting 625 jobs at its CAMI assembly plant near London, Ontario, west of Toronto.

The job-cutting has been facilitated by the labor agreement signed by the United Auto Workers in 2015 in the face of widespread opposition from rank-and-file workers, a fact that has been widely acknowledged by industry analysts and the business media.

"CEO Mary Barra has accelerated cost cuts by using levers within GM's labor contracts to lay off workers making struggling models such as the Camaro sports car or Cruze compact," *Bloomberg* wrote. "To keep profits humming, Barra needs to address inventory that would take about 108 days to work through at January's selling rate—more than a month's worth of extra supply compared with this time last year.

"Boosting profits in spite of the supply challenges may be doable because GM can cut temporary workers at its US plants without paying costly buyouts. The carmaker has already eliminated entire shifts at factories making the Cruze and Camaro, as well as the LaCrosse and Cadillac CT6 sedans."

In a conference call with investors Tuesday morning Barra said, "By nearly every measure, 2016 was a great year. This underscores the progress we are making in strengthening our brands and putting our customers first in everything we do."

In fact, top executives like Barra—who was paid $28 million in total compensation in 2015—were single-mindedly focused on driving up share values for the company's richest investors. Last month GM's board of directors voted to add $5 billion to the company's existing stock repurchase program. This brings the total value of the stock buyback program to $14 billion since 2015 when former Obama auto task force member Harry Wilson, who represented a group of hedge funds, pressed for a larger share of GM's cash hoard of $25 billion.

At the time Cindy Estrada, UAW vice president in charge of relations with GM, praised the deal, saying the "strategic process outlined today leaves room for our members to prosper, strong product investment for customers, and a healthy, well-positioned company." The UAW praised the deal because the union-controlled retiree health care trust—a slush fund for the union bureaucracy—controls the largest block of GM shares, some 140 million, or a 9.34 percent ownership stake in the company. Former UAW Vice President Joseph Ashton has been on the company's board of directors since 2014.

On Tuesday, UAW officials boasted about the profit-sharing check being sent out to the company's 52,000 hourly employees. "Today's performance bonus announcement of a maximum of $12,000 each rewards our members' dedication and commitment to building some of the most popular and high-quality vehicles in the world," Estrada said. "They deserve every penny of that collectively bargained bonus check."

Several things must be said about the profit-sharing checks, which, in any case, will be taxed and greatly reduced before workers see them. First, the $12,000 is a pittance compared to what workers have given up due to the UAW's abandonment of annual wage improvements, cost of living adjustments, paid holidays, the eight-hour day, current and future health and pension benefits and countless other hard-won gains.

The UAW-imposed concessions have enabled GM to make more than $50 billion in profits since the 2009 bankruptcy. Rather than improving the living standards of workers, the company is squandering $14 billion on stock buybacks and dividend payouts for its wealthy shareholders and executives. If this amount was divided among the 52,000 hourly workers who produced the bulk of these profits, every worker, including the ones losing their jobs, would get a bonus of $269,230—not a miserly $12,000. To add insult to injury, many of the temporary workers being laid off in Michigan and Ohio do not have enough time to qualify for the full bonuses.

Since it was introduced in the early 1980s, "profit-sharing" has always been used as a device aimed at concealing the fundamental conflict between workers and the capitalist owners and to preach class "unity." Far from workers having the same interests as the capitalists, the enrichment of the capitalist class depends on the ever-greater exploitation and impoverishment of the working class. This social reality has been confirmed in the experiences of workers in every part of the globe.

For all his phony expressions of concern about American workers, Trump has said nothing about the thousands of workers GM is tossing into the streets. On the contrary, he has appointed Mary Barra to the President's Strategic and Policy Forum—a committee of top CEOs that will discuss corporate tax cuts, deregulation and trade policy. Trump has promised to slash corporate tax rates from 35 percent to as low as 15-20 percent, and eliminate 75 percent of existing occupational safety and health, environmental and labor regulations, including fuel efficiency targets the automakers oppose.