GM makes record quarterly profit as US corporations accelerate cost-cutting

Jerry White
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General Motors saw a 25 percent rise in third quarter profits to a record $3.2 billion, the US automaker announced Wednesday. The spike in profits, despite falling sales in GM's two largest markets, North America and China, is the result of relentless cost-cutting, which has been enforced through the collaboration of the United Auto Workers (UAW) union.

The Dow Jones Industrial Average, which saw a sharp decline throughout October on fears of trade war with China, rising interest rates and a minuscule uptick in wages, rose 241 points Wednesday in response to profit reports from GM, Facebook and other companies.

US corporations are averaging around a 20 percent increase in profits chiefly through the suppression of workers' wage demands, the intensification of work and the spread of part-time and temporary employment. This has been the principal strategy pursued by corporations in the US and around the world since the global financial crash of 2008 and the brutal reality behind the so-called economic recovery.

Just hours after announcing its profit results, GM said it had sent out voluntary buyout packages to 18,000 of its 50,000 North American salaried employees, or 36 percent of its white-collar workforce. Workers will have until November 19 to decide on whether to take the offers, a GM spokesman told the *Wall Street Journal*, and layoffs were possible if the buyout effort and other cost-reduction measures did not achieve GM's targets, he said.

While GM made $500 million in profits in China, offsetting losses in South America, the center of the company's money-making operations was North America where profits shot up 37 percent to $2.8 billion. The company's North American profit margin was 10.2 percent despite an 11 percent fall in US sales.

GM reported earnings per share were up 41.7 percent from the same period last year. The profit report, which beat investors' expectations, and the job cutting announcement drove GM shares up 3 percent Wednesday. GM is continuing to spend billions on stock buybacks and dividend payments to its richest investors after squandering $6.7 billion on buybacks last year.

Like GM, Ford and Fiat Chrysler Automobiles (FCA) are relying on North America for the bulk, if not all, of their profits. Although net third quarter profits for FCA fell 38 percent—due to an expected settlement with the federal government over the illegal manipulation of emission results—the Italian-American company's operating profit in the US and Canada surged 51 percent, to $1.9 billion, and it had a profit margin of over 10 percent.

Ford Motor Co. reported North American operating profits of $2 billion during the July to September period. With Wall Street punishing the company's stock for achieving a profit margin of just 8.8 percent, Ford announced plans to reduce its salaried US workforce of about 70,000 employees, without specifying a number. The company has already temporarily laid off 2,000 production workers at its Kansas City assembly plant from October 22 to November 4.

US automakers are facing increasing difficulties due to rising costs associated with Trump's tariffs on steel and aluminum imports, and the rise of the US dollar, which undermines their exports to Asia and other regions. The companies have increasingly relied on sales of higher priced SUVs and pickup trucks in North America, but sales have already declined since their peak in 2016. This could turn into a rout as interest rates on car loans and gas prices rise, resulting in a new round of factory closings, mass layoffs and demands for wage and benefit cuts for the industry's hundreds of thousands of workers.

The huge profits in North America are due largely to the collaboration of the United Auto Workers union, which has suppressed all resistance by workers to speed up and the decimation of autoworkers' living standards and working conditions.

The American ruling class, which never forgave autoworkers for their powerful struggles—from the sit-down strikes of the 1930s to the militant wildcats of the 1970s—that wrenched significant concessions from the corporations, used the 2008 crash as an opportunity to intensify its attack on these gains and set a precedent for the whole working class.

During the 2009 bailout of GM and Chrysler, the Obama administration and the gang of Wall Street investors on Obama's auto task force collaborated with the UAW to destroy the hard-won gains of generations of autoworkers, including halving the wages of new "second tier" workers, abolishing the eight-hour day and eliminating income security for laid off workers. UAW backed the purging of higher-paid “legacy” workers and their replacement with temporary part-time employees who can be fired at will without paying supplemental unemployment benefits or other costs.

The transformation of autoworkers—once the highest paid industrial workers in the US, if not the world—into a largely casual and disposable workforce epitomized the historic change in class relations overseen by the Obama administration and continued under Trump. In exchange for its collaboration, the UAW was handed billions in corporate shares and given control of a vast retiree health care trust. In addition, top UAW executives were showered with millions in luxury items and other bribes to sign pro-company labor agreements, as federal prosecutors have exposed.

Angela, a Fiat Chrysler transmission worker in Kokomo, Indiana, who is on temporary layoff, denounced the UAW for collaborating in the ever-greater exploitation of workers, saying the UAW is “nothing but a tool of management” that has ignored Kokomo workers’ unanimous vote to strike over unresolved safety grievances. She also denounced efforts by Trump to scapegoat immigrants for the loss of jobs and wages while all the money was going to corporate executives and Wall Street. “It’s time we wake up and realize there are powerful forces trying to divide us,” she declared. “They’re using smoke and mirrors to distract us. My mother was a wage slave at Chrysler; my father at GM; and I’m a wage slave too. All workers, no matter where we are from, bleed the same and want the same thing: peace and security for our loved ones. The working class is the majority and we have more in common with workers of all nationalities and races than we do with the people dictating our lives.”

Other major corporations, such as United Parcel Service (UPS) and US Steel, are also making enormous profits even as they demand more sacrifices from workers. UPS recently reported a 20 percent year-on-year increase in third quarter profits to $1.5 billion dollars, while US Steel, benefiting from Trump’s tariffs, has seen profits rise by 20 percent.

At both companies, the unions are doing everything to prevent strikes, with the Teamsters going so far as to defy a majority vote by UPS workers in order to impose a deal that will establish a new lower-paid tier of drivers and maintain poverty wages for part-time warehouse workers who make up 70 percent of the workforce. At US Steel, the United Steelworkers union is trying to push through a sellout deal that would raise wages by 14 percent over the next four years, barely above the rate of inflation, and shift more health care and pension costs onto workers.

Far from the profit boom leading to workers recouping the wages they have lost over the last decade, total compensation costs—both wages and benefits—for private and public sector workers rose by only 2.8 percent in the 12-month period ending September 2018, according to report by the US Labor Department released Wednesday. For manufacturing workers, compensation costs were only 1.9 percent, while teachers and other state and local government workers got a miserly raise of 2.5 percent.

The current inflation rate for the United States is 2.3 percent for the 12 months ending in September 2018, according to the Labor Department. This means workers have seen a rise in real wages of only 0.5 percent, while manufacturing workers suffered a fall in real income.

After a decade in which the unions limited the number of strikes to historically low levels and facilitated the unprecedented transfer of wealth to the corporate and financial elite, millions of workers in the US and around the world are coming into struggle. Since the beginning of the year the number of major work stoppages in the US has nearly tripled since 2017, including walkouts by more than five percent of all K-12 public education employees, the largest number in more than a quarter of a century.

The fight for living wages, safe working conditions and fully funded health and pension benefits requires the building of new organizations of struggle: rank-and-file factory and workplace committees, which are independent of the corporate-controlled unions and democratically controlled by ranks of workers themselves. In addition to taking up the responsibilities long ago abandoned by the unions, including opposition to speed-ups, management abuse and victimization, these committees must link up workers across industries and fight for the establishment of industrial democracy and workers’ control over production.

The development of a powerful industrial movement, including the preparations for a general strike, must be combined with a new political strategy to unite American workers with their class brothers and sisters around the world to fight for socialism and the democratic and collective ownership of the wealth produced by the labor of the working class.