Auto workers in China face job losses and closures

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A growing number of car manufacturers have announced job cuts and factory closures in China, amid figures indicating that 2018 saw the country's first decline in car sales in nearly 28 years.

Ford and Korean auto-giant Hyundai have recently announced that they aim to reduce factory production and make workers redundant, due to increased competition from local Chinese companies. In the case of Ford, it has also been hit by US trade war tariffs imposed on China.

Hyundai stated its intent in January this year to cut 1,500 jobs at its Beijing manufacturing plant, citing a decline of 23 percent in sales for 2018. Ford, which is among the worst performing foreign car producers in China, has released figures indicating a 37 percent decline in annual sales for 2018. Its factories in Chongqing are operating at just 20 percent of total capacity and the company has reportedly been "quietly laying off thousands" of its 20,000-strong workforce, according to the *New York Times*.

The cuts and closures are not confined to two companies. Japanese car-makers have also experienced declining sales, with Suzuki announcing total pull out of China in August last year, selling its facilities to its partners in China. Nissan is reducing domestic production by 30,000 vehicles in the first three months of 2019, roughly a 30 percent cut in order to bolster weakening car prices.

European companies have also reported declining sales in China. British carmaker Jaguar Land Rover (JLR) has been hit particularly hard, with a staggering 46 percent decline in sales last year that led to the shuttering of a factory in Changshu. Other companies, such as Volkswagen (VW) and especially luxury brands like Mercedes and BMW have been less affected. However, according to remarks made by analysts at Japanese financial firm Nomura to the *Financial Times*, they are now concerned that China will become a "profit drag rather than profit driver."

While domestic Chinese manufacturers have not engaged as yet in large scale sackings, they have also been impacted by failing sales. Geely, the largest domestic Chinese car producer, reported just a 0.7 percent increase in sales last year, while state-owned companies BAIC Motor and Dongfeng Motor Group suffering 11 and 17 percent declines respectively, according to the *Nikkei Asian Review*.

Job cuts have so far centered on those workers on part-time or casual contracts, with full-time workers shielded for the present by existing labour protections. This reflects fears in the Chinese regime that mass retrenchments in the auto industry, at a time of cuts in the steel and coal industry, could provoke an increasingly restive working class.

The Communist Party of China (CPC) apparatus views low unemployment as key to preventing worker opposition to exploitative conditions. Auto manufacturing employs nearly five million people in China, not counting those working in various support services and related businesses.

Currently, at least an estimated 2 million cars on stock are unsold, with that number likely to increase. Local and foreign manufacturers have massively expanded productive capacity in recent years, to take advantage of the previously buoyant market and corporate tax breaks only recently terminated by the Chinese government. With the high level of inventory surpluses, further factory closures, increased idle production, and job losses are virtually inevitable. Nomura analysts told the *Financial Times* that production would have to fall another five percent to match expected sales declines this year.

The result of declining sales and increased inventories has been a price cutting war between the different car companies both domestic and international. Some manufacturers such as Hyundai have slashed prices by 15 percent, with the resulting financial losses likely to cause further attacks on jobs and conditions of workers.

The job losses are not likely to be confined to China. As American and European car makers now derive on average up to one-third of their profits from the Chinese automobile market, the risk of a large worldwide wave of layoffs has increased substantially. Citing losses in China as a partial cause, JLR shuttered its plant in Solihull, England for two weeks, while Fiat Chrysler announced late last month that it would lay off 1,400 workers at its Jeep Cherokee plant in Belvedere, Illinois.

The crisis confronting automakers is being compounded by the US tariffs imposed on Chinese goods as a part of the Trump administration's trade war. This is particularly damaging for American manufacturers who had intended to use China as a low-wage labour base to cheaply produce vehicles for US and European consumption.

Additionally, while Chinese officials are concerned about large-scale job losses provoking social unrest, there is some indication that the regime might use the opportunity to allow poorly performing companies, especially so-called "zombie companies," to fail. These companies are largely propped up by government support and contributed to China's massive debt-to-GDP ratio.

Another factor leading to job losses has been the push towards electric vehicles whose sales are increasing. This has meant more car models are obsolete and being discontinued as car companies re-direct their resources.

However, in the final analysis, lower car sales are largely a reflection of the broader and ongoing economic downturn confronting China. The largest declines in car ownership appear to be among young workers and students, with a rise in car-sharing schemes and hikes in petrol prices impacting car affordability. Significantly, those car brands experiencing the greatest losses are those in the budget and small car ranges, most likely to be purchased by workers and youth, while sales for many luxury brands remain high.

The global character of the auto industry underscores the necessity of an international struggle by auto workers against the drive by the major corporations to impose the brunt of the downturn through closures and job losses. Auto workers in China need to reach out to their counterparts in North America, including the US, Mexico and Canada, and Europe to build a unified movement based on a genuinely socialist program.

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