

General Motors reports \$2.1 billion first-quarter profits as job cuts take their toll

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General Motors reported \$2.1 billion in first-quarter 2019 net profits, higher than analysts' expectations, amid continuing signs of a slowdown in auto sales. The first quarter results were about double the \$1.1 billion reported for the same period one year ago.

The company says that it is on target to save between \$2 billion to \$2.5 billion in 2019 due to its cost-cutting measures, including the closure of five auto plants in North America and the elimination of some 14,000 salaried and production jobs. The cuts are taking a widening toll as yet another company dependent on GM business, Ohio-based Falcon Transport, closed its doors last weekend.

GM's reported profits came despite a seven percent decline in new vehicle sales in the US in the first quarter and continued steep sales declines in the critical Chinese market, where GM sales fell 17 percent. The company overcame these setbacks with sales of its highly profitable light trucks and SUVs.

The company's earnings also received a boost from the upward valuation of its holdings in ride hailing company Lyft and French automaker Peugeot. GM has invested heavily in the still speculative autonomous vehicle sector. Last year, its GM Cruise, a self-driving car unit, spent \$728 million and expects to invest \$1 billion in 2019.

Reflecting the relentless pressure of the financial markets for ever-greater rates of return, GM's stock declined after its quarterly profit report.

Announcing the earnings report, GM CEO Mary Barra told investors that "Looking at ways to cut costs is a top priority. We have assigned vice presidents to do it. We are attacking it with quite a bit of energy."

Last November, the company announced the closure of five plants including the Oshawa, Ontario assembly plant, assembly plants in Lordstown, Ohio and Detroit-

Hamtramck, Michigan and two transmission plants, one outside Detroit and other near Baltimore, Maryland. Mass layoffs of salaried employees were carried out in February. Production ended in early March in Lordstown, when 1,600 workers were laid off, with only a skeleton maintenance staff remaining. The Detroit-Hamtramck plant is reduced to a crew of 700, with production slated to end there in January 2020, just after the 2019 national contract negotiations with the United Auto Workers union.

As part of its cost cutting, GM is also focusing on ways to squeeze suppliers, ensuring further attacks on auto parts workers, already one of the most exploited sectors of the US workforce.

Barra has been rewarded for her efforts; she is one of 20 highest paid US CEOs, raking in \$21.87 million in 2018, about 281 times the pay of a typical GM worker.

The pressure of a continuing global sales slump and changing technologies ensures that GM and the other US automakers will insist on further concessions in the 2019 contract negotiations set to begin this summer with the UAW. Both Ford and Fiat Chrysler have carried out layoffs in recent months. GM has already made it clear that it will use the announced layoffs and plant closings as a weapon to intimidate workers and beat back demands for the restoration of past concessions, including ending the abuse of temporary part-time workers and the two-tier wage structure.

The UAW has done nothing to oppose the layoffs and plant closures and has indicated that it will use the threat to jobs as an argument for further concessions. The UAW and the Unifor union in Canada have instead sought to stoke up hatred against workers in Mexico and China to divert anger over job cuts and prevent any linkup between American workers and their brothers overseas.

The UAW is widely hated for its collaboration with management and its efforts to divide workers by pitting so-called legacy workers against temporary part-time workers and second-tier workers. This hatred has only deepened after the exposure that FCA executives paid UAW officials more than a million in bribes to sign pro-company contracts in 2015 and earlier.

GM's bumper profits are further fueling this anger as it is more and more obvious that they come directly at the expense of workers, their families and communities that are being devastated by plant closings. To add insult to injury, GM paid \$0 in corporate income tax last year on \$4.3 billion in profits. Since 2009 the automaker has extorted over \$1 billion in tax breaks from Michigan and Ohio in the name of supposedly preserving jobs.

Some 1,300 workers at GM plants targeted for closure have already accepted forced transfers to other facilities. In many cases this involves moving hundreds of miles, the uprooting of families and the disruption of lives. Those not able to transfer, including temporary and contract workers, face the prospect of permanent layoff.

The closure of the Lordstown plant, which up until a few years ago employed as many as 5,000 workers, is already having a much broader impact throughout the economy. One casualty has been Ohio-based Falcon Transport. The trucking company employing 550 workers abruptly announced its closure Saturday night, sending a text message to employees stating, "We regret to inform you that Falcon Transport is not able to continue operations and will be shutting down effective today. Please stop any work you are doing for the company effective immediately..."

Many drivers were left stranded in locations all across the United States.

Falcon Transport had GM as one of its biggest customers and is apparently out of business due to the closing of the Lordstown plant. The company had been operating since 1901 and as recently as 2017 had employed 800 people. It was subsequently acquired by private equity firm Counterpoint Capital Partners, which evidently decided to cut its losses at the expense of workers.

On Monday, former Falcon Transport workers filed a class action suit noting that owners violated the federal Worker Adjustment and Retraining Notification

(WARN) Act that requires companies with 100 or more employees to provide 60 days' notice before closing. They are asking for payment of wages equal to the sixty-day notice. One former Falcon Transport worker told local news station WKBN, "It is the most terrifying, horrible situation you could possibly ever be in. I was there for almost eight years. I think I should have an explanation. I should have been, at least, told."

Already a number of supplier plants in the Lordstown area have shut down, including Comprehensive Logistics, with 180 workers, Magna's Lordstown Seating Systems, with 120 workers and Ledec, with 73 workers.

Even before the final closure of the Lordstown plant, the unemployment rate in the surrounding Mahoning Valley was 6.0 percent, far higher than the statewide average of 4.7 percent, which is the seventh worst in the US.

An April 26 report in online news journal *Pacific Standard* details some of the social impact of the closure of the Lordstown plant. It notes that for every job lost due to a plant closing there are typically up to 10 jobs lost in the broader economy.

Terry Armstrong, the superintendent of Lordstown schools, said he expected to lose 75 students and 21 staff and tutors due to families leaving the area. He said he had hired a therapist to counsel children whose parents had been laid off.

In Austintown, 20 miles south of Lordstown, the local school superintendent said that they are preparing to lay off 10 percent of their staff, 40 teachers.

The GM plant closures have become a battleground as the 2020 presidential election cycle begins. Both President Trump and various Democratic Party presidential hopefuls have launched barbs at GM while demagogically claiming sympathy with laid-off workers. Their solution is completely reactionary, lining American workers up behind trade war measures against the foreign rivals of US capitalism, a program whose logic leads to world war while imposing endless pay cuts on US workers.



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