12,500 job cuts at Nissan as global restructuring of auto industry continues

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Nissan will slash 12,500 jobs—or 10 percent of its international workforce—as the brutal restructuring in the global auto industry continues in the face of falling international sales and the scramble over the development of electric and driverless car technologies.

By the end of March 2020, Nissan says it will cut 6,400 jobs in Japan, the US, Mexico, Britain, Spain, India and Indonesia. Another 6,100 jobs are expected to be cut in other locations around the world in fiscal years 2021 and 2022.

The Yokohama, Japan-based automaker made the move after seeing its quarterly profits fall 95 percent. The cuts also follow the failure last month of merger talks between the transnational conglomerate Nissan-Renault-Mitsubishi and Italian-American automaker Fiat Chrysler.

The bulk of the cuts will be on the factory floor, but the company will also lay off engineers, technicians and other salaried employees. According to a corporate presentation to industry analysts, the company will cut 2,420 jobs at plants in the US and Mexico, 2,540 in India and Indonesia, 880 in Japan and 470 in Spain. As part of the company's first phase of job cuts in the UK, 90 jobs will be cut in Sunderland, according to the *Financial Times*.

Earlier this year, Nissan eliminated a shift at its Canton, Mississippi pickup truck plant, laying off nearly 400 contract workers. A US company spokesman said there were no immediate plans for further layoffs in Canton and Smyrna, Tennessee but this seems doubtful in the face of the new cuts. Nissan employs 21,000 workers in the US.

"Nissan is implementing strategic reforms in order to build an operational base that will ensure consistent and sustainable profitability over the medium term," Nissan management said in a statement. "The company is moving quickly to optimize cost structures and manufacturing operations, while also enhancing brand value, steadily refreshing its lineup and achieving consistent growth globally, including in the US."

Nissan's move is the latest in a global massacre of jobs. Last year, Detroit-based General Motors announced the shutdown of five plants in the US and Canada and the wiping out of nearly 15,000 production and salaried workers in North America. In March, German automaker VW said it would slash 7,000 jobs. In May, Ford announced the cutting of 7,000 salaried workers, in addition to hundreds of production layoffs at Flat Rock, Michigan and Oakville, Ontario. Honda recently ended a shift at its plant in Marysville, Ohio, that makes its Accord sedan and other models.

Stuttgart-based Daimler, which owns Mercedes-Benz, might be next to announce job cuts after it posted a net loss of $1.3 billion in the second quarter.

There is an ongoing worldwide decline in car sales. US sales were down 2.4 percent in the first half of 2019 and analysts predict that total sales will fall below 17 million for the first time since 2014. A Bank of America-Merrill Lynch analyst recently predicted that US car sales could fall by nearly 30 percent by 2022.

In China, the world's largest auto market, sales were down more than 12 percent in the first six months of the year. Last year, China car sales fell for the first time in two decades. Thousands of job cuts have already taken place and many factories are operating well below capacity.

India is seeing its worst sales slowdown in a decade. With passenger sales falling 17.54 percent in June, for the eighth successive month, several auto companies, including Tata Motors and Mahindra & Mahindra, have previously announced production cuts. Maruti Suzuki India has dropped its plans to double vehicle manufacturing capacity in Gujarat and layoffs of part suppliers have already hit in Manesar, Haryana, in the industrial belt near Delhi.

In the US, car dealerships are starting to stockpile SUVs and pickup trucks, which have been a source of vast profits for GM, Ford, Fiat Chrysler and other carmakers. Ford dealers had about 10 percent more trucks and SUVs in stock than they had a year ago, according to data confirmed by industry sources cited by the *New York Times*. Chevrolet dealers had 15 percent more trucks in stock and Honda dealers 26 percent more.

"Car dealers around the country said that the upgrade cycle they rode to rich profits in recent years appears to be ending and that they are seeing fewer buyers despite offering discounts and other incentives. So, dealers say they are ordering fewer vehicles from manufacturers," according to the *Times*.

At the same time, the average price of new vehicles has risen to around $35,000 and interest on auto loans has edged up. "It's a double whammy," said Mike Jackson, chairman of AutoNation, the nation's largest chain of new-car dealerships. "Customers are having monthly payment shock."

The US-based auto companies are continuing to run their truck and SUV plants at close to maximum capacity. The companies are relying on the massive concessions handed over by the United Auto Workers over the last decade in particular, which cut new hires wages and allowed companies to quickly and at little cost lay off part-time and contract workers when sales fall. The automakers and the UAW hope to use the threat of new layoffs to extract even more concessions from workers, with GM saying it wants 50 percent of its work done by temps.

Mark Wakefield, a managing director at AlixPartners, told the *Times* automakers have organized their plants in ways that allows them to adjust production more easily than a decade ago when sales plunged and GM and Chrysler sought bankruptcy protection. Still, he said, if sales continue to be weak, other manufacturers may start to idle truck and SUV plants. "First for a week or two at a time," Wakefield said, "and if inventories don't come back in line, they may say, 'O.K., maybe we do need to take a shift out.'"