

Despite thousands of job cuts, General Motors will receive \$2.28 billion in Michigan tax credits

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General Motors (GM), which cut the jobs of 8,000 white-collar workers last year and recently closed an assembly plant in Lordstown, Ohio, and transmission plants in Warren, Michigan, and Baltimore, Maryland, is continuing to receive billions in tax cuts and public subsidies.

In a move announced last week, the state of Michigan agreed to extend a decades-long tax credit arrangement with GM, slightly lowering the maximum credit the giant automaker can obtain to \$2.28 billion through the end of 2029. The tax credit reduction amounts to \$325 million over the next decade, or \$32.5 million a year, a pittance for the company that made \$7 billion in profits in the first three quarters of 2019 alone.

According to the Michigan Strategic Fund board, GM agreed to invest \$3.5 billion in the state over the next 10 years, including at the Detroit-Hamtramck Assembly Plant, where the bulk of the investment is expected to be focused.

The tax credit agreement is part of an amendment to the 2009 Michigan Economic Growth Authority (MEGA) agreement, signed by former Michigan Democratic Governor Jennifer Granholm in 2009. Through the MEGA agreement, the state of Michigan awarded billions of dollars in tax breaks to the Detroit “Big” Three auto corporations—former Chrysler Group (now FCA), Ford Motor Company and GM—in order to keep them in the state after the 2008 financial meltdown and the bankruptcy of GM and Chrysler.

In May 2019, GM also won up to \$50 million in tax credits from the state of Missouri over 10 years, signed by Republican Governor Mike Parson. GM agreed to invest \$750 million in its Wentzville, Missouri, plant, which assembles trucks and vans.

Tax credits affect the amount of actual tax owed to the

government and can affect the amount of a tax rebate the corporation is eligible for. In 2018, GM recorded \$4.32 billion in profits and received a \$104 million tax rebate, an effective tax rate of -2.4 percent.

At the same time, the tax deal struck with Michigan frees GM to further cut jobs and reduce labor costs. In return for the modest cutback on tax credits, GM can be “more flexible with staffing,” according to the *Detroit News*.

Under the amendment, GM is required to maintain a total Michigan workforce of 34,750 to qualify for 100 percent of the tax credits granted by the agreement. GM currently employs 48,000 in the state, meaning that over 13,000 jobs could be slashed and GM will still qualify for the full credit. Furthermore, if GM employment in Michigan falls below the 34,750 threshold but stays above 27,875, it will qualify for 75 percent of the total tax credits offered.

The amendment also requires GM to pay a minimal weekly wage of \$1,300 per week per employee, double the 2009 requirement of \$650 per week. However, it is likely that GM is already meeting and exceeding this threshold because the “weekly wage” includes health care, overtime, pensions and other employee compensation costs.

While CEO Mary Barra pocketed just under \$22 million last year and the company’s board continued to shower Wall Street investors with lucrative dividends and stock buybacks, the state of Michigan has slashed social spending to finance tax cuts for GM and other corporate giants, which have shut hundreds of plants, leaving economic and environmental disaster behind in Detroit, Flint and other Michigan cities.

In addition to GM, Ford is set to receive a maximum \$2.3 billion in tax credits through the end of 2029, while

FCA will get \$1.7 billion during the remaining life of the MEGA tax credit program.

Meanwhile, the state's Democrats and Republicans continue to shift the cost of social spending onto the backs of working class families. Over a billion dollars in public school spending is funded through the lottery, a regressive tax on the poor, and Democratic Governor Gretchen Whitmer wants a 45-cent tax increase on gasoline to finance the repair of roads, largely destroyed by heavy trucks delivering parts and complete vehicles for the auto industry.

The Detroit-Hamtramck Assembly Plant was slated for closure by GM in November 2018, months before the 2019 contract negotiations began with the United Auto Workers union (UAW). In October, the UAW rammed through another concessions contract after isolating the 40-day strike by 48,000 GM workers and starving them back to work with poverty-level strike benefits. Industry analysts have hailed the deal for maintaining "flexibility" to reduce staffing levels and allowing the companies to "cull" their workforces of higher paid workers through so-called voluntary retirements, and replace them with low-paid temporary part-time workers.

As part of the sellout deal, the UAW "negotiated" to keep the Detroit-Hamtramck plant open with a \$3 billion investment to produce a still-unnamed electric pickup truck and van model. These may include an electric Hummer pickup under the GMC brand and an electric Cadillac SUV. It will also most likely produce the self-driving all-electric Cruise Origin shuttle at the plant, a model to be used in a ride-sharing fleet.

In order to gain a competitive advantage in the world auto market since sales have begun to slump, particularly in China where corporations have relied on increased demand, GM and other auto corporations are scrambling to reduce labor costs and enter the electric vehicle market, where demand is growing globally, especially in China. Production of EVs, however, require fewer parts and fewer workers.

Originally, the plant was projected to employ up to 2,225 workers after it reopens some time in 2021, according to reports. Over 800 hourly workers and a small number of salaried employees will be laid off when the plant begins retooling on February 28. Far from opposing the layoffs, the UAW has endorsed company plans to force workers to uproot their families and transfer them to either Fort Wayne Assembly Plant in Indiana or Flint Assembly in Michigan. The transferred workers will bump out part-time workers who were supposedly in line

to be rolled over to full-time positions.

According to sources who spoke to *MSN News*, UAW Local 22 "has started preparing for a disruption at the plant," and union leaders have been holding meetings with hourly workers at the ends of shifts beginning last Tuesday and expected to last through Monday.

The anger of workers over the impending layoffs is well-grounded. It is very possible the majority of workers hired on to Detroit-Hamtramck after the retooling will be TPTs, with a fixed wage of around \$16 an hour. GM has sold the Lordstown plant to a company that will hire a few hundred workers at lower wages, and plans a joint venture with South Korean firm LG Chem to build electric batteries nearby, also with a lower-paid workforce.

In November, GM filed a lawsuit against competitor FCA, alleging that it gained unfair business advantages through the bribing of UAW officials to push through contracts that allowed FCA to greatly expand its use of temporary and part-time labor. While that is no doubt the case, GM has long profited from the collusion of the UAW, to which it has transferred billions in joint-training funds.

TPT workers are typically paid about half the hourly wage of older "legacy" workers and have few benefits. Although they pay union dues, they have no rights and can be hired and fired at will. The so-called "path to full-time employment" proclaimed by the UAW and GM is a giant loophole, and not actually a path to full-time work.

TPTs will be hired in at full-time positions only after three "consecutive" years of employment, and if they are laid off for 30 days or more and then re-hired, they must start again from the beginning. This bogus "pathway" has been exposed at two plants in Indiana, Marion Metals Center and Fort Wayne Assembly, where over 280 TPT workers have been laid off since the contracts were passed.



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