

Ford, Chrysler and GM rack up profits from wage-cutting

By Tim Rivers
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Major stockholders and corporate executives are raking in the cash as record profit figures roll in for American automakers. Ford showed record pre-tax earnings of \$2.6 billion for the third quarter, or 45 cents a share, beating industry predictions by more than 20 percent. The figure excludes charges of \$498 million for restructuring in Europe and a pension buyout program. Ford has posted profits of \$7.3 billion for the first nine months of this year, up 78 percent against the same period in 2012.

Chrysler posted a 22 percent profit increase for the period, announcing earnings of \$464 million, which marked nine consecutive quarterly profit reports for the company that has earned \$1.1 billion in the first nine months of the year. GM also beat analyst expectations, posting a \$698 million third quarter profit worldwide despite the ongoing European crisis and slowdown in China. The automaker's best performance was in North America, where GM made \$2.18 billion, up from \$1.71 billion in the third quarter of 2012.

With the Detroit Three automakers well on the way to beat last year's total of \$12.3 billion in profits, Wall Street and the media are celebrating. But the profit picture has a brutal back story of wage-cutting, longer hours and back-breaking conditions in the factories.

The financial crisis of 2008 provided the Obama administration with a pretext for handing trillions of dollars to major banks and financial corporations. It also set the scene for a massive assault on the working class, orchestrated by the Obama administration with the full support of the United Auto Workers (UAW).

In 2009, the government-supervised bankruptcies for Chrysler and General Motors opened up an orgy of slashing wages, plant closings and reduced benefits. Base pay for new hires was cut in half and medical benefits for retirees and new hires were slashed.

Analysts expect Americans to buy more than 14 million new light vehicles this year, up from 12.7 million in 2011 and 11.6 million in 2010. As workers are hired to meet the demand, they come in at half pay with reduced benefits. The net result has been to lower average labor costs by 27 percent in six years.

The wages of full seniority workers have effectively been frozen. And new hires, or second-tier wage earners, have no prospect of attaining full pay. The maximum they could achieve under current agreements would be \$19.00 per hour, or 67 percent of full pay. Adjusting for inflation, young workers take home less today than their ancestors did in 1931, during the worst days of the Great Depression, before the founding of the UAW.

Add to this the repudiation of the eight-hour day and the destruction of overtime pay contained in the Alternative Work Schedule, which has been implemented with the collaboration of the UAW at a number of Ford and Chrysler plants. Workers are compelled to work 10-hour shifts through the weekend for straight time.

Furthermore, companies are recording sharp increases in output per worker. Ford has only 55 assembly plants, 21 percent fewer than in 2004. But those plants produce 10.7 million vehicles, only 7.4 percent fewer vehicles than were built in that year.

At the same time, the salaries and benefits for union officials have been protected. The value of the three UAW-controlled retiree health care trust funds—or Voluntary Employees Beneficiary Associations (VEBA)—has risen sharply to a total of \$58.8 billion. With a large ownership stake in the car companies themselves—including 41.5 percent of Chrysler—the UAW executives have a direct financial incentive to slash labor costs further. That is why UAW President

Bob King has repeatedly said that the “21st Century UAW” has abandoned the confrontational approach of the past and is fully dedicated to boosting the competitiveness and profitability of the auto companies.

While Chrysler’s earnings are up sharply, the rate of exploitation recorded at that company lags far behind that which is extracted from workers at Ford. From industry reports last July, Chrysler made an average of \$1,209 in operating profit on each of the 624,215 cars and trucks it produced during the second quarter of 2013. That equals less than half of the \$2,727 which Ford Motor’s North American unit made from each car during the same period.

The *World Socialist Web Site* interviewed young workers from Ford’s Michigan Assembly plant in Wayne.

“I am second-tier,” said Martin. “We are on the bottom shelf. But in this economy, it is a good job. I was working in a gas station before I got into Ford.” Commenting on the Detroit bankruptcy, he said, “That is affecting us too. It is affecting everything. You have people losing pensions, losing Social Security. What does that leave us who are just starting out?”

“You can say with certainty we are never going to make it to first-tier wages of \$30 or \$40 per hour. My top-out is going to be \$19.00 per hour.

“The union does not tell us anything. If you ask a question, they say, ‘I’ll let you know the answer later.’ We already know what the answer is going to be. We are just cheap labor for the time being. Me and that guy in Mexico who is building the Focus (the hot-selling Ford model produced at Michigan Assembly), we are in the same boat right now.”

Martin is suspicious of the UAW and its support for the Democratic Party and the Obama administration. “The union is spreading rumors that I am going to be out of a job when Obama steps down. They say that most plants are going to be shipped out of the country.”

Like many workers the WSWS spoke to, he was disgusted by the reports of company profits and the millions in bonuses for company executives. “I know we are paying for their record profits. We are losing the American dream right now.”

Another young worker Janet said, “I have been at Ford for a year and a half. A lot of people just got hired in. They want to hire us to replace higher-paid workers.

The way the economy is, you have to take what you can get.

“I think their profits are a crock. They are making billions and cutting back on us. If you take \$10 per hour from 10,000 people, that is a lot of money. The big wigs get bonuses of \$1.3 million. We get a Christmas bonus of \$123 after taxes. They are making millions in bonuses, and they give us crumbs.

“People on the line are the ones really working, and we get crumbs. When I say I work at Ford, people think I get good money. No, we don’t! I am making more money, but I am struggling more now than I was before. I work long hours on the weekends, and I have to get a babysitter. We are pushing out 500 to 600 cars a shift.

“The bankruptcy affects everything. The schools are closing. If the lottery is for the schools, why do we have 30 schools closing? It puts more pressure on the teachers and greater liability for the students. They have to be bused to other districts.

“When you hire in the union tries to butter you up and say we are all a team working together. Now we don’t see them anymore. If you are sick, you damn near have to show them your kidney to prove you are sick.”

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