

GM cuts jobs in response to present costs, future innovation

November 27 2018, by Tom Krisher



Members of Unifor, the union representing the workers of Oshawa's General Motors assembly plant, stand near the entrance to the plant in Oshawa, Ontario, Monday, Nov. 26, 2018. General Motors will lay off thousands of factory and white-collar workers in North America and put five plants up for possible closure as it restructures to cut costs and focus more on autonomous and electric vehicles. General Motors is closing the Oshawa plant. (Eduardo Lima/The Canadian Press via AP)

Even though unemployment is low, the economy is growing and U.S.

auto sales are near historic highs, General Motors is cutting thousands of jobs in a major restructuring aimed at generating cash to spend on innovation.

It's the new reality for automakers that are faced with the present cost of designing gas-powered cars and trucks that appeal to buyers now while at the same time preparing for a [future world](#) of electric and autonomous vehicles.

GM announced Monday that it will cut as many as 14,000 [workers](#) in North America and put five plants up for possible closure as it abandons many of its [car models](#) and restructures to focus more on autonomous and electric vehicles.

CEO Mary Barra said as cars and trucks become more complex, GM will need more computer coders but fewer engineers who work on internal combustion engines.

"The vehicle has become much more software-oriented" with millions of lines of code, she said. "We still need many technical resources in the company."

The reductions could amount to as much as 8 percent of GM's global workforce of 180,000 employees.

The restructuring also reflects changing North American auto markets as manufacturers continue to shift away from cars toward SUVs and trucks. In October, almost 65 percent of new vehicles sold in the U.S. were trucks or SUVs. That figure was about 50 percent cars just five years ago.



Members of Unifor, the union representing the workers of Oshawa's General Motors assembly plant, stand near the entrance to the plant in Oshawa, Ontario, Monday, Nov. 26, 2018. General Motors will lay off thousands of factory and white-collar workers in North America and put five plants up for possible closure as it restructures to cut costs and focus more on autonomous and electric vehicles. General Motors is closing the Oshawa plant. (Eduardo Lima/The Canadian Press via AP)

GM is shedding cars largely because it doesn't make money on them, Citi analyst Itay Michaeli wrote in a note to investors.

"We estimate sedans operate at a significant loss, hence the need for classic restructuring," he wrote.

The reduction includes about 8,000 white-collar employees, or 15 percent of GM's North American white-collar workforce. Some will take buyouts while others will be laid off.

At the factories, around 3,300 blue-collar workers could lose jobs in the U.S. and another 2,600 in Canada, but some U.S. workers could transfer to truck or SUV factories that are increasing production. The cuts mark GM's first major downsizing since shedding thousands of jobs in the Great Recession.

The company also said it will stop operating two additional factories outside North America by the end of next year.

The move to make GM get leaner before the next downturn likely will be followed by Ford Motor Co., which also has struggled to keep one foot in the present and another in an ambiguous future of new mobility. Ford has been slower to react, but says it will lay off an unspecified number of white-collar workers as it exits much of the car market in favor of trucks and SUVs, some of them powered by batteries.



Workers of Oshawa's General Motors car assembly plant, listen to Jerry Dias,

president of UNIFOR, the union representing the workers, at the union headquarters in Oshawa, Ont. on Monday, Nov. 26, 2018. (Eduardo Lima/The Canadian Press via AP)

The GM layoffs come amid the backdrop of a trade wars between the U.S., China and Europe that likely will lead to higher prices for imported vehicles and those exported from the U.S. Barra said the company faces challenges from tariffs but she did not directly link the layoffs to them.

GM doesn't foresee an economic downturn and is making the cuts "to get in front of it while the company is strong and while the economy is strong," Barra told reporters.

Factories that could be closed include assembly plants in Detroit and Oshawa, Ontario, and Lordstown, Ohio, as well as transmission plants in Warren, Michigan, and near Baltimore.

The announcement worried GM workers who could lose their jobs.

"I don't know how I'm going to feed my family," Matt Smith, a worker at the Ontario factory, said Monday outside the plant's south gate, where workers blocked trucks from entering or leaving. "It's hard. It's horrible." Smith's wife also works at the plant. The couple has an 11-month-old at home.

Workers at the Ontario plant walked off the job Monday but were expected to return Tuesday.



In this Tuesday, June 15, 2010, file photo, workers at General Motors' Lordstown Assembly plant in Lordstown, Ohio, put the final touches on Chevy Cobalts. One of the last industrial anchors in what was once the heart of manufacturing in Ohio is now on life support after General Motors announced Monday, Nov. 26, 2018, it will stop small-car production at its Lordstown assembly plant and consider closing it for good. (AP Photo/Mark Duncan, File)

After the morning announcement, Barra headed for Washington to speak with White House economic adviser Larry Kudlow in what was described as a previously scheduled meeting.

President Donald Trump, who has made bringing back auto jobs a big part of his appeal to Ohio and other Great Lakes states that are crucial to his re-election, said his administration and lawmakers are exerting "a lot of pressure" on GM.

Trump said he was being tough on Barra, telling the company that the U.S. has done a lot for GM and that if its cars aren't selling, the company needs to produce ones that will.

At a rally near GM's Lordstown, Ohio, plant last summer, Trump told people not to sell their homes because the jobs are "all coming back."

Most of the [factories](#) to be affected by GM's restructuring build cars that will not be sold in the U.S. after next year. They could close or they could get different vehicles to build. Their futures will be part of contract talks with the United Auto Workers union next year.

The Detroit-based union has already condemned GM's actions and threatened to fight them "through every legal, contractual and collective bargaining avenue open to our membership."



In this July 27, 2011, file photo, assembly worker Julayne Trusel works on a

Chevrolet Volt at the General Motors Hamtramck Assembly plant in Hamtramck, Mich. GM announced Monday, Nov. 26, 2018, that it will lay off thousands of factory and white-collar workers in North America and put five plants up for possible closure as it restructures to cut costs and focus more on autonomous and electric vehicles. Among the possibilities are the Detroit/Hamtramck assembly plant, which makes the Buick LaCrosse, the Chevrolet Impala and Volt, and the Cadillac CT6, all slow-selling cars. (AP Photo/Paul Sancya, File)

Bobbi Marsh, who has worked assembling the Chevrolet Cruze compact car at the Ohio plant since 2008, said she can't understand why the factory might close given the strong economy.

"I can't believe our president would allow this to happen," she said Monday. Democratic Sen. Sherrod Brown said the move will be disastrous for the region around Youngstown, Ohio, east of Cleveland, where GM is one of the area's few remaining industrial anchors.

"GM received record tax breaks as a result of the GOP's tax bill last year, and has eliminated jobs instead of using that tax windfall to invest in American workers," he said in a statement.



In this July 27, 2011 photo, assembly worker Julayne Trusel works on a Chevrolet Volt at the General Motors Hamtramck Assembly plant in Hamtramck, Mich. GM announced Monday, Nov. 26, 2018, that it will lay off thousands of factory and white-collar workers in North America and put five plants up for possible closure as it restructures to cut costs and focus more on autonomous and electric vehicles. Among the possibilities are the Detroit/Hamtramck assembly plant, which makes the Buick LaCrosse, the Chevrolet Impala and Volt, and the Cadillac CT6, all slow-selling cars. (AP Photo/Paul Sancya, File)

GM, the nation's largest automaker, will stop producing cars and transmissions at the [plants](#) through 2019. In all, six car models were scrapped, leaving the company with nine remaining car models for its four brands, Buick, Cadillac, Chevrolet and GMC.

Among the cars that won't be made after next year is the Chevrolet Volt rechargeable gas-electric hybrid. When introduced a decade ago, the

Volt was meant to be a bridge to fully electric cars, the company said. It has a small battery that can take it about 50 miles, then it switches to a small gasoline engine.

But since it was introduced, battery technology has improved dramatically, GM said. Now the full-electric Chevrolet Bolt can go up to 238 miles on a single charge.

The United Auto Workers promised to fight any plant closures and criticized GM for cutting U.S. jobs while building full-size pickups in Mexico. It also recently announced that a new Chevrolet Blazer SUV will be built there. Also, GM imports the Buick Envision midsize SUV from China.



In this Dec. 11, 2017, file photo General Motors Chairman and CEO, Mary Barra, is interviewed by Cox Automotive's Michelle Krebs during an Automotive Press Association event in Detroit. GM announced Monday, Nov. 26, 2018, that

it will lay off thousands of factory and white-collar workers in North America and put five plants up for possible closure as it restructures to cut costs and focus more on autonomous and electric vehicles. GM doesn't foresee an economic downturn and is making the cuts "to get in front of it while the company is strong and while the economy is strong," Barra told reporters. (AP Photo/Carlos Osorio, File)



Jerry Dias, president of UNIFOR, the union representing the workers of Oshawa's General Motors car assembly plant, speaks to the workers at the union headquarters, in Oshawa, Ont. on Monday, Nov. 26, 2018. (Eduardo Lima/The Canadian Press via AP)



Jerry Dias, president of UNIFOR, the union representing the workers of Oshawa's General Motors car assembly plant, speaks to the workers at the union headquarters in Oshawa, Ont. on Monday, Nov. 26, 2018. (Eduardo Lima/The Canadian Press via AP)



Workers of Oshawa's General Motors car assembly plant, listen to Jerry Dias, president of UNIFOR, the union representing the workers, at the union headquarters, in Oshawa, Ont. on Monday, Nov. 26, 2018. (Eduardo Lima/The Canadian Press via AP)

© 2018 The Associated Press. All rights reserved.

Citation: GM cuts jobs in response to present costs, future innovation (2018, November 27) retrieved 27 April 2024 from <https://phys.org/news/2018-11-gm-jobs-response-future.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.