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G.M. Offers Buyouts to 74,000

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By BILL VLASIC

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DETROIT — A surprisingly tough fourth quarter and a gloomy outlook for the United States market prompted [General Motors](#) to offer buyouts Tuesday to its entire unionized work force.

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 [CNBC: Rick Wagoner, G.M. Chief, on Earnings](#)

G.M.'s latest "special attrition program" covers all its 74,000 hourly employees and underscores the challenges it faces in its turnaround effort.

G.M. said Tuesday that it lost \$722 million in the fourth quarter and a record \$38.7 billion in 2007, although the annual loss was inflated by a one-time charge of \$38.3 billion to write down deferred tax assets.

Still, few involved with the industry had predicted that G.M. would begin another companywide program to shrink its payrolls.

"A buyout that broadly based is a surprise and a very bold statement about the condition of the American auto industry," said Harley Shaiken, a labor professor at the University of California, Berkeley.

G.M.'s buyout package follows a similar one made by [Ford Motor](#), which last month extended offers to its 54,000 workers represented by the [United Automobile Workers](#).

[Chrysler](#) has offered buyouts to workers at certain plants.

G.M.'s chief financial officer, Frederick A. Henderson, called the buyouts "an important step" in the reorganization of the troubled domestic auto industry.

The company has already cut nearly 40,000 United States jobs in the last two years through buyouts and early retirements and has closed a number of plants to bring production in line with weaker demand for its vehicles.

The fourth-quarter loss, which is in contrast to a profit of \$950 million a year earlier, was the latest evidence that G.M. needed to keep cutting costs to stabilize its North American operations.

"I think it would be fair to say we would have done it anyway, but it does give you more of a sense of urgency," Mr. Henderson said in an interview.

G.M. gave no target for the number of workers it hopes will leave the company. Under the terms of last fall's new U.A.W. contract, however, G.M. can hire up to 16,000 new workers at wages of \$16 an hour and less, compared with the average hourly wage of about \$28 for current union members.

In a conference call with analysts and reporters, Mr. Henderson said the new labor contract would save G.M. \$4 billion to \$5 billion annually by 2010.

With cheaper labor waiting in the wings, G.M. made its current buyout offers sweeter than some previous deals.

With 46,000 of the 74,000 workers already eligible for retirement, G.M. laid out several attractive options — including retirement with full benefits and a cash payout of \$45,000 to \$62,500 depending on job classification.

Employees with less than 30 years of seniority can leave and receive fixed monthly payments until they reach full "30 and out" status. Younger employees can depart with cash payments of \$70,000 or \$140,000, depending on years of service, in exchange for giving up health care and other postretirement benefits.

The range of offers may be tempting for workers who see G.M., Ford and Chrysler in a continual cycle of downsizing as they lose more market share to foreign automakers.

"These buyouts are a watershed event in the industry that defined U.S. manufacturing for most of the 20th century," Professor Shaiken said. "The question is, Do you stay with one of the best-paying jobs anywhere, or get out of an unstable industry and a troubled company?"

Workers at G.M.'s truck plant in Pontiac, Mich., offered a variety of reactions Tuesday to the buyout offers.

"Everybody's trying to get out of here," said Richard Lovett, 50, a materials handler with 30 years on the job. "I'm out of here. It's all going downhill, and I don't think it's getting any better."

Another worker, Larry Walker, said he would stick it out at G.M. until he finishes paying medical school bills for one daughter and college tuition for another.

"My goal is to get her out of school before I retire," Mr. Walker, 58, said.

While auto analysts generally applauded the buyout initiative, they questioned whether G.M.'s turnaround was on track to restoring profits. G.M.'s stock fell 52 cents, to \$26.60.

"Clearly, G.M. isn't standing idle," Peter Nesvold, an analyst with [Bear Stearns](#), wrote to clients Tuesday. "However, we believe something's happening that continues to erode G.M.'s earnings power faster than the restructuring can offset."

For 2007, G.M.'s core automotive business reported record revenue of \$178 billion, a \$7 billion improvement over 2006. Overall revenue, however, dropped to \$181 billion from \$206 billion because of the sale of 51 percent of its [General Motors Acceptance Corporation](#) financing arm.

Without the one-time charges for the year, G.M. said it had an adjusted net loss of \$23 million, in contrast to an adjusted net profit of \$2.2 billion in 2006.

Much of the loss was tied to red ink at G.M.A.C., which suffered from its exposure to the subprime mortgage market. Over all, G.M.A.C. lost \$2.3 billion in 2007, with G.M. absorbing a \$1.1 billion loss from its 49 percent stake.

While G.M. posted profits in its European, Asian and Latin American auto operations, its North American auto business lost \$1.5 billion for the year.

Nick Bunkley contributed reporting.

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