

Selling assets will be the next step for Chrysler, McTevia tells the Detroit News

Chrysler will cut salaried staffers

1,000 white-collar jobs worldwide to be gone by Sept. 30; layoffs a last resort.

Eric Morath / The Detroit News

Chrysler LLC on Wednesday again slashed its white-collar work force -- this time by 1,000 -- as the struggling automaker strives to offset slumping sales of its truck-heavy lineup with further cost-cutting measures.

The Auburn Hills automaker will eliminate the positions from its worldwide salaried work force by Sept. 30, workers learned in a memo sent Wednesday. Chrysler also will cut its contract staff, but did not specify numbers.

With Wednesday's action, Chrysler has announced plans to cut 4,000 salaried employees since February 2007 -- roughly 18 percent of its white-collar workers, which include engineers and finance and marketing staff.

Chrysler executives said the fourth round of job cuts in less than 18 months -- the cuts have resulted in the loss of 28,500 hourly and salaried positions -- is necessary to keep the company financially strong. Analysts, however, said Chrysler's dwindling vehicle sales are likely hurting the privately held automaker's bottom line. Sales are down 22 percent through June; vehicle sales industrywide are down 10 percent during the same time.

"In response to the continued deterioration in the U.S. automotive market, an incremental reduction in both salaried headcount and supplemental resources is, unfortunately, necessary," Nancy Rae, executive vice president for human resources and communications, wrote in the memo to employees.

The company expects to meet its staff reduction goal through a combination of attrition, buyouts and retirements. The company's buyout and retirement deals will be similar to those previously offered, the automaker said.

If the company does not meet its staff reduction goal, involuntary separations may be necessary, Rae said in the memo.

Chrysler employs about 18,500 white-collar workers and 2,700 third-party contractors worldwide.

Staying stable

The automaker's aggressive actions so far have allowed it to stay financially stable, said Chrysler spokesman David Elshoff.

"Through June 2008, the company's liquidity position remained unchanged versus December 2007 as a result of aggressive programs to reduce working capital, the sale of non-core assets and volume-related manufacturing reductions," he said. "However ... further actions must be taken to improve our business and return to profitability."

Further job cuts shouldn't be a surprise because the company must cut costs if it can't improve sales, said Aaron Bragman, automotive research analyst at Global Insight Inc.

"They say their liquidity position remains unchanged, but people are growing increasingly skeptical of those claims," he said. "We'll see more and more of this ... they have to cut costs if they want to maintain their cash position."

The cuts are particularly difficult because Chrysler could likely use the scores of engineers, designers and marketers who will leave just as it tries to execute a product renaissance, Bragman said.

At some point, Chrysler will have little fat to trim and will likely look to sell assets -- possibly a brand, said Jim McTevia, who heads McTevia & Associates, a turnaround firm in Bingham Farms.

"They won't need as many people if they cut down to one or two product lines," he said.

Employees not surprised

Workers in Auburn Hills were not surprised by the additional cuts, said employees who declined to give their names. They said morale is low and many employees are looking for other jobs.

The details of the buyout and retirement packages have not yet been shared with workers. The offers will become effective Aug. 31, and employees will have about a month to make a decision. Last year, white-collar workers were eligible for two early retirement deals.

One allowed workers as young as 53, who had at least 10 years of service and who met other requirements, to retire with full pensions and retiree health care.

The other offered those 62 and older retiree benefits, three months' pay and either a vehicle voucher worth \$20,000 after taxes or a \$20,000 tax-free contribution to a retirement health care account.

Michigan feels pain

Chrysler's job cuts are the latest among Detroit's Big Three automakers.

Ford Motor Co. said last month that it intended to cut 15 percent of its salaried payroll. Earlier this

month, General Motors Corp. said it would reduce its salaried costs by 20 percent.

The massive elimination of good-paying jobs intensifies Michigan's pain as automakers continue to restructure, said Dana Johnson, Comerica Bank's chief economist.

"The enormous increase in gas prices and the resulting shift in consumer demand toward fuel-efficient automobiles is causing automakers to make adjustments a lot more quickly than anticipated," he said.

"The state will continue to suffer losses until the Michigan-based automakers stop losing market share."