

LFI Jobs Index 2007



How will buyouts and layoffs at domestic automakers affect the importance of “buying American”?

A report from the Level Field Institute, January 2007



www.levelfieldinstitute.org

INTRODUCTION

As dozens of new models take the floor at this week's North American International Auto Show, Level Field is popping the hood on how each automaker will contribute to our economy and support U.S. jobs in 2007.

Level Field believes the most accurate way to test an automaker's contribution to the U.S. economy is to examine the number of jobs that a company supports on a car-by-car basis. In other words, dividing the total number of U.S. employees an automaker employs by the number of cars that automakers sells here produces a jobs-per-car ratio that can be compared with other companies. These comparisons can also be tracked over time.

Measuring an automaker's contribution in this way accounts for the research, design, engineering and management jobs that tend to be overlooked by simply counting assembly plants. In some cases, autos assembled outside the U.S. by companies based here support significantly more U.S. jobs than autos assembled here by companies with most of their engineering, design and headquarter jobs located overseas. For example, a Ford Fusion assembled in Mexico this year will likely support approximately six times more jobs than a Hyundai assembled in Alabama.

Our car-by-car analysis also accounts for differences in market share. In other words, an automaker with 15% market share that employs 20% of U.S. autoworkers is overperforming on jobs, while an automaker with 15% market share that employs just 10% of autoworkers is underperforming.

As with our 2006 LFI Index, we note that "U.S. jobs per car" does not directly relate to overall efficiency. Roughly one in ten Toyota workers is based in the U.S. A much smaller percentage of Hyundai workers are based here. GM, by comparison, employs nearly half of its workers here.



HIGHLIGHTS

- Historic buyouts at GM and Ford will reduce domestic automakers' "jobs advantage" only modestly in 2007 -- with domestic automakers supporting approximately 2.5 times more U.S. jobs per car than the average foreign automaker.
- Had Ford, GM and Chrysler Group reduced their U.S. investment to match foreign automakers' 2007 U.S. investment, another 158,000 U.S. jobs would likely be lost this year.
- Despite adding a new U.S. plant, Toyota's jobs performance dropped slightly in 2006 (due partly to an increase in imports), and Toyota's job performance could drop slightly again in 2007. Domestic automakers, on average, will likely support 2.5 times more jobs than Toyota this year.
- Honda remains the best jobs performer among the major foreign automakers. Domestic automakers will likely support 1.7 times more jobs, on average, than Honda this year.
- Hyundai, on the other hand, ranks lowest among major automakers. Domestic automakers will likely support nearly 7 times more U.S. jobs, per car, on average, than Hyundai (including Kia).

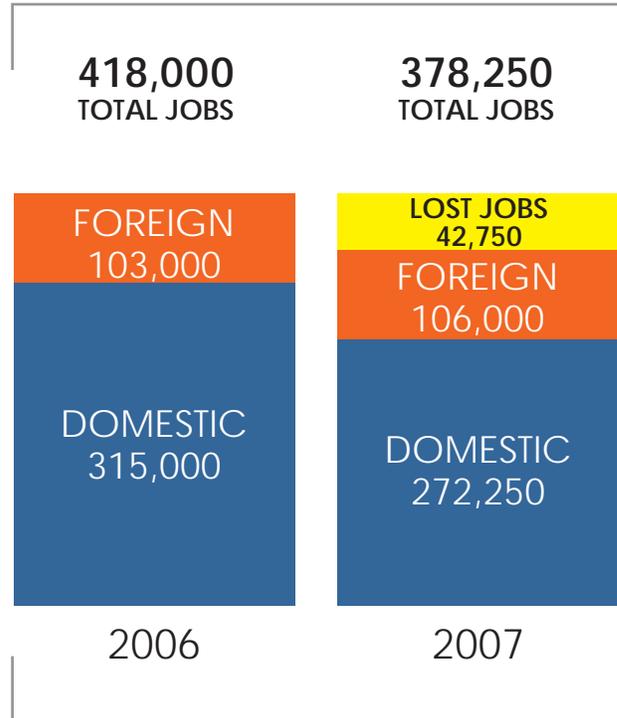


Jobs Outlook 2007

Impact of Buyouts

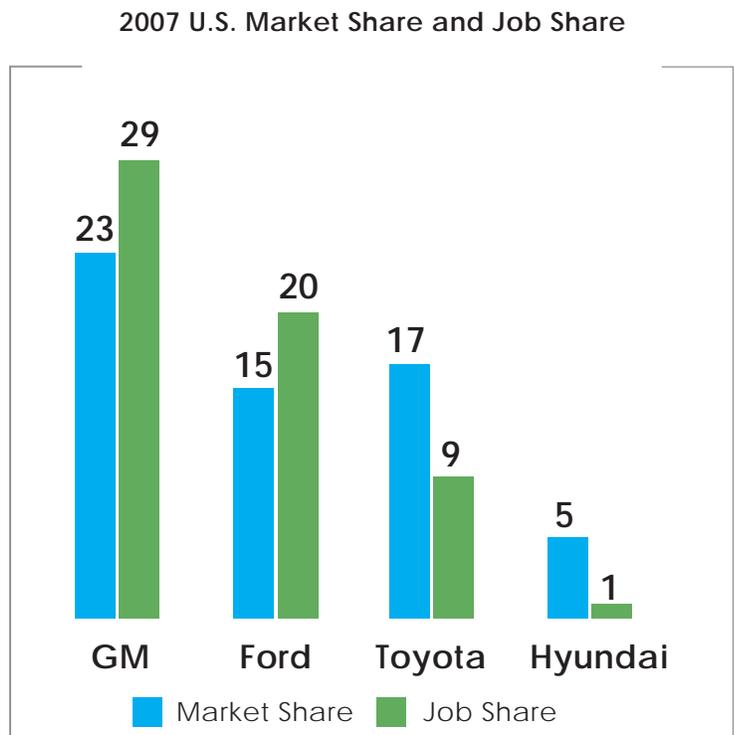
We estimate that approximately 42,750 U.S. automaker jobs will be lost in 2007 (on top of significant cuts in 2006), based on press statements from automakers and leading auto trade groups. Based on job “multiplier” analysis from the Center for Automotive Research, losing these 42,750 jobs could cost the U.S. economy another 401,850 jobs at companies that support automakers.

GM will continue to employ more workers than all foreign automakers combined. Ford and Chrysler Group will employ approximately twice as many workers as Toyota and Honda, 20 times more than Hyundai, and 30 times more than VW. Based on AIAM data, foreign automakers will add approximately 3,000 new jobs in 2007. While we welcome these jobs, we note that the U.S. will lose approximately 10 automaker jobs for each automaker job we gain.



Relationship between Market Share and Job Share

Another way to compare two automakers is to gauge how their “job shares” match their respective market shares. GM and Ford, for example, could employ more than their respective market share shares would suggest, while Toyota and Hyundai could employ less.



Jobs Outlook 2007 (continued)

LFI's U.S. Jobs Per 1000 Cars Analysis

By dividing the number of an automaker's U.S. employees by the number of autos that company is projected to sell in 2007, Level Field provides a jobs per car ratio (provided here on a jobs per 1000 cars sold basis, for ease of comparison).

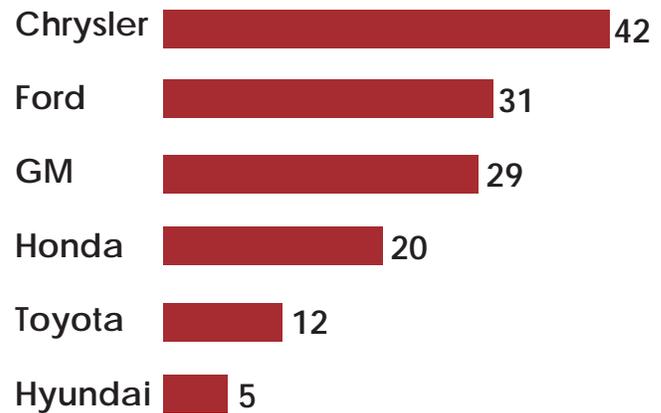
The results may be surprising to some observers. Historic buyouts at GM and Ford will reduce domestic automakers' "jobs advantage" only modestly in 2007 -- with domestic automakers supporting approximately 2.5 times more U.S. jobs per car than the average foreign automaker.

Despite adding a new U.S. plant, Toyota's jobs performance dropped slightly in 2006 (due partly to an increase in imports), and Toyota's job performance could drop slightly again in 2007. (Domestic automakers, on average, will likely support 2.5 times more jobs than Toyota this year.)

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U.S. Jobs Per 1000 Cars Sold



To measure the significance of these differences, we calculate how the entire U.S. auto industry would have contracted if every automaker were to operate at the foreign automaker average. Applying the foreign automaker jobs per car average (likely, 14 jobs per 1000 autos this year, on average) to domestic automakers (which could support 33 jobs per 1000 autos this year, on average) indicates that 158,000 (or about 42%) of the approximately 379,000 remaining U.S. automaker jobs could be lost.



2010 Job Outlook

In 2010, buyouts and other cost reductions at Ford, GM and Chrysler Group will likely result in a net industry-wide loss of 95,000 automaker jobs (from 2005 employment). In that event, the three companies would still represent approximately 71% of the U.S. automaker employment, despite the fact these brands will sell fewer than half the cars purchased here.

Each would employ about twice as many workers as Toyota and Honda – and about 10 times more workers than Hyundai.

We do not expect significant changes in the automakers' jobs per car performance. Foreign automakers' new plants will likely be offset, in part, by their rising market share.

U.S. Jobs Per Car Sold in the U.S.+

| | 2007 | 2008 | 2009 | 2010 |
|----------------|------|------|------|------|
| CHRYSLER | 42 | 43 | 44 | 42 |
| FORD | 31 | 32 | 32 | 31 |
| GM | 29 | 29 | 29 | 28 |
| TOYOTA | 13 | 13 | 13 | 13 |
| HONDA | 19 | 20 | 20 | 17 |
| HYUNDAI | 5 | 6 | 8 | 8 |
| NISSAN | 15 | 14 | 14 | 13 |
| DOMESTIC avg. | 33 | 34 | 34 | 33 |
| FOREIGN avg.++ | 14 | 14 | 14 | 14 |

+ Jobs per 1,000 cars sold.

++ Based on AIAM's projections for foreign automakers as a group. Does not tie directly to Level Field's per-company estimates, which add up to a higher total than AIAM's.

2010 Job Outlook (continued)

Significance of Turnarounds at Domestic Manufacturers

On the other hand, if GM and Ford's turnarounds were to fail, and the domestic automakers would either be replaced by or otherwise contract to the same level of U.S. investment projected for foreign automakers, more than 150,000 other U.S. jobs might be lost.

| Current | 2010 - Scenario 1 | 2010 - Scenario 2 |
|---|--|---|
| | Turnarounds at Big 3 succeed - industry maintains split, with domestic manufacturers continuing to have nearly 2.5 x job advantage | Turnarounds at Big 3 fail - industry contracts to foreign automaker investment footprint through acquisitions, strategic partnerships or further cuts |
| Domestic manufacturers at 33 jobs per car | Domestic manufacturers at 33 jobs per car | |
| Foreign manufacturers at 14 jobs per car | Foreign manufacturers at 14 jobs per car | Domestic manufacturers and foreign manufacturers each operating at 14 jobs per car |
| Industry average of 23 jobs per car | Industry average of 22 jobs per car | |
| 16,250,000 cars sold | 17,250,000 cars sold | 17,250,000 cars sold |
| 380,000 jobs in U.S. | 386,000 jobs in U.S. | 236,000 jobs in U.S. |
| | | Additional 150,000 jobs lost |
| | | Industry contracts an additional 39% |
| | | 1,400,000 other U.S. jobs threatened++ |

+ For ease of comparison, figures shown for 1000 autos.

++ Total job impact based upon the Center for Automotive Research "multiplier" of 10.4, which is based on the assumption that each auto manufacturing job generates 9.4 other U.S. jobs.

Sources and Methodology

Sales and market share projections for 2007-10 are generally consistent with recent analyst estimates. GM, Ford and Chrysler Group employment estimates for 2007 and 2010 assume announced buyouts are completed by December 2007, with some Ford hourly buyouts offset by temporary workers and some salary cost savings obtained by cutting contract workers. We assume Chrysler Group will reduce its workforce 7.5% in 2007. For "foreign automakers" as a group, we use AIAM's 2006 estimate, factoring in a portion of anticipated increases through 2009. Honda, Toyota, Nissan and Hyundai's 2007-10 job estimates are based on their respective websites, ads and press statements. In some cases, we adjust the company's stated figures on its website upward based on recent press statements.

