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Thursday, April 3, 2008

400 Chrysler tech jobs go

Metro positions will be lost when computer technology tasks are outsourced to companies in India, Virginia.

Eric Morath / The Detroit News

At least 400 people will lose their jobs at Chrysler LLC as the automaker outsources computer technology work -- part of an effort to streamline its information technology department and a long-range plan to cut costs.

The transition will start immediately, though some workers may not depart until the third quarter.

Chrysler has finalized contracts with India-based Tata Consultancy Services and Virginia-based Computer Sciences Corp. to take over maintenance and support operations from internal employees, Jan Bertsch, Chrysler vice president and chief information officer, said in an interview on Wednesday.

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Eliminating those jobs will allow Chrysler to invest more in advanced technology and expand its overseas reach because costs for routine operations will be greatly reduced, she said. The service contracts are valued in the hundreds of millions of dollars, but Chrysler would not divulge details.

Outsourcing the work will shrink Chrysler's 2,100-person information technology department, mostly in Auburn Hills. About 200 of Chrysler's 1,000 salaried technology workers will lose their jobs. The balance of the layoffs will come from the ranks of 1,100 contract workers in that department. They will leave in greater numbers, but Bertsch didn't offer specifics.

Some employees may be hired by Tata or Computer Sciences, she said, and some work will be moved entirely off-site.

The outsourcing and job losses are part of Chrysler's three-year Recovery and Transformation Plan first announced in February 2007. That plan, which was updated in November, calls for the elimination of 3,000 salaried positions and 25,000 jobs overall.

Bertsch said the plan also requires the more efficient operation of all company departments, including information technology.

Previously, the majority of technology budgets have been committed to routine tasks, leaving little money to invest in advanced technology, Bertsch said

"We are an [auto](#) manufacturer, we don't have the same scale and expertise that (technology firms) do," she said.

Tata Consultancy Services, a division of the Tata Group, which recently acquired [Ford's](#) Jaguar and Land Rover, and Computer Sciences will service hardware and manage applications for functions like product development and sales and marketing. Chrysler continues to run business analysis, customer-service operations and other key areas.

With clients worldwide, Tata and Computer Sciences are in a better position to support Chrysler's growing overseas operations, Bertsch said. "The companies have global delivery capacity and can easily invest more in new technology," she said.

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Recovery plan

Job cuts in Chrysler's IT Department are part of the automaker's Recovery and Transformation Plan:

Feb. 14, 2007: Chrysler announces it is cutting 13,000 jobs. Shortly afterward, former owner Daimler AG says it's considering selling Chrysler.

May 14, 2007: Cerberus Capital Management LP buys Chrysler; continues turnaround plan.

Nov. 1, 2007: Automaker says 12,000 more positions will be cut.

March 20, 2008: Second shift cut at Sterling Heights Assembly plant, joining Jefferson North in Detroit and three others.

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Autos-Chrysler

Top executives have said growing Chrysler sales, manufacturing and engineering presence in developing countries is essential to returning the company to profitability.

Sending "non-core" work to a lower-cost supplier makes a lot of sense for a company fighting to return to profitability, said [Van Conway](#), senior managing director at Birmingham-based turnaround firm Conway MacKenzie & Dunleavy.

"Profitable companies tend to take things in house, and as times get lean you see more outsourcing," he said. "It's smart, if you don't lose quality and can do it economically."

The loss of the jobs at Chrysler is an example of why, when the auto industry contracts, so does Michigan's high-tech employment base, said Scott Watkins, of the Anderson Economic Group.

"This is Chrysler catching up with the times -- most companies outsource work that's not primary to their corporate mission," he said. "This means fewer jobs for the Metro Detroit economy, but it does open up opportunities for new or existing companies to compete in this technology services space."

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