Ford prepares for more job cuts in wake of management shake-up

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Ford executives are mapping out drastic cost-cutting moves, including a sharp reduction in production jobs, following the sacking of Jacques Nasser and the installation of William Ford Jr. as chief executive officer.

"Everything is up for review," said William Ford Jr. "Everything we have, every asset, every piece of geography, we're going to take a hard look at. There's no point in keeping any part of our business that's not adding to it."

The company announced in August it was cutting up to 5,000 white collar jobs. It is now saying 8,000 white collar workers must go. In addition, Ford has frozen bonuses for 6,000 managers and said it would impose a 7 percent cut in payments to all contract-labor firms who provide technical support and other services to the firm.

A full restructuring program is to be announced in January. According to a report in the *Detroit Free Press* last month, Ford supervisors, industry insiders and Wall Street experts say a Chrysler-sized cut of 20,000 jobs or more is needed to return Ford to profitability. This would include a large number of Ford's 117,000 hourly workers in North America.

"It needs to be tens of thousands, including quite a few thousand blue-collar jobs," said Saul Rubin, auto analyst for UBS Warburg. "To save money, they need to take out capacity and people, which leads to the conclusion of plant-level cuts."

Ford is considering lowering line speed, eliminating shifts and closing some of its 49 plants worldwide. Ford insiders say plants that most likely will see shift cuts or closing are in Ontario, St. Paul, Minnesota; Edison, New Jersey and Atlanta, Georgia.

The United Auto Workers union, which represents 103,000 Ford workers, has said nothing about the impending attack on jobs or the boardroom shakeup at Ford. Over the last two decades the UAW has promoted labor-management partnerships with Ford and the other Big Three auto companies and has collaborated in the shutdown of scores of plants and the elimination of hundreds of thousands of auto workers' jobs. Ronald Gettelfinger, who was just chosen by the UAW hierarchy to replace retiring union president Stephen Yokich, heads the union's Ford division and is known for his close relations with Ford executives.

The management shakeup follows a long string of problems for the second largest US automaker. The company's problems multiplied with the collapse of the speculative bubble of the 1990s and the growth of recession. In particular it is facing intense competition from rival General Motors, which began offering zero percent auto loans in order to build market share.

Ford lost $1.4 billion over the last two quarters and was forced to cut its dividend payment in half. Its cash reserves plummeted from $10 billion in 1999 to $4.7 billion at the end of 2000. Current reserves are stated to be around $1.2 billion. The fall in the company's financial position has resulted in a lowering of its credit rating.

The company has been forced to carry out multiple recalls of vehicles to repair defects and has the highest defect ratio among the Big Three US auto companies. Sales were particularly hurt by the disclosure of hundreds of deaths due to rollover accidents in its Ford Explorer sports utility vehicles equipped with Firestone tires.

The company is currently facing a lawsuit by hundreds of white collar workers who claim that they were discriminated against in the new employee evaluation process implemented by Nasser. Workers allege that Ford in particular targeted older employees for dismissal.

Problems in the auto industry are not limited to Ford. Profits at all the Big Three automakers are down. General Motors has said it plans to cut another $1 billion in costs and eliminate some contractors. The company announced the temporary layoff of 4,000 workers for the week of November 12 at plants in Janesville, Wisconsin and Orion Township, Michigan.

Record car sales in October have not helped the financial position of the US carmakers, since the increase was achieved through heavy incentives. Further, there is every reason to believe that sales will drop sharply once incentives end, opening the way for massive job cuts at all the auto manufacturers.