A symbol of American manufacturing’s decline

Ford to slash 44,000 jobs

Kate Randall
16 September 2006

Ford Motor Company on Friday announced a plan to drastically downsize its North American operations, cutting about a third of its salaried employees and offering buyouts to all of its hourly workers in the United States. The move—an acceleration and intensification of the company’s “Way Forward” plan announced in January—is aimed at cutting annual operating costs by $5 billion.

Ford will eliminate 14,000 white-collar jobs, instead of the 4,000 proposed in the original plan. This is in addition to 4,000 salaried jobs eliminated in 2005. Buyouts and early retirement options will be extended to all 75,000 hourly workers. Two additional plants not previously targeted for closure—the Maumee Stamping Plant (Ohio) and the Essex Engine Plant (outside Windsor, Ontario)—have been added to the list of seven already named in January.

The company will also shut or sell all 17 plants in the US and Mexico taken over by Ford in October 2005 from parts maker Visteon and reorganized as Automotive Components Holdings (ACH). Ford made that move last year in an effort to prevent Visteon, which Ford had spun off in 2000, from going bankrupt.

The news of the expanded downsizing program came ten days after the announcement that Bill Ford (great-grandson of the company’s founder), who had run the automaker for five years, was being replaced as chief executive officer by former Boeing executive Alan Mulally.

Ford expects to eliminate about 44,000 hourly and salaried employees in North America—or more than a third of its workforce. The cuts will devastate communities across the country, with job losses and reductions in tax revenues whipsawing through local economies and blighting working class neighborhoods. The blow will strike particularly hard in Michigan, where Ford headquarters are located and many of the company’s plants are concentrated. Michigan already has the highest jobless rate—7.1 percent—of any state in the country.

Ford now plans to implement the cuts in its “Way Forward” plan by the end of 2008, instead of 2012 as originally envisioned. The *Detroit News* reported on Thursday that Ford’s global operations will post a pretax loss of $5.6 billion to $5.9 billion this year. With restructuring costs figured in, the loss could widen to $9 billion. The company does not expect to see full-year profitability in North America before 2009.

The restructuring plan signals an end to Ford’s status, for nearly a century, as one of the world’s two largest auto giants. Ford’s share of the US market has plummeted from more than 20 percent in 2002 to 17 percent last month. At a press conference held Friday morning and televised by all three local TV channels, company officials acknowledged that their goal, following the implementation of the downsizing program, was to control a far more modest 14 to 15 percent of market share. As recently as the late 1990s, Ford controlled close to a quarter of the North American market.

The company has been hard-hit by a decline in sport utility and pickup truck sales, which generate high profit margins and upon which Ford has relied to counteract a long-term decline in its competitive position. The company’s short-sighted reliance on such fuel inefficient vehicles further undermined its position when the bottom fell out of the market for pickups and SUVs as a result of soaring gasoline prices.

Ford’s overall sales through August of this year are down 10 percent from the same period in 2005, compared to a rise of 11 percent for Toyota, which will soon pass Ford as No. 2 in the US, behind General Motors.

Wall Street’s verdict on Ford’s new downsizing plan was decidedly negative. The consensus of the big banks and investment entities that dominate the stock market was that the company’s announcement did not go far enough. There was criticism of Ford’s failure to immediately sell off its high-end Jaguar and Land Rover brands, and disappointment that only two additional plant closures had been announced.

Merrill Lynch analyst John Murphy wrote in a note to clients, “The plan does not address the tremendous losses at Jaguar or asset sales. It does not materially accelerate product introductions... It does not cut capacity deeper. It’s missing a lot.” The investment house cut the automaker’s rating from “neutral” to “sell.”

Ford shares suffered a punishing 13 percent drop on Friday, its biggest single-day decline since trading resumed after the 9/11 terrorist attacks.

That Wall Street responded so coolly to Ford’s bloodletting should be taken by workers as a warning of the unprecedented scale of the attacks on jobs and living standards that are coming, as American capitalism seeks to place the burden of its crisis squarely on the backs of the working class. These attacks will hit very broad sections of the working population, as demonstrated by Ford’s decision to slash an additional 10,000 white collar jobs, over and above the number it announced in January. These jobs are to be cut within a mere six months.

By the end of 2008, Ford will seek to shed 25,000 to 30,000 of its hourly workers. In a deal reached with the United Auto Workers (UAW) bureaucracy, all of Ford's North American hourly employees will be offered buyout deals ranging between $65,000 and $140,000. Workers will not know details of the buyouts until mid-October, and those accepting will have to leave by September 2007.

Ford will cut its North American manufacturing capacity to 3.6 million units by the end of 2008, down 26 percent compared to 2005. In addition to the two additional plant closures announced Friday, the seven factories previously targeted include: Atlanta Assembly (Georgia), Batavia Transmission (Ohio), Norfolk Assembly (Virginia), St. Louis Assembly (Missouri), Twin Cities Assembly (Minnesota), Windsor Casting (Ontario) and Wixom Assembly (Michigan).

According to the company's press release on Friday, by the end of 2012 Ford plans to cease production at a total of 16 North American manufacturing facilities.

New CEO Alan Mulally, 61, was brought in by Ford in an effort to stave off a catastrophic downward spiral and accelerate the plant closures, job cuts and other cost savings. A 37-year veteran of the aerospace industry, he is credited with the turnaround of Boeing's commercial airplane division. For his services at Ford, Mulally will reportedly haul in a total compensation package of $20.5 million in the first year.

Contrary to Mulally's comments on a local Detroit radio station that he is "absolutely not Mr. Ax Man," his record says otherwise. After 9/11, with Boeing facing the effects of downsizing at US airlines and stiff competition from Airbus, he slashed 30,000 jobs and reduced commercial airplane models from 14 to 4.

Tom Buffenbarger, president of the International Association of Machinists, negotiated two contracts with Mulally at Boeing. He said that during Mulally's tenure, "The company came at the workforce with a meat cleaver." Nonetheless, Buffenbarger said that he and the former CEO "always had the ability to communicate."

At Ford, the United Auto Workers union has been instrumental in aiding the company's cost-cutting attacks on its workers. Besides agreeing last year to unprecedented give-backs in health benefits and pensions, the union bureaucracy has negotiated concessionary local agreements that undermine whatever remains of work rules, job classifications, safety and health provisions and protection against speedup and forced overtime.

The UAW has collaborated with the company in playing off workers at different facilities against each other in a bidding war to "save" their plant by accepting ever more onerous concessions. Just last Sunday, workers at the Buffalo Stamping Plant in New York approved work rule changes allowing Ford more flexibility.

According to Ford's press release, "new competitive operating agreements have been ratified by UAW locals in 30 different US Ford and ACH facilities—and nearly $600 million in annual savings is projected to be realized."

Typical were the comments of Jerry Sullivan, president of UAW Local 600, which represents workers at the Dearborn Truck plant at Ford's Rouge complex south of Detroit. "We're trying to be as cost-competitive as possible so we can secure our jobs and our future," Sullivan said. "We don't intend to just sit back and lose business."

Top UAW bureaucrats met behind closed doors for two days prior to the Ford restructuring announcement to hammer out the details of the buyouts being offered hourly workers. Through the offers, Ford aims not only to wipe out UAW members' jobs, but to create the conditions for their replacement with low-paid younger workers not entitled to "legacy costs" in terms of health care, pensions and other benefits currently earned by autoworkers.

Workers will be offered early retirement, a leave of absence before retirement, and other incentives. The Ford program is similar to the one offered to 113,000 hourly workers at General Motors earlier this year, where about 35,000 workers accepted the deal.

Including both Ford and GM, some 200,000 autoworkers in the US have been offered incentives to leave their jobs this year. This is but one indication of the hemorrhaging of US auto jobs in recent decades at the "Big Three," including Chrysler, which since 1979 have shed an astounding 600,000 jobs.

The current crisis at Ford Motor Company has immense historical significance. For much of its 102-year history, Ford was a symbol of the industrial might of American capitalism. "Fordism" became a catchword in the early decades of the last century for revolutionary innovations and advancements in production methods, most notably the assembly line.

Ford's fall from the No. 2 spot is an expression of the ongoing crisis and decay of American capitalism, which finds sharp expression in the auto industry, but can be seen across the economy—in the airlines, the steel industry, mining, and all basic manufacturing. In the US, corporate greed and incompetence play a particularly insidious role in this vast industrial decline.

In every aspect of economic life, the jobs and living standards of working people are held hostage to the domination of a financial and corporate oligarchy.