In wake of credit downgrade huge job cuts looming at Ford

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In the wake of the recent downgrading of Ford credit by the rating agency Moody's, the financial press is full of speculation about a major round of job cuts by the US-based automaker as part of its already announced restructuring plan.

On August 29 Moody's lowered Ford's senior unsecured rating to Baa3, only one step above junk status. A downgrade makes it more difficult and expensive to finance debt. The downgrade was accompanied by a warning that there is an increased chance of a further lowering of Ford credit in the next 12 to 24 months.

The moves by the credit rating agency represent a shot across the bow at Ford on the part of Wall Street, which is demanding a further assault on workers in order to boost what it views as inadequate rates of return by the auto manufacturer. It follows decades of relentless cuts, facilitated by the unions in the US and globally, that have resulted in the decimation of hundreds of thousands of jobs and the steady erosion of wages and benefits at all the US-based car companies.

Meanwhile, the *Sunday Times* of London reported this week that Ford could cut up to 24,000 jobs at its European division as a result of a reorganization being discussed by top executives. The plan reportedly outlines $11 billion in restructuring costs including job buyouts and plant closures. The *Sunday Times* noted Ford employs 12,000 in Britain, with engine plants in Bridgend and Dagenham threatened.

The paper also reported that Ford Europe President Steven Armstrong said the company is focused on "aggressively attacking costs, implementing facility and product program efficiencies to lower product and material costs as well as capital intensity in Europe."

Ford has been losing money on its European operations in contrast to North America, where it is still making profits. The plans by Britain to leave the European Union, Brexit, has added further uncertainty to Ford's future in that country.

For its part, Moody's noted the potential for a "cyclical" slowdown in the automotive industry. Indeed the increasingly volatile world financial situation, including the threat of auto tariffs on the part of the US Trump administration, points to the likely eruption of another major economic crisis that could put the 2008 crash in the shade. It is implicitly understood by the financial elite that the costs of such as shock would be shunted onto the backs of the working class.

Morgan Stanley analyst Adam Jonas, who recently projected a 12 percent cut of Ford's 202,000 worldwide workforce, said, "We do not see restructuring at Ford as a 'nice to have' … but as a crucial step to set the global business on a more balanced footing," Jonas wrote August 20.

Any attacks on its European workforce would only prepare for attacks on workers in South America, Asia and in the United States itself.

The chorus on Wall Street for decisive action by Ford takes place under conditions where the company is still making substantial profits. The company made adjusted pre-tax earnings of $8.4 billion in 2017, however it is well short of profit expectations. While Ford sales were up four percent overall in August and the profitable Ford F-150 pickup truck is selling at a record pace for the year, Ford sales are down 1.2 percent in 2018.

The company has already announced the ending of most passenger car production in order to focus on more popular light trucks and SUVs. It is reportedly also looking to end production of the Galaxy and S-Max in Europe to concentrate on larger, more profitable models.

In an interview this week with the *Detroit Free Press*, Bob Shanks, Ford chief financial officer, acknowledged the term "restructuring" suggests, "workforce reductions and closures." He continued, "A year ago we started a journey that's going to be a very fundamental redesign of our traditional auto business. It's a huge, huge transformation."

He added, [Ford] is "looking at a major redesign in our business, particularly overseas markets. That performance is not good. After years of hard work, restructuring, new products and changes. It just isn't what it needs to be... The bottom line is unacceptable."

Despite efforts by the European unions to prevent resistance to Ford's cost-cutting measures, autoworkers in Germany struck the US-based company and other automakers earlier this year and, in late 2017, 1,000 workers conducted a wildcat strike to oppose a rotten deal signed by the Ford Craiova Automobile Union and Ford Romania.

The deal demanded that 4,200 Romanian workers accept wage freezes for senior workers and a reduction in new hires' pay to five percent below the current minimum salary, or as little as €300 (US$358) a month. Ford also demanded a reduction in payments for overtime work and "flexible" work hours whenever "operational demands require it."

In a December 13, 2017 memo to workers, Ford Romania chief John Oldham threatened them with mass unemployment, saying, "We need to reflect on what is critical at this crucial moment for the Craiova plant, to have a higher salary increase or to secure the future of this factory! We hope you understand the importance of this year's negotiation in the present politically and economically unstable climate."

Automakers globally are facing pressure for major investments for research and development of electric and autonomous vehicles. The large investment required to implement such technology puts heavy strain on corporate cash flows, increasing the need for cuts.

One possible casualty of Ford's cost cutting may be its plans for a technology center in Detroit, where the company recently purchased the old Michigan Central Depot with the apparent idea of converting it into a research hub for autonomous vehicles.

The credit downgrade by Moody's follows the ouster of Ford CEO Mark Fields in 2018 after just three years tenure. In announcing the shake-up, Chairman Bill Ford pointed to the low valuation of the company's stock and declining profits.

The threat to Ford workers takes place under conditions where financial pressures are mounting on the other US automakers. Speculation is widespread that GM, which sold off its European Opel and Vauxhall divisions in 2017, may soon announce the closure of one or more of its US passenger car assembly plants, in particular its Lordstown, Ohio facility where the company recently eliminated the second shift. GM is the only US car manufacturer that is continuing to build passenger cars in North America.

Fiat Chrysler is in the midst of a restructuring operation that has led to the temporary closure of a number of its biggest plants. The company ended US passenger car production in 2016 to focus on light trucks and SUVs.

The UAW has been predictably silent on the reports of Fords plans for a new round of cuts. This is not only because it is predicted that the cuts will fall most heavily on European autoworkers, but because the UAW takes its stand entirely on the basis of the defense of the profit interests of management.

The UAW has facilitated US layoffs by implementing contract changes that eliminate whatever meager job protections autoworkers had. The union agreed to the elimination of the jobs bank that provided some employment security for laid off autoworkers. Meanwhile, the UAW has sanctioned the use of more temporary part time (TPT) workers who are not eligible for supplemental unemployment benefits and have no pensions or recall rights.

The 2015 contract provided no explicit job guarantees. In place of a fight to defend jobs the UAW is actively inciting fratricidal conflict between US autoworkers and autoworkers internationally, supporting President Trump's trade war measures and denouncing Mexican and Chinese autoworkers for "taking American jobs."

The UAW has abetted the drive by the auto companies to force out better paid veteran workers and replace them with TPTs. The impact of the ruthless cost cutting drive by Ford was underscored by the injury earlier this year of Ford Flat Rock Assembly worker Lynn Hagood, age 55, who suffered severe injuries after being placed back on the assembly line with insufficient training.

At all the auto companies the UAW has sanctioned the use of forced overtime by management to avoid the hiring of additional workers. This has led to worker burnout and the increased likelihood of death or injury on the job.

The fight to defend jobs requires that workers elect factory committees, independent of the UAW, to initiate a struggle against plant closings and layoffs. This struggle must be waged in the closest unity with autoworkers internationally to counter the efforts by the global automakers and the unions to play workers off against each other country by country. The defense of jobs is bound up with the struggle for a socialist program, including the transformation of the auto giants into public enterprises under the democratic control of the working class.