

“This is a great agreement for our company”

Ford execs, Wall Street investors gloat over new UAW contract

By Jerry White
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In a conference call with Wall Street investors Monday morning, Ford CEO Mark Fields and other company executives boasted that the new four-year agreement with the United Auto Workers would give the automaker “flexibility” to increase the number of temporary and part-time workers, add daily and weekend mandatory overtime and wipe out thousands of jobs in the event of a fall in sales.

The Ford boss—who received an 83 percent increase in pay to \$18.6 million in 2014—said the deal would increase the automaker's “all-in” labor costs by less than 1.5 percent annually. The additional costs, which include wages, benefits, ratification bonuses and lump sums, would be less than the general rate of inflation, Fields said, to the delight of the financial analysts.

After relying on the United Auto Workers to conceal and distort the contents of the deal and push it past rank-and-file workers through bullying and vote fraud, the Ford executives felt free to gloat in front of analysts from JPMorgan, Bank of America/Merrill Lynch, UBS, Deutsche Bank, Barclays, Morningstar, Royal Bank of Canada and other financial concerns.

The 48-minute conference call is worth listening to because of the bluntness of the corporate and financial elite and because their comments tear the lid off of every lie the UAW peddled to ram the contract through.

During the ratification process—which ended November 20 amidst widespread allegations that the UAW stuffed ballots at the Ford Rouge complex in Dearborn, Michigan to achieve a 51 percent “yes” vote—UAW Vice President James Settles claimed the deal was “one of the richest ever negotiated by the UAW.” In reality, it includes one of the lowest increases in labor costs in history.

Fields started by thanking the UAW “for their leadership in delivering an agreement with a shared goal of creating a stronger Ford.” He attributed the “success” of the ratification to an “open dialogue” with the UAW, which

included being “transparent with each other during the negotiations” and having a “shared goal.”

Fields dodged a question from a *Detroit News* reporter about whether the company was concerned by how the vote came down to the wire and what a 49 percent vote by workers against it meant. “We are not going to comment on the play-by-play over the last few days,” Fields said, adding, “These always tend to be close.”

The agreement, Fields said, puts Ford on a “common footing with our domestic competitors” by eliminating the cost advantage of GM and closing the gap with Fiat Chrysler. The deal was “in line with our planning assumptions,” Fields said, down to the \$600 million in fourth-quarter costs largely used to pay for the \$8,500 signing bonuses the company and the UAW used to exploit economically vulnerable workers.

Fields said the deal “importantly eliminates the cap” on lower-paid second-tier workers, allowing Ford to hire as many as possible without converting an equal amount of current “in-progression” workers to higher-paid “legacy workers.”

“While we followed the pattern to restore Easter Monday,” he said, “the gains we are achieving with additional mandatory overtime capacity are significant for us. The new agreement provides us with several opportunities to increase our productivity. We are significantly enhancing our ability to use lower cost temporary employees to supplement the workforce for unplanned absenteeism, vacation replacement and for product launches. This will also allow us to reduce structural costs and improve our staffing flexibility.”

A stricter tardiness and absentee policy will allow the company to use temps to replace higher-paid workers who are punished for missing work because of the wear and tear on their bodies or family responsibilities.

The grueling 10-hour or more Alternative Work Schedules, which destroy the family life and health of

workers, would continue, Fields said with satisfaction. The deal gave the company the “ability to implement additional daily and weekend mandatory overtime [that] will increase our production capacity to meet customer demand.”

In addition, he said, “Beyond our US sourcing commitments we are maintaining our flexibility to leverage our global manufacturing footprint to improve our cost competitiveness for products that we may sell in North America.” This was a reference to plans to largely shift smaller car production to Mexico, while larger more profitable vehicles are made in the US.

Additional savings, he said, would come from the fact that there would be no increase in payments towards supplemental unemployment benefits (SUB), which provide workers a measure of income security. Joe Hinrichs, Ford president of the Americas, added that freezing SUB pay would “allow us to adjust our workforce in a fairly cost effective way because our newer employees have lower seniority and they would be the first to be impacted in the event of a downturn.” SUB pay for so-called in-progression workers “maxes out at 26 weeks and is roughly 74 percent of their pay,” he said.

The questions by the Wall Street analysts focused on further cost-cutting to boost the company’s profits and shareholder returns. An analyst from Bank of America/Merrill Lynch asked if the company planned to avoid hiring lower-paid workers by extracting “greater efficiencies” out of a workforce that was expected to shrink significantly as older workers retired over the next eight years.

The “agreement carries over a lot of flexibility to manage work force reductions in the future,” Hinrichs said. “We feel really good about where we are.” The deal gave Ford the “flexibility to optimize the Alternative Work Schedule,” he said, which had “worked extremely well for us in the last contract to increase capacity, to utilize temporary workers, and finally we were able to agree with our union partners for daily overtime, also mandatory overtime on weekends,” including six additional weekends, plus an additional half-hour of daily overtime for weekend ‘C’ Crew workers. This would allow the company to “pull more leverage” from a smaller workforce rather than building new plants or hiring large numbers of new workers.

An analyst from JPMorgan Chase praised the deal, saying, “I think it is a very good result to have labor cost inflation of 1.5 percent per year, not much different than general inflation.” An analyst from Deutsche Bank pointed out that labor costs were estimated at \$5.7 billion a year, and that the increase amounts to only \$80 to \$90 million in additional costs each year. (This is equivalent to approximately three days of profits from Ford’s anticipated \$10 billion haul in

North America this year).

Pointing to the cynical lies used by the UAW and Ford to sell the deal to workers, an analyst from Susquehanna Bank asked, “There was a moratorium on outsourcing. I assume that was just kidding and that sort of thing. Would that preclude you from doing what you did with GM in terms of sharing capital investment and bigger programs like that with another OE (Original Equipment Manufacturer) or another supplier?”

Hinrichs responded, “On outsourcing we use a model we have used for many years. Each time we look at outsourcing we sit down and put the business case together, and we work with the UAW to come to an agreement. So we look at it more as an ongoing process rather than a moratorium, and that is what is going to continue in this contract.”

As far as health care costs were concerned, the executives made it clear that the UAW would work with the company and the Obama administration to impose first-ever out-of-pocket costs on legacy workers, while maintaining inferior benefits for “in-progression” workers. “We have very similar language to GM and FCA,” Hinrichs said. “If any of our plans were to draw the excise tax in 2018, then those plans would be eligible for deductibles to be put in place in a way to offset the cost of the excise tax...”

“In terms of transferring in-progression workers to legacy health care, in the scheme of things that cost wasn’t that substantial when you look at an annual basis,” Hinrichs said. “They are younger employees and they don’t have the same health care costs at this point in time as our legacy employees do.”

Fields summed up, “This agreement makes us stronger. We attained an agreement without a costly production disruption. Secondly, we maintained our flexibility around Alternative Work Schedule additional daily and weekend overtime; the cap for in-progression folks is now eliminated; we talked about that we have the ability to use temporary workers in certain circumstances and finally beyond our US sourcing commitments we do have the opportunity to utilize our global footprint to introduce cars for sale here. So stepping back we think this is a great agreement for our company and employees and strengthens our business.”

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