Ford shakes up management, prepares for more cuts after 99 percent profit decline

By Marcus Day
11 February 2019

Ford Motor Co. revealed Friday that it was shaking up its senior management team, following its announcement earlier last week of a disastrous fall in profits for 2019 and lowered earnings expectations for 2020.

Ford reported on Tuesday that it had made just $47 million the previous year, down from a profit of $3.68 billion in 2018, a decline of nearly 99 percent. Ford’s stock price was battered in trading the following day, plunging 9.5 percent, its biggest drop in nine years.

On Friday, the company announced that it was appointing Jim Farley to the role of chief operating officer, and that 53-year-old Joe Hinrichs, who had served in the role of president of the automotive unit, was retiring. While the executive shuffling was intended to placate investors, it found a sour response, with Ford’s share price falling a further 1 percent after the announcement Friday.

Ford’s falling profits and management shake-up herald an acceleration of its years-long restructuring efforts and corresponding attacks on workers globally. The company, along with General Motors, Fiat Chrysler, VW, Nissan and other global automakers, is seeking to make workers pay for stagnating sales and a looming economic downturn, and major investments to develop electric and autonomous vehicles.

In its calculations, Ford fully expects to rely upon the cooperation of the bribed United Auto Workers union executives, who have spent decades facilitating the company’s attacks on workers.

Despite Ford’s multi-year restructuring and cost-cutting efforts, it has been relentlessly punished by Wall Street and finance capital for not implementing its jobs bloodletting with what they view as the necessary speed and ruthlessness. The company’s share price has been steadily driven downward since mid-2014, despite years of record profits, and last September, the rating agency Moody’s downgraded Ford’s credit rating to junk status.

Farley, formerly president of new business, technology and strategy, is now positioned as the most likely successor to current CEO Jim Hackett, whose fate is viewed as increasingly precarious by industry analysts. “Perhaps it could be nine months from now, or it could be 18 months from now, but they will make an announcement that Hackett is retiring and Farley takes over as CEO,” David Whiston, an auto analyst with financial services firm Morningstar, told Yahoo Finance.

Michelle Krebs, analyst at Autotrader, told the Detroit Free Press, “It is no surprise that after the dismal quarterly earnings report came out that something had to give…The launch of the new Explorer was disastrous, and Joe Hinrichs, who was in charge of manufacturing, among other things, took the fall for it. Meantime, Jim Farley won the credit for turning around Europe, so he was rewarded and looks as if he is set up to replace Jim Hackett, whenever he steps down.”

Farley’s turnaround of Ford Europe under his leadership from 2015 to 2017 entailed a wave of cost-cutting, including buying out salaried workers and ending production of less profitable models. Speaking to the Wall Street Journal in 2016, he summed up the company’s relentless drive for profit at all costs, saying, “The goal is very simple. It is vibrant and sustainable profitability, that we make a return in good times and bad.”

The now-departed Hinrichs was also viewed by industry analysts as playing a key role in cultivating the company’s particularly close relationship with the UAW. Wall Street had pressed Hinrichs to accelerate the company’s job and cost-cutting plan even if this...
threatened a revolt by autoworkers against the UAW. Farley is likely to be a more cutthroat taskmaster, but he will encounter no more resistance from the corporatist trade union apparatus than Hinrichs did.

Ford experienced the worst financial performance of the Detroit Three last year, which all saw year-over-year declines, with GM’s profits down 17 percent, to $6.58 billion, and Fiat Chrysler’s down 9 percent, to $4.8 billion. All are engaged in a race to shed costs and jobs, as they seek to offset the effects of shrinking markets and the significant capital investments needed to dominate emerging technologies and business models.

Over the last year, while General Motors has shuttered plants and slashed thousands of hourly and salaried jobs in the US, Ford concentrated the bulk of its job cuts outside the country, hammering Europe and Brazil with mass layoffs and plant closures. In Canada, Ford has slashed hundreds of jobs from its Oakville, Ontario, assembly plant, with 400 laid off just last week following the end of the production of the Flex SUV, in a warning shot aimed at the upcoming contract negotiations with Canada’s Unifor union.

In the 2019 labor agreement, the UAW gave Ford the greenlight to close the Romeo Engine plant, 42 miles north of Detroit, cutting 600 jobs, and the removal of higher-paid workers through so-called voluntary buyouts. The deadline to accept these packages expires in late February and early March. If Ford is not able to cull the number of “legacy” workers it wants, it will impose involuntary layoffs.

Ford began the year by quietly rolling out layoffs at its stamping plant in Chicago Heights and has recently reduced the length of shifts at its assembly plant in Chicago. The company has been pushing for layoffs at the Chicago plant and may seek to carry them out in March, according to a recent Facebook post by UAW Local 551 Chairman Coby Millender.

Much has been made in the press of the company’s bungled release of the new Explorer SUV model in 2019 and its impact on profits in the latter half of the year. There have been numerous reports of the Explorer being plagued with defects, with many vehicles being shipped from Chicago Assembly, where they are produced, to Flat Rock Assembly near Detroit for repairs.

A worker at Chicago Assembly described management’s disorganized and chaotic implementation of production for the new model, with workers being blamed for not being able to produce a greater volume of the more complex models. “They didn’t distribute the work area correctly,” he said. “We can’t keep up. I don’t think management ever took that into account. I don’t think they planned it out that they needed more people.

“The line was completely new, and so it’s like you had to start over again but with more complicated vehicles, and you have to push, push, push, and you’re just pushing them down the line. And management doesn’t want to admit they were wrong.”

Workers confront impossible demands for greater productivity, enforced through video cameras and other technologies sanctioned by the UAW, and a new round of mass layoffs. The new contract also allows Ford to expand the number of low-paid temps to replace higher paid “legacy” workers.

Autoworkers can and must fight back, but it is impossible to do so through the UAW, which has long served as an arm of the companies. New organizations, rank-and-file factory committees, are required in order to defend jobs, advance workers’ interests and reverse the decades of concessions and givebacks.

We urge workers interested in joining the fight to build rank-and-file committees to contact us today at autoworkers@wsws.org.

To contact the WSWS and the Socialist Equality Party visit: http://www.wsws.org