Written by Steven J. DuBord on December 22, 2009

Ford Offers to Buy Out U.S. Auto Workers

Ford Motor Company disclosed on December 21 that it is offering to buy out 41,000 United Auto Workers (UAW) union members with early retirement deals as the company attempts to reduce payroll costs and return to profitability by 2011.

This is the second round of buyouts for Ford workers this year. Approximately 1,000 employees took advantage of an offer made in July. The current deal includes up to $70,000 cash for newer workers and up to $60,000 cash for veteran workers nearing retirement. "Despite a strengthening in our business, we still have a surplus in employees," stated Ford spokesman Mark Truby. More specifically, Ford has a surplus of higher-paid employees as it looks forward to a time when more workers will be needed to handle increased production.

While new UAW hires might make $14 per hour, a veteran employee could be making $28 per hour. When production does need to be ramped up, Ford would prefer having more workers at a lower cost per employee to handle increased demand. Ford has not released target numbers for how many workers it hopes will accept the buyout offer.

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Although Ford was the only U.S. automaker to avoid bankruptcy and the recent taxpayer-funded bailouts, it has struggled during negotiations with its employees. In November, UAW workers rejected Ford's proposed cost-saving measures that would have altered terms of a labor contract running until 2011.

Ford officials make the point that the company needs to reduce its labor costs in order to remain competitive. GM and Chrysler, both beneficiaries of taxpayer dollars, have also used buyouts to reduce their work forces.

Those who accept Ford's buyout offers would leave the company between February 1 and March 1, 2010, though the terms would vary. Ford employees with at least one year of experience would be eligible for a $50,000 payout and either a voucher worth $25,000 for a new car or an additional $20,000 in cash.

Workers eligible for retirement would get a similar choice of a $25,000 new-car voucher or $20,000 in cash, plus they would be able to begin receiving pension payments. Also, retirement-age workers with a skilled trade would receive $40,000 cash, while other workers would get $20,000 as an incentive for early retirement.

The U.S. auto sector has been hit hard over the past decade. Government data as of June this year indicated that employment has dropped by half to 547,500 workers. Michigan had the highest rate of unemployment in the nation at 14.7 percent in November.

The federal government came to the rescue of GM and Chrysler at the taxpayers' expense, but this handout and other governmental policies actually make things tougher. Bailouts that deepen the federal deficit, free trade pacts that drive U.S. manufacturing overseas, harsh environmental standards, excessive regulation, and high tax rates are all examples of federal policies that work against the U.S. auto industry in particular and the U.S. economy in general.

Only by ending these policies and letting the free market operate in true freedom can the federal government begin to reverse the damage it has done to U.S. automakers and the American economy.

Photo: AP Images