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Efficiency Gains Help Offset Costs for Ford in New Contract

By NICK BUNKLEY

DETROIT — Workers at the Ford Motor Company showed that they were clearly not happy with the four-year labor agreement their union negotiated, but in the end they approved it rather than jeopardize hefty bonuses and thousands of new jobs in an uncertain economy.

Early on, the deal appeared in danger of being rejected, after several large plants turned it down. But the tide turned sharply as leaders of the United Automobile Workers stepped up efforts to sell the deal’s benefits and warned that other options — possibly a strike or lockout — almost certainly would be worse.

The U.A.W. said Wednesday that the contract had passed, with 63 percent voting “yes” and 37 percent voting “no.” As a result, most workers will get $6,000 signing bonuses on Nov. 4, followed shortly by profit-sharing checks averaging $3,750.

“The members walked right to the very edge of a cliff, and they looked over and decided to take a step back,” said Gary N. Chaison, a professor of labor relations at Clark University in Worcester, Mass. “It’s pretty hard nowadays for a worker to risk not getting a signing bonus and have to explain that to a spouse.”

Having a new contract in place clears a formidable hurdle for Ford and allows it to start reducing its hourly labor rate by hiring thousands of new workers at lower wages. Some of the jobs they fill will be new, while others will replace veteran workers cajoled into retirement by buyouts of as much as $100,000. By adding shifts at its busiest plants, Ford will have fewer full-wage workers earning expensive overtime pay.

Consequently, the deal carries a minimal price for Ford, even as the company prepares to pay about $400 million in extra checks next month.

The company said Thursday that its labor costs would increase by less than 1 percent annually. It pegged the cost at $270 million this year, $60 million next year and $80 million a year from 2013 through 2015.

A presentation to analysts and reporters on Thursday said the more efficient use of its plants "represents a substantial profit opportunity." Ford executives said they expect entry-level workers to account for at least 8 percent of the work force by the end of the contract. All of the workers at two Ford component plants in Michigan now can be entry-level, they said.

Mark Fields, Ford's president of the Americas, said the deal makes the company more competitive and more flexible.

"Over all, this contract is really another great example of working with our stakeholders, in this case our employees, to deliver profitable growth for all," Mr. Fields said.

Analysts said the contract's approval cleared the path for Ford to resume paying dividends to shareholders and to regain its investment grade credit rating. The rating companies Standard & Poor's and Moody's Investors Services said recently that they might upgrade Ford to one notch below investment grade if the contract were ratified.

Ford's chief financial officer, Lewis W.K. Booth, said the company now has "an opportunity going forward to think about a dividend, but we're a little bit away from talking about that publicly." He said executives could decide to reinstate a dividend — last paid in 2006 — even before the company returns to investment-grade status.Ford is the second of the three automakers to win approval of a new contract. General Motors workers ratified their deal last month by a ratio of nearly two to one.

Labor specialists predicted less opposition at Chrysler, which reached a tentative agreement with the union last week, because of its shakier financial position. At two Chrysler plants in Kokomo, Ind., 55 percent of workers who voted on Tuesday supported the contract, which provides smaller bonuses than the Ford and G.M. pacts

“Is it as good as we want? No,” said Jerry Price, the vice president of U.A.W. Local 685 in Kokomo, the first large group to vote, “but it gives us a chance to live another day.”

Ford workers, too, seemed to increasingly sense, as voting progressed, that this was not the best time to take a stand. After workers at two plants in Chicago and one in Wayne, Mich., voted against the deal, it received overwhelming support from large locals in Dearborn, Mich.; Louisville, Ky.; and Kansas City, Mo. On the union’s official Facebook page dedicated to negotiations with Ford, the tone shifted from anger about the lack of a raise and other omissions to fear about the consequences of rejecting the contract, even if few professed to like it. (On Wednesday, most workers were asking how soon their bonuses would arrive.)

“Our leadership went in the plant and made sure we answered as many questions as we could so they were making an informed decision,” said Jeff Wright, the president of U.A.W. Local 249 in Kansas City. More than 90 percent of voters there supported the deal on Sunday after Jimmy Settles, the U.A.W. vice president in charge of negotiations with Ford, flew in and met with workers.

Ford plans to add about 1,600 workers in Kansas City and spend $1.1 billion to upgrade the plant. Over all, Ford committed to invest $6.2 billion in its American plants and add 12,000 hourly jobs by 2015, including 5,750 that it had not previously announced.

“As the nation’s economy remains stalled and uncertain and its employment rate stagnates, we were able to win an agreement with Ford that will bring auto manufacturing jobs back to the United States from China, Mexico and Japan," the U.A.W.'s president, Bob King, said in a statement. "The American auto industry is on its way back."