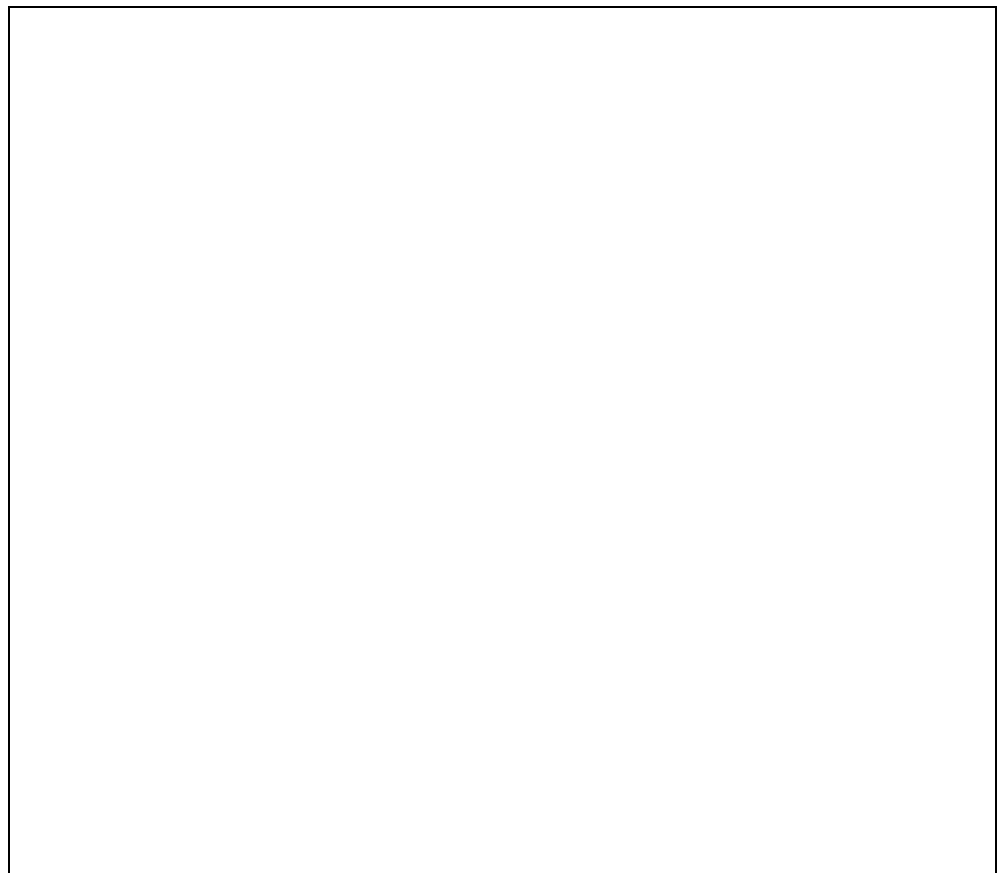




Eurofound

Impact of the recession on age management policies

Case Study: Ford, Spain



Organisational background

Ford's main car assembly plant in Almussafes, Valencia (east of Spain), was opened in 1976 (NACE 28: manufacturing of fabricated metal products, except machinery and equipment). At that time, the plant had around 7,500 employees¹. Total site employment at the end of June 2010 was 5,038 (408 salaried, 4,630 hourly) employees at full time and 1,337 partial retirees. The great majority of these were male (about 90%). Workers are from a variety of age groups, although there is a significant percentage of older people as indicated by the percentage of partial retirees who are between 60–64. Partial retirement is explained below. Blue collar workers are remunerated on an hourly basis and senior management staff are salaried employees. Many of the employees have a long tenure at the organisation and have worked there for most of their working lives. The activity of the plant falls mostly under NACE 2920: the manufacture of motor vehicles.

The car plant assembles two models, the Fiesta and Focus (also C-max). The combined daily maximum capacity of the plant is 1,915 cars per day in three shifts. The highest recorded production was 450,000 cars in 2004. Current actual volumes are lower, with 300,156 cars assembled in 2009 and an estimated at 245,000 in 2010. Since May 2009, the plant has operated only two shifts per day. The engine plant machines five major engine components. Annual capacity would be equivalent to 438,000 engines and actual production in 2009 was 183,446. The plant operates two shifts for machining and one shift for assembly. Extension for the total site is 2.7 million square meters (information taken from Ford HR self-assessment, 2010).

In Spain, the Worker's Statute (Estatuto de los Trabajadores) is the main legal framework regulating people's labour rights in the country. Furthermore, economic and legal aspects of work such as productivity and the rights and obligations between the worker and the employer are regulated through the Collective Agreements (Convenios Colectivos). These agreements regulate aspects of work such as wages, bonuses, extra hours, seniority payments, as well as working schedules, annual leave, professional categories, duration and type of contract, and training.

Given the size of Ford, the company has its own Collective Agreement under the framework of the metal sector. All matters related to labour conditions or HR management are regulated through the Ford Collective Agreement. If, however, an issue outside the agreement arises, then a Commission is created between the Works Council (worker's representation body) and the management of the company made up of equal numbers of management and Works Council representatives. These agreements are renewed and re-considered every five years. In the last Agreement signed in 2009 for the period 2009–2013, 75% of the workers agreed a 2% salary increase for 2009, and an increase equivalent to yearly inflation until the end of the five-year Agreement. The Agreement also established the conversion of 700 temporary contracts to permanent ones, and resulted in hiring a number of people from the annual apprentice programme offered at Ford (Publico, 2009). A large majority of Ford workers at the Valencia plant are union members.

¹ http://en.wikipedia.org/wiki/Ford_Valencia_Plant (accessed June 2011)

Policies and practice in relation to age management

The HR department at Ford works in accordance with the Ford Collective Agreement agreed directly at the company level. The Collective Agreement has some specific policies aimed at older workers and these are implemented fully at Ford. The following elements of the Agreement directly affect this age group:

- economic bonuses for years of service;
- retirement practices.

With regard to seniority bonuses, workers at Ford get salary complements for each five-year period worked at the company, with the potential to earn 60% on top of the base salary after more than 25 years of service in the company. The length of service at Ford Spain, including trial periods, is taken into account for the purposes of calculating seniority payments.

However, periods of suspension are not included or if an employment contract is terminated. If an employee wants to return to the company, after his/her contract was terminated voluntarily or involuntarily, the calculation of seniority will be made from the latest entry in the company. In addition to the economic bonuses for years of seniority, workers with more than 25 years at Ford get a special material reward (a voucher worth around €500 to be used in convenience stores) (Convenio Colectivo).

The Collective Agreement also regulates retirement. The main agenda for Ford has been to transition employees into retirement while keeping the total workforce intact and lowering the cost of the workforce. Officially, employees can only retire at the legal age. However, since 2006, the company has promoted voluntary partial retirement with a new contract (jubilacion parcial con contrato de relevo). Approximately 250–350 people per year have chosen this working arrangement since 2006. This means that a majority of people nearing retirement age have decided to go for this option. Under this scheme, a worker at age 60 may reduce their working hours by up to 85%. The partially retired worker gets part of their pension together with a salary which varies depending on the hours worked. At Ford, the majority of partially retired employees work 15% of the hours of a full-time equivalent, meaning they get 15% of their previous salary from the company. However, under this partial retirement option, the employer needs to replace the remaining partial job vacancy with a new full time contract (generally a young worker is employed). Hence, through this partial retirement option, the company is not reducing the total number of employees working at Ford, but is decreasing the total labour costs because the total cost of a part-time older worker plus the cost of a young worker is lower than the costs of a full-time older worker. The ‘Stability Agreement’ (Convenio de Estabilidad) was agreed in 2007 and guarantees the rights of employees to take up partial retirement until 2014. However, the crisis in 2009 promoted the take-up of voluntary redundancy which counteracted the positive impact of this on older workers to some extent (see below).

Placing people in alternative job positions because of ill health or disability is also a practice at Ford. This is a company-wide practice but has a greater impact on older employees than others. Depending on the specific illness or disability, the medical centre of the company assesses (by means of an examining board) the level of disability, the possible positions the person may still be able to perform under the new circumstances and advises on any treatment the person may need to follow to become fully rehabilitated. If the person has been declared to be unable to work, he/she will be referred to social security, which provides disability benefits to the affected person. However, this is relevant only to a minority of the workers at Ford.

Changes in age management policies and practice post-2008

Data collected from interviews indicated that age management policies and practices have not changed significantly since the crisis began in 2008. In 2009, a restructuring plan was set out to reduce the workforce at the plant by 600 people due to the difficult economic environment. These redundancies concerned, in most cases, employees working on an hourly basis (blue collar staff). In order to do this, the company needed to present an ERE (Expediente de Regulacion de Empleo). Within an ERE, the company presents the case for a collective dismissal, including details on how many people it plans to lay off, reasons for the redundancies, and a plan of how these reductions would be made. Prior to presenting an ERE to the public authorities, the plan must be agreed between the management of the company and the trade unions. By drawing up a number of possible options including voluntarily redundancy, Ford reduced the total workforce by the planned 600 people. These plans consisted of offering two main options.

- Voluntary redundancies (baja incentivada). This plan consisted of paying a worker compensation of 45 days per year worked over a maximum of 42 monthly instalments. The majority of the workers who pursued this option were over 55 years of age.
- Lay-off with re-hiring (despido con recontractación). People choosing this option left the company voluntarily for a period of time. During that period (usually from 1-3 years), people received unemployment benefit as if it were an 'unfair dismissal' (a person may not be able to claim unemployment benefits if he/she has left the job voluntarily). Whilst unemployed, the company 'tops-up' the difference between the unemployment benefit and the salary received just before the dismissal (generally the remaining 40% to get to 100% of the salary). After the temporary dismissal period, the worker can go back to the same job he/she was doing before leaving the company without losing any of the benefits/conditions he/she had previously such as seniority or professional category. Another option is to find another job in the meantime. The majority of people who selected this option were workers between 30 and 45 years.

If a company has economic reasons for making redundancies it can decide who to dismiss. The older workforce is often the group most frequently affected during redundancies. However, during the redundancies of 2009, all 600 employees left voluntarily. The majority of people leaving were older people who accepted the voluntary redundancy package offered by the company.

Companies are obliged to pay social security contributions (if over 55 years) from the date of dismissal to the early retirement age (60 under the old pension system).² (See also accompanying national report on Spain). This is to ensure that the pension income (previously based on the average earnings of the previous 15 years) does not decrease as a result of the dismissal. Therefore, there is protection for older workers so that they are not unfairly targeted for redundancy. The option to lay off and rehire was used by 186 workers. This option obviously tends to be more attractive for the younger age groups.

Summary

From the Ford case study we can see that labour rights and HR management are driven by what is negotiated under the Collective Agreement. These are negotiated every five years between the works council and the employer in the case of company specific Collective Agreements and between the trade unions and employer associations in the case of sector specific Agreements. Furthermore, in the case of a company-specific Collective Agreements

² In 2011, the retirement age was increased from 65 to 67 years. Early retirement age has risen to 63 years, although in crisis situations people can still retire at 61 years. The changes will be gradually implemented from 2013 to 2027.

such as Ford's, every detail, including the salary increase for each year, is set under the terms of the Agreement.

When labour reduction is needed in a company, older people are often those most frequently targeted. The incentives available to reduce the workforce in a company, such as voluntary redundancies, can be more attractive to older people. Voluntary redundancy schemes tend to be attractive to people who have worked at the company for quite a few years and are nearing the retirement age, because the scheme ensures them an income flow just before they start receiving their pension.

Bigger companies like Ford have their own Collective Agreement. This means that whatever is negotiated can be more specifically aligned to organisational needs than in general sector agreements, where labour rights apply to all companies in a sector regardless of specific company circumstances. Ford actively uses a partial retirement model to manage the workforce and transition staff into employment. However, the crisis has meant that Ford used early retirement and compulsory redundancies among older employees. At Ford, trade unions proved to have a prominent influence and were in an advantageous position to negotiate generous severance pay packages for the compulsory redundancies of older employees.

Contact persons

Interviewee one: Trade Union, Mr Camacho

Interviewee two: Director HR, Mr Abargues

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