

# US auto executives handed multimillion-dollar pay packages

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US auto manufacturers have revealed multimillion-dollar executive pay packages as they prepare for contract talks this summer with the United Auto Workers. 139,000 Ford, GM and Chrysler workers face a September 15 contract deadline with sentiments running high for the abolition of the two-tier wage system that pays new hires about one half of standard wages along with inferior benefits.

The Obama administration's forced restructuring of the auto industry in 2009, which was carried out at the expense of the wages and benefits of auto workers and retirees, has led to a profit surge, with the Detroit automakers making \$76 billion over the last six years and \$10 billion in 2014 alone.

Auto companies are rewarding their top executives with massive salaries and stock awards.

Ford Motor reported that CEO Mark Fields took in \$18.6 million in 2014. Other Ford executives also received hefty salaries, including Chief Financial Officer Bob Shanks, who raked in \$6.3 million, and Executive Vice President of the Americas Joe Hinrichs, who got \$6.1 million. Ford's head of operations in Europe, Jim Farley, got \$4.5 million.

Overall, Ford took in \$3.2 billion in profits in 2014, including \$52 million in the fourth quarter, the 22nd consecutive profitable quarter.

Earlier Fiat-Chrysler announced that CEO Sergio Marchionne was set to receive \$72 million in total pay for 2014. Most of his pay package comes from bonuses and a stock award connected to Fiat's takeover of Chrysler that led to a 61 percent surge in its share price.

Marchionne's pay package when broken down to an average hourly rate comes to around \$35,000 per hour. That compares to the \$28 average hourly wage paid senior Chrysler workers. Forty-two percent of Chrysler workers earn the second-tier wage, which currently

pays around \$15 per hour. Last year, Marchionne said he was "violently opposed" to any conception that workers are "entitled" to pay increases.

Meanwhile, General Motors CEO Mary Barra is expected to receive a 2014 pay package of \$14.4 million. The automaker recorded \$2.8 billion profit last year despite recalls and lawsuits related to a deadly ignition defect. GM, which is sitting on a cash hoard of some \$25 billion, recently announced a \$5 billion stock buyback program and raised its stock dividend by 20 percent. Both moves benefit big investors, including the UAW, which hailed the buyback.

GM executives recently received restricted shares of stock under a new incentive plan. Barra just got 79,639 restricted shares, up from the 69,214 she got in 2014. The award is worth around \$3 million at current share prices. GM President Dan Ammann got 29,685 restricted shares and Chief Financial Officer Chuck Stevens got 19,081.

The announcement of multimillion-dollar payouts to auto executives takes place in the context of stagnating and declining compensation for US auto workers. Workers at the US-based car companies hired before 2007 have not had a pay increase in over ten years.

Currently nonunion workers at the Mercedes plant in Vance, Alabama have the highest total hourly compensation among US auto workers at \$65 per hour. That ranks ahead of Ford workers at \$57 per hour and GM workers at \$58. The corresponding figure for Chrysler is \$48 per hour, which ranks behind Honda at \$49 per hour and is tied with Toyota.

Chrysler employs a far higher percentage of lower-paid tier two workers than the other US carmakers. According to the Center for Automotive Research, real wages for US auto workers have fallen a massive 24 percent since November 2002. According to a report in

*Bloomberg*, management pay has risen about 50 percent faster than the wages of unionized workers since 2009.

Markus, a young second-tier worker at Chrysler Warren Truck outside of Detroit remarked on Marchionne's salary. "It's amazing. They came up with \$72 million, and where does that come from? It comes from us.

"It doesn't seem like there is anything we can do about it. I see the upcoming contract will be a mess. If they give us some money, it won't be what we expect. It is so unfair. I make \$15 an hour and have a wife and four children to support."

Dominique, another young Warren Truck worker added, "\$72 million is a lot of money and our profit sharing was basically crap. I support a family. It is hard.

"They don't even want to give you a day off. If you don't have a PA day (Paid Absence Allowance) you are screwed. They don't care what the reason is. A loved one could be sick; they don't care."

Despite these sentiments, at the recently held United Auto Workers bargaining convention the union only spoke vaguely about "bridging the gap" between first- and second-tier workers. Since 2007, the UAW has sanctioned a 30 percent reduction in hourly labor costs—through lower-tier wages, ending employer-paid retiree health care, replacing defined pension plans for new hires with 401(K)s, and abolishing overtime after eight hours.

At a post-convention press conference, UAW President Dennis Williams held open the possibility of a third-tier wage comprising lower skilled auto workers. In reality there are already a multitude of tiers in the auto factories comprised of contract workers, some of whom make barely more than the US minimum wage.

Some workers at the GM Lake Orion Assembly plant outside of Detroit already make less than the two-tier wage under terms of a special agreement signed by the UAW. The workers are employed at General Motors Subsystems Manufacturing LLC and do tasks such as arranging batches of parts in order for assembly.

Other global carmakers also reported hefty pay packages for their top executives. Volkswagen CEO Martin Winterkorn pocketed some 17.5 million euros in 2014, about \$18.8 million dollars. Outgoing Honda CEO Takanobu Ito received \$1.4 million in salary and

bonus in the most recent fiscal year.

Renault, meanwhile, proposed to raise the salary of CEO Carlos Ghosn to \$7.85 million in 2014. The French carmaker is preparing to axe 7,500 jobs in a drive to cut costs. The most recent labor agreement froze workers' salaries. Ghosn also received \$8.34 million in salary for his role in Renault's partnership with Nissan.



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