Top GM and Fiat Chrysler negotiators depart on eve of UAW contract talks

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With less than one month to go before the start of talks between the United Auto Workers (UAW) and General Motors, Ford and Fiat Chrysler, US auto executives are reaffirming their determination to hold down labor costs.

The auto companies, which posted $73 billion in profits over the last four years, say they are set to resist demands for any significant wage improvements. The four-year contract covering 139,000 auto workers expires on September 14.

The seriousness with which the auto companies are approaching negotiations, which are scheduled to start July 13, was reflected by the announcement last week that the lead negotiators for both GM and Fiat Chrysler were retiring, effective immediately.

Al Iacobelli, who headed 2009 and 2011 contract negotiations for Fiat Chrysler, abruptly announced his retirement and left company headquarters the same day. The departure of Iacobelli follows the equally sudden retirement of GM's top negotiator, Rex Blackwell. The shakeup, on the eve of talks, surprised industry analysts, who said the move is virtually unprecedented. The changes mean that all three automakers will have new lead negotiators, since Ford replaced its top negotiator last year.

Cathy Clegg will be GM's new lead negotiator while Fiat Chrysler's new lead man will be Glenn Shagena, former head of FCA's human resources in Mexico.

The auto companies are relying on the UAW to contain and suppress the anger of workers over the deterioration of their working conditions and living standards under conditions of soaring industry profits. General Motors and Ford say their goal is to reduce their labor costs to a level comparable to plants operated by Volkswagen, Honda and other foreign carmakers in southern US states that enjoy about a $10 an hour cost advantage. Chrysler, which employs a much higher percentage of lower paid tier-two workers than Ford or GM, has achieved overall wage parity with Honda.

Fiat Chrysler, whose operations are less profitable than larger rivals Ford and GM, is particularly dependent on the two-tier wage structure. Any significant increase in pay for two-tier workers threatens Chrysler's profit margins and will be bitterly resisted, as will any cap on the number of two-tier workers it is permitted to hire.

Under provisions of the two-tier wage agreement, first established in 2007 and expanded during Obama's restructuring of the industry in 2009, entry level workers currently earn between $15.78 and $19.28 per hour, compared to $28.50 for tier one. The two-tier structure is widely hated by workers, with widespread sentiment in the plants for raising all two-tier workers to tier one, along with a substantial base wage increase for all workers. The UAW has resisted such demands, countering with vague talk about "bridging the gap" between tier two and tier one.

The auto companies have floated the idea of creating a new category of low paid workers earning even less than the current two-tier schedule. The UAW is reported to be considering the proposal, which could potentially add thousands of new dues-paying members by bringing in work traditionally performed by auto suppliers, such as material handling, at pay rates between $10 and $15 an hour.

In remarks cited in *Bloomberg News*, Ford Executive Chairman Bill Ford said he was confident the company could reach an agreement with the UAW ensuring "competitive" labor costs. He said discussions were already under way with the UAW and felt sure there "would be no surprises."

GM CEO Mary Barra is reportedly planning to play a leading role in talks. A GM spokesperson said Barra had already met informally several times with UAW President Dennis Williams as well as Cindy Estrada, who heads the UAW's GM department.

Ford has indicated interest in being the first automaker to start contract negotiations, thus expressing confidence that it can work with the UAW to tailor the contract to meet its specific interests. For his part UAW Vice President for Ford Jimmy Settles reiterated his subservience to the profit requirements of the auto companies, declaring, "We don't want to negotiate them out of business."

The auto companies are pushing profit sharing and bonuses in lieu of pay raises. Any wage increases will likely be offset by increased employee contributions to health care premiums. Employee health care benefits will be subject to the provisions of the Obama administration's "Cadillac tax" during the life of the new contract, a cost the automakers will attempt to offload onto the shoulders of workers.

In advance of the formal start of talks, Fiat Chrysler CEO Sergio Marchionne has pledged to significantly raise the company's profit margins. At the same time he is calling for a consolidation in the global auto industry to sustain the large capital investments needed to stay competitive. He has already approached GM and Toyota about a merger. Following a rebuff by those companies Marchionne said he is now considering a partnership with Silicon Valley companies such as Google or Apple to explore alternatives to traditional cars or car ownership.

A consolidation of the auto industry, under conditions of private ownership, would inevitably entail a new round of massive downsizing and a further assault on the living standards of auto workers. Marchionne's calls for consolidation express the particular vulnerability of Fiat Chrysler, the world's seventh largest car company, to the impact of a new economic downturn.

While sales are approaching pre-recession peaks—with estimates that 17.9 million vehicles will be sold in the US in 2015—the increase is largely due to cheap credit, lower gas prices and pent up demand from the economic downturn. Automakers—and more importantly the big banks that control them—do not expect these conditions to last much longer and are therefore determined to resist workers' demands for improved living standards. The economic crisis has slowed sales in Europe, China and Latin America, creating conditions for a ruthless competition between global auto companies to slash jobs, destroy wages and benefits and ratchet up the exploitation of auto workers. The *Detroit News* reported yesterday, for example, that automakers in Brazil have reduced production by 18 percent since 2014 and have eliminated roughly 10 percent of the automakers' labor force of 138,000, through early retirements, furloughs and layoffs.

Overshadowing the US auto talks are the auto executives' concern, though not always directly stated, that the UAW, discredited by years of collaboration with the auto companies against the interests of auto workers, may lose control of the situation. Complicating matters for the UAW, under terms of Michigan's Right to Work legislation, once the current agreement expires workers will no longer be required to pay union dues as a condition of employment. The UAW faces a potential mass exit of dues-paying members, fed up with decades of betrayals by an organization that does not represent their interests.

This puts tens of thousands of workers—who are determined to significantly improve their living standards—on a direct collision course with the UAW, the auto bosses and the Obama administration.