

# Why the UAW picked Fiat Chrysler

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The United Auto Workers (UAW) has picked Fiat Chrysler Automotive (FCA) to set the pattern for new labor agreements covering 141,000 workers in the US auto industry. While the selection reportedly took industry analysts by surprise, the reason for the UAW picking the smallest of the three major US automakers is not hard to understand.

In the distant past, automakers wanted to avoid being targeted first because it meant they would have to accede to the UAW's maximum demands or face a strike. Over the last 35 years, however, being selected as the target company by the UAW has come to be seen as a great advantage since the union all but abandoned strikes and allowed the first company to dictate the terms of the contract.

By avoiding the richer General Motors and Ford, any deal with FCA—which, while highly profitable, reportedly has more debt than assets—is likely to be a low-cost arrangement for the automaker.

Most significantly, however, Chrysler has the highest percentage of workers employed under the two-tier system the UAW first agreed to in 2007, which was then expanded when President Obama lifted the cap on such workers during the 2009 GM and Chrysler restructuring. 45 percent of FCA's 37,000 workers earn between \$15.78 per hour and \$19.28 per hour, compared to the \$28.50 per hour rate paid to workers hired before 2007.

The industry web site *Automotive News* noted Monday that the proposals by FCA boss Sergio Marchionne concerning the fate of the company's lower-paid workers closely aligned with the talk by the UAW about "closing the gap" between first and second-tier workers.

"Though the union hasn't revealed its thinking behind its choice of FCA as the target, its reasoning likely flows from just one fact: only FCA's leadership has continuously spoken against the two-tiered wage system that has so benefited the three automakers since 2007," wrote Larry P. Vellequette. The writer added, "How they are going to end it without crippling the companies economically, that's where it is going to take some

creativity."

At the official opening of negotiations on July 14, Marchionne said, "You should pay people the same wage for the same work and therefore anything that is dual in nature...is unsustainable in the long term." In the current round of talks, Marchionne said, "We are going to try our darnedest to close it up. We need to design a career path for people who come into this business that tells them that if they work hard they can get there."

At the same meeting, Williams said, "Their future seems somewhat bleak, because they have no path (to full pay)... and for many of them they feel like second class citizens."

The system is indeed hated by first and second-tier workers alike, and a major factor in the 98 percent strike vote by workers at FCA, GM and Ford is their determination to abolish it once and for all.

A closer reading of Marchionne's comments is necessary, however. The FCA boss has long made it clear he has no intention of doing away with the poverty wages that have been the key to the corporation's immense profits. As for Williams, despite his crocodile tears about "second class citizens," the UAW established the cheap labor system and has benefited from the influx of some 40,000 new dues-paying members.

In May 2014, Marchionne told investors, "We need to freeze the tier ones and make them a dying class. I don't mean that literally. I object violently to the notion of entitlement in the wage structure. That's something that is incredibly unwise."

Marchionne's reference to higher paid workers as a "dying class" is no mere slip. Older workers are subjected to 10-hour workdays under the Alternative Work Schedule and the brutal speedup in the plants. Earlier this year, two workers died on consecutive days at Chrysler's Jefferson North Assembly in Detroit where workers produce a Jeep every minute.

Under these sweatshop conditions, large numbers of older, higher-paid workers would likely rush to the doors, the *Detroit Free Press* suggested Monday, if Chrysler

would “provide incentives to veteran workers to take early retirement and receive most of their pension.”

It is possible that the UAW and FCA may come up with a minor wage increase for entry-level workers while capping the top pay of so-called legacy workers. Once older workers retired, a new permanently lower maximum wage, a sort of “1.5” tier wage, in the neighborhood of \$20-22 per hour, would be established.

Industry analysts have also said the UAW and FCA could “abolish” the two-tier system with a deal modeled on the one Marchionne negotiated with the Canadian autoworkers union, Unifor. Under this scheme it takes 10 years for lower-paid workers to reach top pay. This would allow the UAW and the company to claim they had created a “path” to higher pay.

In any case, Marchionne wants wages tied to productivity and profits, “so workers could share with the downside as well as the upside” of the corporations. This dovetails the UAW’s long support for “profit-sharing” schemes and performance-based pay that more closely tie the livelihood of workers to the vagaries of the capitalist market and often disastrous decisions of corporate executives driven by the short-term demands of wealthy shareholders.

There is one other possible scenario being floated, and that is the “abolishing” of the two-tier system by creating a new, even lower paid third-tier of “sub-assembly workers,” supported by the companies and the UAW. This is exactly what the UAW did at the Lear plant in Hammond, Indiana after a bogus one-day strike in September 2014. While some entry-level workers were given a years-long “path” to a new lower maximum pay scale, hundreds of workers were reclassified as “non-skilled” workers and paid even less than the original second-tier wage.

Whatever wage increases workers might get would be more than chewed up by the higher health care copays and premiums that would result from the UAW’s proposal to take over the provision of medical care for active workers. This would provide the UAW executives with billions more in their trust fund and give them an extra incentive to cut benefits and allow back-breaking conditions that are transforming older workers into a “dying class.”

The collusion between the UAW and Chrysler has a long history, dating back to the decision by then-Chrysler CEO Lee Iacocca to bring UAW President Douglas Fraser on to the corporate board of directors in 1980. As Iacocca later said, “Doug learned...that profit wasn’t a dirty

word...he understood so much that some workers began to see him as a turncoat...”

Marchionne is reportedly seeking the support of the UAW, which owns the biggest bloc of corporate shares at General Motors, for a merger of GM and Fiat, which would lead to thousands of job losses.

Marchionne and Williams apparently have a close personal relationship, which led them to embrace each other at the opening of talks.

As director of UAW Region 4, Williams oversaw the 2004-05 betrayal of workers at CNH Global (formerly Case New Holland), the world’s largest agricultural and construction maker, which was taken over by Fiat in 2013.

In May 2004, workers walked out at factories in Racine, Wisconsin; Burlington, Iowa; Burr Ridge, Illinois and St. Paul, Minnesota after rejecting draconian demands including that new hires start at \$12 per hour instead of \$20-\$22 per hour.

In less than a month, the UAW announced a unilateral surrender and ordered its members to end the strike, only to have CNH refuse to take them back. After a 17-week lockout, Williams and other UAW officials rammed through a six-year deal, which included the company’s major demands, including higher health insurance costs for workers, a lower wage scale for any new hires and reduced benefits for retirees. This betrayal and the subsequent six-year concessionary package authored by Williams in 2011 paved the way for Fiat to buy CNH in 2013.



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