Fiat and Italy

Arrivederci, Italia?

Italy worries that its biggest manufacturer may leave

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Will they drum Fiat out of Italy?

DUTY, history, and responsibility are what keep Fiat, Italy's biggest private-sector employer, based at home. Running counter to such fine notions, said the carmaker's boss, Sergio Marchionne, earlier this year, is Fiat's need to make decisions "rationally". It has lost money in Italy for years. It expects things to get worse as sales slump at home. Small wonder that the country regularly goes into hysteria over whether Fiat will stay.

Its takeover of Chrysler, an American carmaker, is one reason to worry. Fiat (whose chairman, John Elkann, is a director of *The Economist*'s parent company) has not decided whether the combined group's headquarters will be in Turin or Detroit. That may involve little more than a plaque on the wall, as the company argues. But Fiat's manufacturing presence in Italy is under threat too. Despite earning two-thirds of its revenues abroad, it still has almost half its employees and 40% of its plants in Italy. Mr Marchionne has repeatedly threatened to shutter Italian capacity if he cannot make it productive.

On October 20th Consob, Italy's stockmarket regulator, demanded details of a 2010 plan called *Fabbrica Italia*, in which Fiat promised to invest €16 billion ($22 billion) in its Italian plants over four years in return for new agreements on working conditions. As part of this plan, it is repatriating production of the Panda, a small car, from Poland. But Fiat has also changed some elements: two prestigious models it was going to bring to its Mirafiori plant in Turin will be replaced with smaller cars.

Fiat rejected Consob's demands for more detail on the plan and attacked the regulator for asking for it publicly. Maurizio Landini, secretary-general of Fiom-Cgil, a metalworkers' union which has fought hard against Fiat's new working conditions, says his main fear is that *Fabbrica Italia* only exists on paper. He claims that Fiat is basing the development of its most innovative future projects, such as hybrid and electric cars, in America.

Fiat's Italian plants are 15-20% less efficient than those of competitors elsewhere in Europe. Its Polish, Serbian and Turkish plants run at more than 70% of their capacity, whereas Italian ones run at 33%. (Part of the gap comes from lower productivity, part from Fiat choosing to make cars elsewhere and part from varying levels of demand). Flexibility has been the firm's main problem. For example, if a car on one production line sold badly and a model on another line sold well Fiat could not move workers across under the old rules.

The firm's employees proved this year that they are ready to compete. A majority at three Italian plants voted to accept new working practices and, apart from Fiom-Cgil, all unions signed the deal. At a long-shuttered plant near Turin that Fiat has bought from another carmaker, 89% of the idled workers voted for the changes despite Fiom-Cgil's strong presence.

So it can bargain directly with workers at factory level, Fiat has also decided to quit Confindustria, Italy's main employers' lobby, after it offered the unions' national chiefs a final say on pay deals. Fiat has thus made two big breaks with Italy's collective-bargaining tradition, says Roberto Pedersini, a labour-relations expert. First, it has repudiated industry-wide, national labour standards. Second, it is taking away labour protections when company-level agreements usually give more rights to workers. To be rational, Fiat's *Italianità* has to be less dutiful.

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