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U.A.W. Contract With Fiat Chrysler Would Give 2nd-Tier Workers Big Raise

By **BILL VLASIC** and **MARY M. CHAPMAN** SEPT. 18, 2015

DETROIT — The proposed contract between Fiat Chrysler Automobiles and the United Automobile Workers union includes wage increases that significantly close the gap in pay between veteran workers and entry-level employees.

The tentative agreement, reached this week, calls for immediate wage increases for all of Fiat Chrysler's 36,000 hourly workers in the United States, according to a summary distributed on Friday to union members by the U.A.W.

The four-year deal, which is subject to a vote by Fiat Chrysler workers, is particularly lucrative for the company's large contingent of entry-level workers, who earn \$16 to \$19 an hour. Dennis Williams, the U.A.W. president, said he expects voting to begin next week and to take several days. If the contract is ratified, the entry-level pay scale will immediately increase to \$17 to \$24 an hour, based on seniority, and top out at \$22 to \$25 an hour in 2018.

That will shrink the gap with veteran workers, who earn \$28 an hour but will get wage increases bringing their pay to just under \$30 an hour by the third year of the contract.

Mr. Williams said the proposed contract went a long way toward eliminating the gap between long-term employees and workers hired after

the two-tier system started in 2007.

“You will see that we won tremendous gains,” he told workers in a letter attached to the contract summary.

The deal also calls for a \$3,000 signing bonus for all workers once the deal is passed, and other bonuses of up to \$13,000 if certain quality and productivity targets are met over the life of the contract.

One industry specialist said the union needed to narrow the gap in pay to ensure passage of the contract. More than 40 percent of the workers at Fiat Chrysler are entry level, about double the percentage for the work forces at General Motors and Ford Motor.

“These are tough, complex negotiations, and the union has to bridge the gap between workers to avoid permanent inequality in the factories,” said Harley Shaiken, a professor at the University of California, Berkeley who has worked with the U.A.W. in the past.

The contract is expected to provide a template for deals yet to be negotiated with G.M. and Ford. Union leaders will pick the next target company once a vote is taken at Fiat Chrysler.

If the contract is adopted industrywide, it will represent another milestone in Detroit’s comeback from the recession.

The previous contract was negotiated in 2011 — two years after G.M. and the former Chrysler Corporation filed for bankruptcy and required government bailouts to survive.

Since then, all three of the Detroit car companies have steadily rebuilt sales and profits, benefiting from a surge in demand for new vehicles in the United States.

This year, the overall industry is on track to sell about 17 million vehicles in the nation. Profits earned in North America have been particularly strong for G.M., Ford and Fiat Chrysler, which have a large

share of the market for fast-selling pickups and sport utility vehicles.

The big profits prompted Mr. Williams and other union leaders to shoot for big economic gains in the current negotiations.

The proposed contract also contains the first step toward large changes in how the Detroit automakers handle spending for health care.

Fiat Chrysler and the union agreed to establish a health care cooperative that pools the purchasing of medical care and prescription drugs of Fiat Chrysler's union members, white-collar workers and a trust for retirees.

In the letter to union members, Mr. Williams said the co-op "cuts costs through the savings available from a bigger pool of participants."

He added that the union expected to strike similar arrangements at G.M. and Ford, and then combine the buying power of all three companies.

"Health care costs are rising," he said. "It's a problem for the company, it's a problem for us, and it's a problem for our nation."

Fiat Chrysler's chief executive, Sergio Marchionne, hailed the health care cooperative as an important step. "We have agreed to adopt a comprehensive approach to address rising medical costs," he said in a memo to employees this week.

Over all, Mr. Marchionne said, the contract is beneficial for the company and the U.A.W. "I think the agreement reaffirms that we are working together for the same goals," he said.

Besides winning raises and shrinking the pay gap, the union also secured commitments from Fiat Chrysler to continue investing in the company's American manufacturing plants.

The contract summary said that Fiat Chrysler agreed to invest about \$5.3 billion in its United States factories over the four-year contract. "The investments are contingent on the company's ability to generate sustainable

and profitable vehicle volumes,” the union said.

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