

FINANCIAL TIMES

December 16, 2011 2:49 pm

Fiat boss emerges as Italy's leading reformer

By Guy Dinmore in Rome and John Reed in London

Mario Monti's government of technocrats is battling entrenched interests in trying to take even modest steps to liberalise Italy's moribund economy, but some would say the nation's real reformer is the lone figure of Sergio Marchionne of Fiat.

By breaking the mould of labour relations set through collective national bargaining, the chief executive of Italy's largest industrial group has taken on two powerful lobbies – Confindustria, the main employers association which Fiat is quitting next month, as well as the trade unions.

Mr Marchionne hailed Fiat's agreement on more flexible contracts with all major unions bar one this week as "historic". In return, the carmaker is pressing ahead with billions of euros of investments in Italy – its roots for more than a century – even though its chief executive says it would make more financial sense for the merging Fiat-Chrysler group to focus on operations abroad.

Mr Marchionne, who is chief executive of Chrysler as well as Fiat and the recently hived-off Fiat Industrial, has enjoyed smoother industrial relations in the US, where some staff and labour leaders call him by his first name. Fiat's boss, who holds Italian and Canadian passports, is beginning to imprint on US public consciousness as well: Time magazine's cover story this week dubbed him "The Man Who Saved the automobile industry".

But Mr Marchionne has a much more divisive image in Italy, a country he describes as one where "he who shouts loudest wins, where people speak a lot, listen little and do even less, where more efforts are made in front of the TV camera than in real life".

Known for his blunt-talking, unconventional management style and preference for jumpers rather than jacket and tie, Mr Marchionne was speaking at the launch of the new Panda model at Fiat's Pomigliano plant near Naples on Wednesday. Infamous in times gone by for its low productivity and high rate of absenteeism, where workers often had second day jobs, a gleaming Pomigliano has been transformed at a cost of more than €800m into the group's most state-of-the-art,

automated plant worldwide.

Workers there call it a “revolution”. Those that have jobs – a rare commodity in Italy's blighted south – seem happy with the new deal, accepting higher wages for shorter breaks, more night shifts and tougher conditions on sick leave and the right to strike.

Massimo Brancato, leader in Naples of the FIOM metalworkers union that rejected the new contracts, was among a few activists protesting outside the gate against job cuts and what Mr Marchionne calls “a new industrial culture”.

“We are going back to the 1800s, losing the fundamental rights of workers,” Mr Brancato said.

But FIOM's members account for only about 13 per cent of Fiat's total 86,000 workforce in Italy. Weakened in the age of austerity, the union is relying more on slow-moving action in the courts than strikes in an effort to thwart Fiat.

Gianluca Spina, dean of Politecnico di Milano school of management, says the terms of Fiat's new labour contracts are not so revolutionary as such, but the challenging of Italy's status quo has set a trend that other big companies are likely to follow.

“It seems that Marchionne is the only real reformer in the country, maybe because he's not really Italian and is prepared to do Thatcherish things,” commented James Walston, political scientist at the American University of Rome.

Printed from: <http://www.ft.com/cms/s/0/92cd91b4-27e0-11e1-9433-00144feabdc0.html>

Print a single copy of this article for personal use. Contact us if you wish to print more to distribute to others.

© **THE FINANCIAL TIMES LTD 2011** FT and 'Financial Times' are trademarks of The Financial Times Ltd.