

# Workers Rights In Italy's Automobile Industry. The Relocation of Fiat Automotive

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*The struggle of Italian workers against unending job disparities in the Fiat Automotive company have come to a [tense](#) point as Sergio Marchionne has placed the final touches on his bid to leave Turin and relocate Fiat's headquarters abroad in an effort to save the sinking company.*

Among the many opinions [voiced](#) during this year's May Day protests in Turin were calls to preserve one of Italy's remaining industries that has long been the icon of Italian craftsmanship. [Waves of layoffs](#) by Marchionne in 2010 have caused rampant redundancies and harsh working conditions for laborers in the Mirafiore and Termini Imerese plants—six plants overall. The most recent protests have continued a long history of strikes and demonstrations against the Italian automaker in the fight to acquire better wages, treatment, job security, and working conditions.

Historically, workers of Fiat Motors [have been battling with their employers](#) since the Hot Autumn protests of 1969 over unfair treatment, disputes over productivity benchmarks, and the offshoring of production plants. In the latest installment of these protests, Marchionne, in defiance and frustration, [began working](#) towards internationalizing the company's manufacturing and market shares, while at the same time, removing the threat of worker demands by [completing](#) the last 41.46% portion of his 4.5 billion dollar stake in Chrysler's VEBA, a healthcare trust of the US United Auto Workers, which gave him full control over the Detroit-operated automotive company.

"The combination is expected to put Fiat in a strong position to compete with rivals such as Volkswagen, Toyota and General Motors. While Fiat's main market is in Europe, Chrysler – the third biggest US carmaker after GM and Ford – now gives it a firm foothold in North America," Deutsche Welle reports.

In recent years, economic austerity in Europe, rampant government corruption in Italy, and Sergio's demands to raise productivity while ignoring the needs of Fiat's workers has lead to serious disagreements between himself and Italian laborers.

When questioned about workers' strikes in 2011, Marchionne [commented](#),

"The strike is a very, very, very bad idea. You are telling someone who wants to invest in the country that you're not willing to participate and you are trying to impose conditions on the investments which you can't control."

He alludes to the corruption under the Berlusconi administration, which has severely undermined his attempts to improve Fiat, and has openly criticized the Italian ex-Prime

Minister's irresponsible actions and negative impact on Italy's economic progress. "The company has lost its international sense, the compass has been lost, someone opened the gates of the zoo and they've all got out [...]. It's difficult to go around the world and explain what's happening in Italy. It's shameful," he [expressed](#) in a June 3<sup>rd</sup> article from *The Scotsman*.

Marchionne, in an effort to circumvent the rising cost of labor, low productivity, logistics obstacles, and dwindling profits in Europe due to the economic crisis, has decided to turn towards new horizons in the Far East and West to boost the company's earnings and long-term profits. In an [article](#) by the Daily Mail, he expressed that by completing the merger between Chrysler and Fiat under the name *Fiat Chrysler Automobiles*, he could increase production to 6 million units a year, giving him an advantage in pushing the company's brand name overseas.

While noble, he fails to mention the plethora of benefits he stands to make by signing away the Turin-based headquarters to London, Amsterdam and Detroit. This has been done in a hasty move to expand the market shares of Fiat to North America and Asia, which has been responded to with mixed results from board members and investors.

On May 7<sup>th</sup>, just shortly after the May Day protests, Marchionne was faced with a series of obstacles to his ambitious plans after failing to explain how he would generate enough capital investment. In an attempt to circumvent heavily bureaucratic Italian labor laws and economic mismanagement, as well as to cash in on Fiat's 100% shares of Chrysler Motors, up from 60% in 2009, his risky attempt to move Fiat's production base to Detroit was met with opposition and skepticism.

His relocation to Detroit—an industrial wasteland that recently [planned](#) to shut off half of its streetlights due to a lack of funds—raised questions about his motivations for relocating and his long-term ambitions for Fiat Motors. After giving a presentation to investors, Reuters journalists [reported](#) that "trading was briefly suspended after the shares tumbled more than 9 percent, before resuming their decline to close almost 12 percent lower at 7.48 euros, with investors still digesting Tuesday's strategy presentation in Detroit."

"Fiat's massive plan, and the necessary capital expenditure and R&D, simply do not look affordable or prudent," said Max Warburton of Bernstein Research. Calling its financial targets "enormously optimistic", Warburton said: "Fiat would do everyone a favor, including its employees, management and shareholders, by raising capital."

A lesser reported, but equally important speculation of Marchionne's move would be to gain exposure to the American derivatives market and the temptation to engage in high frequency trading. A January 23<sup>rd</sup> Bloomberg article [highlighted](#) that he had decided to move Fiat's financial home base to London and the New York Stock Exchange (NYSE), which would help him to quickly resolve his borrowing demands.

"Ultimately, it's a very rational decision," said Erich Hauser, a London-based automotive analyst at International Strategy & Investment Group. "Going to the U.S. is reflective to the reality of this business and, ultimately, in the best interest when it comes to borrowing" needs.

In the same article, Christopher Kummer, president of the Institute of Mergers, Acquisitions and Alliances at Webster University in Vienna, also observed “A listing in the U.S. makes sense, as this allows more flexibility to attract some institutional investors there. Setting it up in the U.K. however is a very unusual choice. With that regard, I would have looked at other more favorable locations.”

The “unusual choice” that Kummer speaks of is Marchionne’s complicated [decision](#) to create a UK tax base and concomitant placement on the NYSE in order to utilize new financial instruments for risk management and short term, albeit risky profits. His new affiliation with the UK-based London International Financial Futures and Options Exchange (LIFFE), which [merged](#) with the Intercontinental Exchange (ICE) in 2013, may also help the CEO to get around regulations imposed by the European Securities and Markets Authority, which has been granted authority to [monitor](#) over-the-counter derivatives’ transactions in order to prevent another financial disaster such as the one behind the Lehman Brothers in 2008.

However, Fiat’s placement on the NYSE and the ICE will also expose the company to the “[dark pools](#)” market of covert high frequency trading, which has plagued the stock platform since the 1980s. An article on [The Economist](#) specifically details the advantages gained by moving the NYSE from a ticket-and-shouting match system to that of electronic trading with ICE.

“Adding to the indignity of the NYSE’s lost independence is the broadly held belief that ICE bought it not for the NYSE itself but for another exchange it owns, LIFFE, which has a large share of the market in European derivative contracts. It also profits from a licence to issue derivatives tied to MSCI share indices, and may soon offer products tied to LIBOR, a benchmark interest rate that is to be administered by another division of ICE”, the article mentions.

Sergio’s decision to trade on the NYSE will also grant his shareholders access to even faster technological infrastructures that will allow trade at some of the world’s quickest speeds. This could make Fiat more attractive to investors on the NYSE by allowing them to make wild profits from hedging mechanisms at faster-than-light processing speeds, and by giving him and his buyers an advantage over European markets while simultaneously providing additional support to his future ambitions to work with Eurasian and Chinese markets.

In an [article](#) by Sebastian Anthony, he explains how these new technologies could benefit those wishing to participate in high frequency trading (HFT).

“Anova, a company that specializes in deploying low-latency networks for stock trading, is completing an ultra-high-speed laser network between the New York Stock Exchange (NYSE) and the NASDAQ. The link will be just a few nanoseconds faster than the current microwave and fiber-optic links — but in the world of high-frequency trading (HFT), those nanoseconds could result in millions of dollars in profits for the trading companies. Such is the insanity of the stock markets; such is the unbelievable capacity of HFT to create money out of almost nothing.”

Fiat CEO Sergio Marchionne must realize that by abandoning Italy and setting sail for North America and China, he risks a twofold consequence: alienating the rich tradition of Fiat workers and manufacturers, risking penetration into an already saturated market, an financially unstable production base in Detroit, and uncertain returns even at his target rate

of 6 million units per year. His ambitions have placed him at odds with investors, the austere global market, the obscure derivatives market, and most grievously, the Italian people that helped him and previous CEOs build the company from the ground up. To be fair, all of these factors must be accounted for if he wants to reap the rewards of Fiat's expansion, and there are no shortcuts to this success, monetary or otherwise.

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