

GM rescinds 27,000 pay cuts for white-collar workers

Checks boosted in effort to retain salaried workers and executives

ROBERT SNELL
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General Motors Co. restored salaries for white-collar workers and some executives Friday in a bid to retain employees critical to the automaker's revival.

GM, which emerged from bankruptcy after receiving \$50 billion in federal aid, ended temporary pay cuts for about 27,000 U.S. workers and other employees in Canada and some foreign countries.

Senior-level executive pay cuts, however, are not being restored -- for now.

The news comes two days after GM said it would lay off 1,000 additional white-collar workers this month.

"Keeping the (pay) cuts in place hurts the ability to attract and retain good people," GM spokesman Tom Wilkinson said. "We've got a much smaller company now and the quality of our people is more critical than ever. We are in risk of losing good people."

GM decided to restore salaries now that the automaker has emerged from bankruptcy as a leaner company and is completing staff reductions that will eliminate more than 6,000 white-collar jobs by the end of 2009. GM started the year with 29,650 white-collar workers and wants to end it with 23,500.

An analysis included in GM's viability plan submitted to the U.S. Treasury Department in February showed salaried workers were paid about 6 percent less than foreign automakers, or transplants, operating in the U.S. GM's own research showed white-collar employees received below-average benefits compared to transplants and ranked last in retirement health care and life insurance.

The temporary pay cuts were unveiled in February, implemented in May, and slashed executive base salaries 10 percent while many other workers saw cuts ranging from 3 percent to 7 percent. GM also has cut bonuses, health care benefits and 401(k) matches.

The timing can be debated but the intent is justifiable, said restructuring expert Van Conway of Birmingham-based Conway MacKenzie Inc.

"They've got to turn this company around and when people don't get raises, no bonuses, no 401(k) match, they're likely to leave," Conway said.

"The lifeline of business is continuing to feed younger people into the system of management and compensating them accordingly."

In an e-mail to workers Friday obtained by The Detroit News, Mary Barra, vice president of global human resources, said the cuts, which saved about \$50 million, are being restored effective Sept. 1. The pay restoration was reviewed this week by GM's board of directors, which met in Detroit on Tuesday and Wednesday.

"Your continued commitment and dedication throughout this period has been remarkable," Barra wrote. "However, we are just beginning our reinvention of GM, and there is much yet to be done. We appreciate the sacrifices you have made during this historic transformation and appreciate your continued efforts as we build a successful new General Motors."

President and CEO Fritz Henderson has taken a 30 percent pay cut and will be paid \$1.3 million this year.

Three others -- Vice Chairman Bob Lutz, Chief Financial Officer Ray Young and Tom Stephens, GM's vice chairman for product development -- took 20 percent cuts. GM has submitted a list of its highest-paid employees for approval by the Treasury Department's special master, Kenneth Feinberg, and is awaiting approval.

But the Obama administration will not make public the detailed compensation plans for the highest employees at seven companies -- including GM -- that have accepted bailout loans.

rsnell@detnews.com">rsnell@detnews.com (313) 222-2028