

GM Likely To Spend \$500M On Employee Payments

Tom Krisher, AP Auto Writer

DETROIT (AP) — General Motors is likely to spend more than \$500 million on employee bonuses and profit-sharing based on the company's performance last year.

GM, which made a record profit in 2011, will pay bonuses of at least \$182 million to white-collar workers such as engineers, car designers and managers on Wednesday, according to a formula obtained by The Associated Press. That's on top of \$332.5 million in profit-sharing it already agreed to pay factory workers.

In the past, such payments have drawn criticism from those who believe the government shouldn't have bailed out GM and Chrysler. But GM, which made a record \$7.6 billion last year, says the payments are needed to hold on to skilled employees. It's also keeping fixed costs down by giving bonuses instead of annual pay raises.

The bonuses will go to most of the company's 26,000 salaried employees, many of whom make more than \$100,000 a year. The bonuses will range from 8 percent of base pay to 14 percent, according to the formula.

The company would not release the percentages, nor would it say how much it will spend on the bonuses. But it's likely the average bonus for salaried employees will be more than the \$7,000 that each of GM's 47,500 factory workers will get in March.

The white-collar bonuses are determined by a worker's pay grade, individual performance and company metrics that measure whether GM met goals including pretax earnings, market share, cash flow and quality. This year's salaried bonuses will be smaller than last year's, when the company met all of its goals. A small number of top performers will get pay raises or larger bonuses, the company has said.

"It's a pay-for-performance type approach that really drives accountability in the organization and helps employees connect their compensation with performance," says GM spokeswoman Lynda Messina.

GM must reward employees because the labor market is starting to become competitive again, especially for computer experts, engineers and other skilled jobs, says James Stoeckmann, senior compensation specialist for World at Work, an organization of human resources executives who specialize in pay issues.

"Companies are having a hard time finding all those critical skills they need," he says. At almost every company, white-collar bonuses are higher than those given to

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blue-collar workers, he says.

The formula to calculate the bonus percentages was given to the Associated Press by a person familiar with GM's compensation. The person didn't want to be identified because the company did not make the formula public.

The U.S. spent nearly \$50 billion to save GM three years ago, and some Republicans think the government should get its money back before bonuses are paid. The company nearly ran out of cash when auto sales dropped during the financial crisis. With little or no private loans available, GM needed a bailout to make it through bankruptcy protection.

The government agreed to take stock in GM in exchange for most of the debt. So far it has recouped more than \$22 billion. Taxpayers still own 500 million shares of GM, or 26.5 percent of the company. If the government sold those shares at the current price of around \$26, it would get about \$13.2 billion. But it's waiting for the stock price to rise before selling. Shares would have to sell for more than \$53 each for the government to get all its money back, which is unlikely.

Sen. Charles Grassley, R-Iowa, a critic of the bailout, said the Obama administration needs to figure out a way to get the money back.

"As the company gives out bonuses, the Treasury Department needs to have an exit strategy for getting GM to repay the taxpayers for helping the company survive," he said in a statement. "Without an exit strategy, GM can expect more questions and scrutiny regarding employee bonuses."

The bailout has become a key issue in the Presidential campaign. Republican candidates are slamming President Barack Obama for approving it, but he has touted its success, including thousands of new jobs at Detroit automakers.

The issue was especially troublesome for GOP front-runner Mitt Romney in Tuesday's Michigan primary, which Romney narrowly won. Romney grew up in the auto-dominated state but was against the bailout. His closest opponent, Rick Santorum, also is against it.

GM announced earlier this month that it plans to freeze its U.S. pension plan for white-collar workers and move to a 401 (k)-type plan. GM also gave salaried employees five more vacation days.

White-collar workers fared better at crosstown rival Ford Motor Co. Ford said last month that 20,000 salaried workers will get 2.7 percent pay raises on April 1, plus bonuses based on individual performance.

In addition, Ford will make profit-sharing payments of around \$6,200 each to its 41,600 U.S. factory employees in March.

GM CEO Daniel Akerson has been against giving annual raises, saying the added costs limit the company's flexibility in an economic downturn.

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But that could hurt GM over time, if Ford workers get pay raises and their salaries grow far larger than those at GM, says David Whiston, auto equity analyst for Morningstar.

Ford, which borrowed billions from banks but avoided a government bailout, said the raises are needed to stay competitive with other big companies. The automaker made a \$20 billion profit last year

Salaried workers at Chrysler Group LLC, which made far less money than GM or Ford, also will get profit-sharing checks. The company, which is not publicly traded, would not disclose the amounts. About 26,000 union workers at Chrysler, which also took a government bailout, will get checks of about \$1,500. Chrysler made \$183 million last year.

GM, Chrysler and Ford agreed to the profit-sharing for factory workers in contract talks last year with the United Auto Workers union. Most of the workers won't get pay raises.

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