

# UAW pushes through giveaway contract at Caterpillar

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The United Auto Workers (UAW) on Sunday pushed through a six-year labor contract largely written by corporate management at Caterpillar, the maker of industrial and heavy earth-moving vehicles and equipment. UAW officials said the contract was approved by a 72 to 38 percent vote.

The contract goes into immediate effect in Caterpillar's hub of central Illinois, comprising facilities in Peoria, Decatur, Aurora and Pontiac, as well as in plants in York, Pennsylvania, Memphis, Tennessee, and Denver, Colorado. All told about 9,500 workers will be covered by the deal. Recently opened nonunion plants in Arkansas and Texas are not directly affected by the contract.

The deal is a stark warning to workers in the rest of the auto industry. The last Caterpillar contract the UAW negotiated was pushed on members in 2005 by creating distinct categories of labor. "Tier one" workers, those hired before 2005, were told that their benefits and wages would be protected. "Tier two" workers hired after 2005 would earn substantially less, while still being forced to pay dues to the union. Since then, the UAW's division of the workforce into two categories has been extended to the entire auto industry.

The new contract shows that the promises to protect workers hired before 2005 were lies. While both tier one and tier two workers are hammered by the new contract's giveaways to Caterpillar, tier one workers have now lost their pensions and wage increases, and will be forced to make huge increases in payments for health care.

One of the most significant cuts imposed by the new contract will be the ending of workers' defined benefit pension plan, which the company currently pays in full for workers hired before January 10, 2005. Beginning January 1, 2016, workers will pay into their own pensions at a rate of two-to-one over contributions from Caterpillar. Those hired after 2005, tier two workers, already contribute to their own pensions.

All workers will be required to dramatically increase their health insurance contribution, which will go from 10 percent of the cost of the plan this year to 15 percent for the next

three years, to 20 percent beginning in 2016.

The jacked-up cost of health care and pensions will result in major cuts in take-home pay. On top of this, the contract promises virtually nothing in terms of increased wages. Tier one workers will see a cost-of-living wage adjustment ranging from \$2.24 to \$2.73 an hour over the course of the entire six-year contract. Given inflation rates, this will very likely result in a de facto pay cut.

As for workers hired after January 2005, who are already paid far less, they will receive only "market-based wage adjustments" during the contract, outside of a miserly 3 percent guaranteed increase in 2013. The vague language referring to "market-based" conditions implies that Caterpillar will unilaterally determine what a fair wage is.

The thousands of workers furloughed by Caterpillar in 2008 and 2009 will receive no recompense for their lost wages, which were used to fuel a resurgence in corporate profits. This year Caterpillar saw its fourth-quarter profit jump more than 300 percent, from \$232 million in 2009 to \$968 million in 2010.

Additionally, the contract indicates that the plants in York, Pennsylvania, and Memphis, Tennessee, will be closed permanently, as they were excepted from language promising that other plants would remain open.

To help push this rotten deal through, workers were offered an immediate "ratification bonus" of \$3,000 for approving the contract, and will receive a further \$2,000 in November 2012. Tier two workers hired after January 10, 2005, will get an additional bonus of \$1,000 in November of this year.

The deal also includes the potential for workers to receive a \$1,000 "performance" bonus, which will be dangled in front of them in order to further ramp up productivity and instill cutthroat competition on the shop floor.

The UAW told workers that the contract was the best they could get, and that Caterpillar had threatened major cuts at the beginning of negotiations. In fact, there is no evidence that UAW "negotiators" did anything more than campaign for Caterpillar's unilateral demands among workers. As the

*Wall Street Journal* put it, these were “the smoothest contract negotiations between the UAW and the Peoria, IL-based company in recent memory.”

Echoing the national UAW’s insistence that there is no difference of interest between the auto industry and the union, lead negotiator Dennis William said that the “ratification is particularly pleasing as it may have finally put the troublesome relationship between the UAW and Cat right where it belongs—behind us.” Caterpillar released a statement praising the UAW after the vote.

The approval of the contract does not signify worker support for the UAW. Local media accounts from Illinois make clear that there were two kinds of rank-and-file voter: a minority of workers that voted to reject what they recognize to be a contract that will impoverish them; and those who voted in favor because they fear the UAW will impose something worse if the contract is rejected. The size of a third group, those who did not bother to vote, is unknown because the UAW has not reported turnout numbers.

Significantly, many of those who voted “no” were tier two workers hired after 2005, according to one local Peoria news station.

“Seven-dollars an hour difference between me and the guy working right next to me is not acceptable,” said Andrew Chase of the Peoria area. “Especially when you got a company that’s making billions in profits. They throw that in our face every quarter. And it is disheartening to know that I can’t provide for my family working for a Fortune 500 company.”

“We’ve made this company a lot of money,” said Dave Hendricks, also of Peoria. “Management people are getting very big bonuses. We are not getting anything.”

Ben Misner, 24, of Decatur, also voted no. “I think Caterpillar can afford to give us more than they’re offering,” he told the Decatur *Herald-Review*. “Caterpillar’s gains aren’t mirroring ours.”

Frank Coates, a six-year employee in East Peoria, voted no. “The lump sum [ratification bonus] is even less than last time. I’m disappointed with this garbage,” he told the Peoria *Star Journal*. The newspaper reported the comments of another unnamed tier one worker: “Pretty bad that you have to work six (expletive) years for one cost of living increase. What a joke.”

There was little enthusiasm for the contract even among workers who voted yes.

Don Jones, 47, of Shelbyville, Illinois, voted in favor of the contract because, he said, “I’m afraid of a lockout.” A tier two worker, Jones said many senior workers were upset about the scrapping of defined-benefit pensions. “I told them, still, it’s better than my pension. I’ve got none,” he

told the *Herald-Review*. “I would have liked to have seen even a crappy pension.”

“Jobs are scarce these days,” an unnamed Peoria worker who voted yes told a local news station. “And there is a lot of people without jobs.”

Comments by local union officials reveal their total prostration before Caterpillar. One was quoted as saying the deal “is as good as we’re going to get without a strike,” implicitly ruling out that the most basic means workers have to defend their interests should even be considered.

“Our membership is very smart. They know how it is; they know Cat has a lot of money and is willing to fight us over it,” said another official, Dave Chapman, president of Peoria Local 974.

Bitter experience has taught Caterpillar workers—some of whom wore shirts and buttons to the Peoria vote bearing the slogan, “Wisconsin today, Illinois tomorrow”—that they can place no reliance in the UAW. In both 1992 and 1995, the UAW called off major strikes at Caterpillar, in spite of majority rank-and-file opposition, and forced workers to return back to the job without a contract.

Jerry White of the *World Socialist Web Site* described those struggles in a 1998 article, “Caterpillar workers reject sellout contract: What is the UAW and whom does it represent?”

“For months on end the union isolated the striking workers and left them to face company and police provocations on their own, refusing to mobilize the hundreds of thousands of UAW members at the other heavy machinery companies and the Big Three auto makers.

“In the second walkout, thousands of workers saw their jobs taken by strikebreakers. Thousands of others, demoralized and disgusted by the impotence and treachery of the UAW, crossed the picket line and went back to work. Those strikers who retained their jobs after the first and second walkouts faced continuous company harassment. Scores of workers were victimized and fired for strike-related activities.

“Workers lost their life savings, their cars and their homes. The economic and emotional trauma undermined marriages and led not a few workers to an early grave.”



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