Seeking US-style wage cuts

Caterpillar locks out Canadian workers

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4 January 2012

Four hundred and twenty-five workers were locked out of the Electro-Motive Diesel plant in London, Ontario Sunday night, shortly after they voted overwhelmingly to authorize strike action unless management withdrew unprecedented concession demands.

The locomotive producer, owned by the transnational earthmoving equipment giant Caterpillar Inc., has demanded a 55 percent pay cut, the elimination of the current pension plan and a reduction in overtime rates. In addition, it is seeking to gut health care coverage, eliminate four paid holidays, reduce annual vacation time, and cut other key benefits.

The wage reduction alone would reduce the locomotive workers' pay from $35 to just $16.50 per hour.

Caterpillar's demands constitute a major escalation in big business' assault on workers across Canada and throughout North America. Since the 2008 global financial crisis, many of Canada's largest private sector companies, like Air Canada and Vale Inco, and government-owned corporations like Canada Post have demanded unprecedented concessions, cutting pension benefits and imposing two-tier compensation packages. But in one fell swoop Caterpillar is out to impose poverty level wages and benefits across-the-board.

The company is largely using the low-wage benchmark set by the United Auto Workers (UAW) at its US plants to impose American-style wage and benefit cuts on Canadian workers. During the 1990s the UAW betrayed a series of bitter strikes, and last year it pushed through a six-year deal that slashes wages for new workers. Caterpillar is boasting that wage rates at its Muncie, Indiana plant are half as high as London, and it is not burdened with "antiquated work rules that make the London operation inefficient."

The unprecedented attack on the London workers—whose bargaining agent is Canadian Auto Workers (CAW) Local 27—comes as Caterpillar continues to post massive profits and senior company executives reap annual multimillion dollar compensation packages. Outgoing CEO James Owen, for example, received $22.5 million in 2011 for half a year's work and pocketed a basic pension worth $19 million.

Caterpillar recently forecast that its 2012 sales will increase by 20 percent. During the first three quarters of 2011, Caterpillar's profits increased by 95 percent to $3.4 billion, putting the company well on pace to bank its largest profit in the company's 86-year history.

Since Caterpillar purchased the London facility in 2010, workers have increased productivity, boosting their output by 20 percent in the last six months alone.

Management released a statement last week insisting that its "offer was fair, reasonable and market-competitive." The company is determined to reduce the wages and conditions of the London workers to the poverty level wages imposed on workers in other locomotive plants across the globe. Since the purchase of the Electro-Motive facility in 2010, Caterpillar, through its subsidiaries, has acquired "low-cost" final assembly locomotive operations in Brazil, Mexico, and in Muncie, Indiana.

Caterpillar is threatening to permanently shut the London plant and transfer production to its Muncie facility where workers labour for $12 an hour, unless London workers buckle to its concession demands.

Closure of the plant would severely affect London, a city with 26,000 people already unemployed. At 9.8 percent, London's jobless rate is the country's second highest, trailing only Windsor, Ontario. Some two thousand other workers in the London area are employed in support and supply operations for the Electro-Motive plant.

Already, workers have reported that management has moved out machinery and sent 28 trailers into the factory yards. A security fence has been recently buttressed. In a previous round of negotiations last spring, management removed uncompleted locomotives from the plant.

Caterpillar has refused to rule out the deployment of scabs to either continue production or shift material to Indiana, stating that it has "taken a number of steps to protect the company's personnel and property, and maintain our ability to fulfill our customers' needs and expectations."

Caterpillar has a long history of savage attacks on its workforce. It has regularly used replacement workers to break strikes in the US. In a major showdown with the Canadian Auto Workers in Brampton, Ontario in 1991, the company abruptly announced the closure of its front- end loader facility. Workers occupied the factory in an effort to keep the operation open. However, CAW officials opposed a struggle in defence of jobs, first denouncing the rank-and-file action as illegal and then, when more workers joined the occupation, convincing the membership to end their militant action in exchange for negotiations on a severance package.

In its anti-worker offensive, Caterpillar has enjoyed the full support of the big business politicians, courts, and police. But the principal reason that it has prevailed in repeated bitter struggles with workers on both sides of the Canada-US border is that it has been able to rely on the UAW and CAW to isolate and strangle these struggles.

Committed to the defence of capitalism and to their own interests as a highly paid apparatus that works hand-in-glove with the employers to ensure corporate profitability, the UAW and CAW have imposed ever more sweeping concessions and job cuts on their members over the past three decades.

In 2009, the UAW and CAW joined with the Obama administration, Canada's Conservative government, and the Ontario Liberal governments in imposing massive wage and benefit cuts and job losses on workers employed by the Detroit Three. In Ontario, the CAW continues to be a staunch ally of the McGuinty Liberal government, which left in place all the key elements of the social counterrevolution implemented under the Tory regime of Mike Harris and is now, in the name of eliminating the budget deficit, initiating a new, sweeping assault on public services and on the workers that administer them.

Predictably, the CAW has played the nationalist card in an effort to block a common struggle by Caterpillar workers in North America and divert it into worthless appeals to the Harper and McGuinty governments. The CAW is urging Canada's Conservative government to review the 2010 purchase of the London plant under the Investments Canada Act, with Tim Carrie, the president of CAW Local 27, declaring demagogically, "When a foreign company comes in and purchases an existing facility, there has to be a benefit to Canadians."

Since its split with the UAW in 1985, the CAW has based its collaboration with the employers on the labor cost advantages of a weak dollar and subsidized health care. This has been eliminated through savage wage cuts in the US and the devaluation of the US dollar. The nationalist policies of both the CAW and the UAW has now led to a bidding war between American and Canadian workers.

In the struggle at Caterpillar, Electro-Motive workers should revive the militant traditions of the workers who built the UAW on both sides of the border in the 1930s and 1940s, and reject the policies of class collaboration, nationalism and support for the corporate-backed political parties. A new road of struggle must be opened up, beginning with the formation of rank-and-file committees independent of the CAW, to mobilize support in the working class across Canada and the US, and make the struggle against Caterpillar the spearhead of a movement in defence of social rights, jobs and public services.

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