Caterpillar workers accept severance deal in London, Ontario plant closure

Carl Bronski
3 March 2012

Locked-out workers at Caterpillar's Electro-Motive plant in London, Ontario, voted overwhelmingly to accept a severance deal presented to them by Canadian Auto Workers (CAW) union officials last week, ending a seven-week dispute at the facility.

The vote came on the heels of the company's announcement in early February that the plant would be permanently and immediately shuttered. The work is expected to be transferred to low-wage Caterpillar factories in the United States and Latin America. With the announcement, CAW officials quickly moved to negotiate a closure agreement and wind up the dispute.

The terms of the severance package provided for three weeks' pay for every year worked, some limited and short-term health care benefits, plus a C$1,500 "bonus" for a yes vote on the deal. The union apparatus secured for itself C$350,000 to settle outstanding grievances and administer "adjustment programs."

The payouts for two thirds of the 465-strong workforce, averaging seven years' employment, will average well below C$30,000 each, after taxes. Much of that will go toward outstanding bills and mortgage arrears incurred during the lockout. Other workers with more time served are concerned that their pensions will be significantly reduced as a result of the closure.

If workers voted by 95 percent to accept the severance deal, it was largely because they saw no way forward to defend their livelihoods under the leadership of the CAW.

After the closure announcement, union officials stated their belief that Caterpillar had planned the move as early as a year ago, yet offered no explanation as to why they had not immediately mobilized their membership to resist the company. Instead, the CAW continued to enforce a grueling speed-up at the plant that saw productivity increase by 20 percent and twice refused to recommend a strike, let alone an occupation at Electro-Motive and the mobilization of the entire working class in an offensive against the corporate elite and their representatives in government.

Prior to the January 1 lockout, management had demanded a 55 percent pay cut, the elimination of the current pension plan and a reduction in overtime rates. In addition, it sought to gut health care coverage, eliminate four paid holidays, reduce annual vacation time, and cut other key benefits. The wage reduction alone would have reduced the locomotive workers' pay from C$35 to just C$16.50 per hour.

The widespread community support for the locked-out workers, and the desire of workers to fight, stood in sharp contrast to the CAW's bankrupt appeals to government officials overseeing the attack on the working class, including Conservative prime minister Stephen Harper. During the lockout, CAW officials made clear that they were eager to "come back to the bargaining table" to negotiate concessions.

Paralleling the nationalism promoted by the United Auto Workers (UAW) in the United States, CAW officials wrapped themselves in the Canadian flag and presented the issue as one of defending "Canadian jobs" against an American corporation. Their aim was to subordinate workers to the government and corporate elite in Canada and to prevent any unified struggle with workers across the border.

The actions of the CAW are expressions of a universal process. The existing unions—in the Canada and internationally—have long since ceased to function as organizations that defend the interests of the working class.

Under conditions of a deepening economic crisis and a massive corporate offensive against the working class, the unions have deliberately ceded the initiative to the bosses, refusing to take even the elementary step of calling strikes against wage-cutting. As a result, companies are with ever greater frequency responding to resistance from workers by carrying out lockouts.

With the contracts of Chrysler, General Motors and Ford coming up for renewal this autumn, the CAW has already been put on notice that it will be expected to negotiate a further round of concessions. “The Canadian system needs to be as competitive as the American side,” said Chrysler Canada CEO Sergio Marchionne at the North American International Auto Show in January. “They are not today. We need to find a way to make them more competitive.”

After espousing some obligatory “outrage” solely for the consumption of their membership, the CAW will work behind closed doors with the auto bosses to bring the contracts of Canadian workers further into line with those of their American brothers and sisters. Indeed, since surrendering more than C$19 per hour per worker in the last round of negotiations in 2009, the CAW has finalized arrangements that have allowed Chrysler and General Motors to off-load their health care commitments to more than 50,000 retirees.

Modeled after the Voluntary Employment Beneficiary Association (VEBA) imposed by the UAW in the United States, the deals permit GM and Chrysler to wash their hands of previous contractual obligations in exchange for one-time monetary contributions followed by subsequent smaller payments in the future.

The monies that will be transferred to these “health care trusts” are largely made up of the payments furnished by the provincial and federal governments during the 2009 auto bailout. In this new arrangement, co-payments and monthly contributions for retirees will steadily increase—there is already a 20 percent increase for GM retirees. In the case of Chrysler, the outstanding company debt to the fund is not even secured.