Twelve weeks into Joliet strike against wage-cutting

Caterpillar announces record profits

Tom Eley
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Heavy equipment manufacturer Caterpillar on Wednesday announced record profits of $1.7 billion for the second quarter, an increase of 67 percent over the previous year. The profits, which far exceeded market expectations, came on an increase in second quarter revenue of 22 percent to $17.4 billion. Wall Street cheered the earnings report, sending Caterpillar stock sharply higher in early trading.

In the first quarter Caterpillar, the world's largest maker of construction and mining equipment, announced $1.586 billion in profits. Last year it recorded $4.9 billion in profits on more than $60 billion in revenue.

The second quarter profit announcement comes during the twelfth week of a strike of about 700 Caterpillar production workers in Joliet, Illinois, against the corporation's demands that they accept a wage freeze and sharp increases in their health care coverage contributions. Caterpillar is also demanding younger workers accept a vague "market-based adjustment" to their wages. Future wage increases for workers would reportedly be tied to performance, effectively implementing a piece-rate system of pitting worker against worker on the plant floor.

The Peoria, Illinois-based company's profits so far this year, if divided among the striking Joliet workers, would come out to about $4.7 million per head. Divided among Caterpillar's 150,000 workers worldwide, it would amount to about $22,000 per head.

The strike has effectively become a lockout, with Caterpillar declaring that negotiations are over. "We believe we have exhausted the negotiating process," said company spokesman Rusty Dunn in a recent interview with *New York Times* writer Steven Greenhouse. "The primary strategy, going forward, is to run the plant with the contingent work force as long as the work stoppage continues."

Labor relations experts interviewed by Greenhouse said that Caterpillar is pursuing a "new normal" whereby wages will be determined without reference to corporate profits—let alone concerns about the lives of workers—but by prevailing market rates.

"A competitive and fair wage package is a must," said Joliet plant manager Carlos Revilla in a recent statement. "Paying wages well above market levels makes Joliet uncompetitive."

Caterpillar is following a global strategy. Last year, it shut down a locomotive plant in London, Ontario, after workers there rejected the corporation's demand that they accept a 50 percent wage cut. Production was shifted to a Muncie, Indiana plant where workers are paid $12.50 per hour for the same labor that paid $28 per hour paid at the Canadian plant.

Caterpillar's "market rate" position means an unending offensive against workers' wages and conditions, pitting workers against each other not only in North America, but all over the world. The world's largest manufacturer of mining and construction equipment, diesel engines and industrial gas turbines, Caterpillar operates numerous plants directly or through subsidiaries in low-wage countries including China, India, Russia, and Brazil. It also has plants in the United Kingdom, Germany, Japan, Italy, France, Switzerland, Australia, Canada, and South Korea.

Over half of the firm's sales come from overseas, according to its web site. About 23,000 of its workers labor in 36 plants in what Caterpillar calls its "Europe, Africa & Middle East (EAME) region," while the "Asia Pacific region" accounts for 20 percent of its workforce and 30 percent of its sales.

The International Association of Machinists (IAM), the union that claims to represent the striking Joliet workers, is not following a global strategy—or even an industry-wide one. It and the other Caterpillar unions, such as the United Auto Workers and the Canadian Auto Workers, aim to preserve their dues base in the factories they control. This means keeping factories "competitive," which inevitably requires wage-cutting.

Unions like the IAM go into negotiations having already accepted concessions in the name of competitiveness. When rank-and-file workers reject corporate demands, the unions isolate their struggles, making sure that their strikes are not widened across the industry. Not even UAW Caterpillar workers from elsewhere in Illinois have been called out in support of the Joliet workers.

The IAM and AFL-CIO have limited their appeal to protests targeting shareholders—the same shareholders who have made billions in profits in the first half of the year. This the unions combine with channeling millions of dollars in workers' dues into the reelection of Barack Obama, who spearheaded the attack on workers with his 2009 forced reorganization of General Motors and Chrysler, which was predicated on cutting starting factory workers' wages in half.

While the unions fork over millions to the Democratic Party, striking Joliet workers are forced to survive on $150 per week.

The unions' isolation of the IAM strike is especially stark given Caterpillar's recent attack on the London, Ontario workers, and its creation of the two-tier wage system at UAW-organized plants after the defeated strikes 1992 and 1994. In those bitter struggles—which combined lasted for nearly two years— the IAM ordered its Joliet workers to stay on the job, while workers struck in nearby Peoria, Aurora and Decatur, Illinois. The UAW capitulated, accepting a two-tier wage system that has since been duplicated in the auto industry.

There is open speculation that with its attack on Joliet workers Caterpillar is signaling a new and deeper attack on wages in numerous industries.

"Be it two-tier wage scales or higher worker contributions for health insurance, the company has been a leader in devising new ways to cut labor costs, with other manufacturers often imitating its strategies," writes Greenhouse. "Now, in what has become a test case in American labor relations, Caterpillar is trying to pioneer new territory, seeking steep concessions from its workers even when business is booming."