“I tell my people…we can never make enough profit”

Caterpillar CEO defends wage-cutting

Niles Williamson
24 May 2013

In the midst of its global campaign to force down wages Caterpillar (CAT) CEO Doug Oberhelman gave a candid interview to *Businessweek* expressing the logic behind the merciless drive for ever higher profits by the ruling class both in the United States and internationally. Since 2010, when he became CEO, Oberhelman has overseen a ruthless campaign to reduce workers’ wages and dramatically increase corporate profits.

This has included the lockout of workers in London, Ontario and the shutdown of their plant after because they rejected company demands for a 50 percent wage cut and the imposition of a six-year concessions contract after provoking a three-month strike in Joliet, Illinois. Oberhelman’s comments to *Businessweek* followed the company’s decision to lay off hundreds of workers at its South Milwaukee plant as it seeks to push through massive givebacks against the determined opposition of workers.

By slashing wages and shifting production to low-wage countries, Caterpillar has boosted its profits from $12,000 per employee in 2007 to a staggering $45,000 per employee in 2012. Meanwhile, average pay for executive officers at CAT rose 56 percent from 2006 to 2010, from $6.7 million to more than $10 million. Oberhelman’s total compensation jumped by 32 percent in 2012 to $22.4 million.

Oberhelman epitomizes the corporate and financial aristocracy, contemptuous of equality and democratic principles. Defending his pay package, he said, “My salary, my benefits, my wages have to be competitive with everyone else that Cat’s competing with,” he says. “If the CEO of a company is paid $10,000 a year, chances are he or she is gonna go somewhere else to make more money. And then what are you gonna attract there? I’m exaggerating a little bit to make my point. But you have to be competitive at every level. This is the challenge that America has.” Thus, if a corporation is to be “competitive” the executives must live lavish lives of excess while its workers subsist, hand-to-mouth, on poverty wages.

Oberhelman and his second wife Diane, a wealthy real estate developer, own a thousand acres of land just outside of Peoria, Illinois, where they engage in their favorite hobbies of hunting and breeding horses. Their property includes a defunct coal mine, which is being transformed into a private nature preserve. Miles from the suburban home lies Peoria—which has been devastated by factory closings and layoffs at CAT plants. The city—headquarter of the global heavy equipment manufacturer—saw the percentage of children living below the poverty line jumped to 30.1 percent in 2011 from 19.5 percent in 2010.

Responding to questions regarding when workers’ wages might go up he responded, “The answer to that is: when we start to see economic growth through GDP. Part of the reason we’re seeing no inflation is because there’s no growth. Inflation was driven by higher labor costs, not higher goods costs. Frankly, I’d love to see a little bit of that. Because I’d love to pay people more. I’d love to see rising wages for everybody.”

Plainly translated this means that there are no prospective conditions under which Oberhelman will allow wages to rise at CAT. When the economy is down and times are hard wages must be cut to keep the company profitable; when the economy is up and times are good wages must be cut to make sure the company remains profitable in future hard times. As for tying wage increases to GDP, this would not result in significant wage increases for workers. Economic growth has remained weak since the collapse of the housing bubble in 2008 and is expected to stagnate into the foreseeable future.

Confronted with falling prices for their products and the slowdown in demand from China, CAT and other global corporations seek to make profits not by investing and expanding production, as they would seek to do if a recovery were underway, but by savage cost-cutting. The consequent cuts in pay and jobs, however, only lead to a reduction in consumer demand, further fueling the deflationary trend.

Instead of yearly raises CAT has instituted "market based" wage increases and performance bonuses. Additionally the company is attempting to establish wages that are "locally competitive," this translates into starting wages as low as $12 an hour. The imposition of market-based wages marks a further step in the global race to the bottom for workers' wages and benefits.

In the course of his 90-minute interview, *Businessweek* noted the CEO used the word "competitive" or a variant on it 52 times. "We have to be competitive if we're gonna win. And frankly, if we're not competitive … we're not gonna be here in the next 30 years. That's a simple message, but it's very … very … tough. I always try to communicate to our people that we can never make enough money. We can never make enough profit."

Since becoming the CEO Oberhelman has been appointed as the Chairman of the National Association of Manufacturers (NAM), which lobbies the federal government for favorable legislation and lucrative contracts for companies like CAT. "Doug has not been bashful about speaking out against what he believes are bad, antibusiness tax policies, and he's got the attention of policymakers," Obama's Transportation Secretary Ray LaHood said. "They listen to him."

Indeed, the savage assault on living standards, which has made this growth possible is the basic strategy not just of CAT but it's the official manufacturing policy of the Obama administration. Oberhelman acknowledged that the Obama administration's policies had been good for the company giving him credit for being "vocal about manufacturing jobs." Obama has been most vocal in supporting the policy of so-called insourcing, the creation of poverty wage industrial jobs in the United States instead of overseas.

Oberhelman is also involved with the "Campaign to Fix the Debt" which calls for the gutting of social programs including Medicare and Medicaid, Social Security, and reductions in the corporate tax rates. At a job creation roundtable last summer, *Businessweek* noted, he went after the US higher education system, considering it a waste of money to educate young people for anything other than what would directly benefit corporate America. "I, for one, struggle a little bit with a $250,000 education for a philosophy degree," he said. "They are a wonderful people, but we can't employ philosophers in manufacturing in the United States."

The attack on the working class has been facilitated by the treachery of trade unions both in the United States and internationally, which deliberately isolate workers, enforce rotten concessions contracts and have dedicated themselves to making sure the company makes as much profit as possible. CAT, working hand in hand with the trade unions, has already effectively eliminated guaranteed pay raises for its workers, enforcing long term wage freezes on much of its workforce.

Oberhelman praised former Caterpillar CEO Doug Fites who led the charge against Caterpillar workers during two long strikes between 1990 and 1995, brutally enforcing concessions with the use of scabs. The UAW's capitulation to the strikebreaking operation and concessions paved the way for the current attack on Caterpillar's workforce. Referring to Fites' brutal campaign, he stated, "What we had going on was what I would call a labor rejuvenation. It was over who was going to run the company."

Well aware that they have the unions in their pocket, Oberhelman and the American corporate elite believe that they can get away with anything.

CAT's campaign to maintain or drive down workers' wages comes as it is raking in record profits. In 2012 the company had record revenues of $65.87 billion and a record profit of $5.68 billion.

2012 was a banner year, not just for Caterpillar but for American capitalism as a whole. Corporate profits as a percentage of GDP hit a record high (more than 11 percent) while wages as a percentage of GDP were at an all-time low (less than 44 percent). Median pay for the CEO's of American companies rose 6 percent in 2012 to $9.7 million. Oberhelman and his ilk have made out like the bandits while the mass of American workers, who have seen their wages stagnate for three decades, have suffered a devastating decline in living standards since the economic crash of 2008.