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Why Deere's strike is a bad look for Illinois

The state's first big industrial walkout in 26 years comes as Illinois is trying to attract electric vehicle makers.

John Pletz – October 22, 2021

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When the John Deere factory in East Moline is humming, the constant rumble of giant machines leaving the plant can be felt throughout the Watertown neighborhood.

The steady flow of combines and other equipment slowed to a trickle after 10,000 members of the United Auto Workers went on strike this month, the rumble replaced by honking of horns as passersby show support for picketers.

The first strike at Deere in 35 years, and the first large-scale walkout at a major manufacturer in Illinois since a Caterpillar strike ended in 1995, is generating national headlines just as the state makes a play for new factories. Gov. J.B. Pritzker is vying with right-to-work states such as Tennessee and Texas, as well as Midwest neighbors, for electric vehicle and battery plants that could bring billions in new investment and thousands of high-paying jobs. As Illinois tries to propel its century-old automotive and heavy equipment manufacturing forward for another generation, it must grapple with its past.

The Deere strike "puts the spotlight on Illinois not being a right-to-work state," says John Boyd, a principal at the Boyd Company, a site-selection consultant in Boca Raton, Fla., that has worked on electric-vehicle manufacturing projects. "Most searches prioritize right-to-work states: Tennessee, Kentucky, Texas."

Pritzker's office didn't respond to a request for comment for this story.

The uptick in labor unrest at Deere and elsewhere comes amid an unprecedented explosion in manufacturing projects related to electric vehicles.

Korean-based technology companies, such as Samsung SDI, SK Innovation and LG Energy Solution, and automakers including Ford, GM, Stellantis and Toyota, as well as electric vehicle upstarts such as Rivian and Tesla, all have announced new projects or are in the process of picking locations for them.

The manufacturing infrastructure in Illinois can't be ignored, given the sheer number of projects in play amid the industry's abrupt turn toward electric vehicles planned over the next decade.

"These are time-sensitive projects," Boyd says. "The reason Rivian is in Illinois is because of an empty Mitsubishi plant."

Still, labor costs, one of the biggest factors in operating costs for big manufacturing projects, are about 20% higher in Illinois than Tennessee, which recently landed EV plants from GM and Ford.

Boyd notes that Toyota is considering Missouri, Kentucky, Indiana, Alabama or Texas for a $1.3 billion battery plant.

About 15% of Illinois workers are represented by unions, triple the amount in Tennessee, according to Bureau of Labor Statistics data.

Labor unrest had been largely forgotten until recently. Few of the striking workers at Deere were with the company during its last walkout. Deere is one of nearly 200 strikes nationwide this year, from nurses to food manufacturers, according to researchers at the Cornell University School of Industrial and Labor Relations. The Deere walkout shows how COVID-19 has unleashed simmering worker resentments that have piled up across industries and geographies over decades. It’s a reminder to manufacturers, who have held the upper hand in decades of negotiations, how quickly the tables can turn.

“When 90% of workers vote down a contract, that tells you something,” says Bob Bruno, director of the labor education program at the University of Illinois at Urbana-Champaign, referring to the vote on a proposed contract by UAW members at Deere. Workers rejected a contract that included 11% in raises over six years, as well as the return of annual cost-of-living adjustments that could push increases to 20%.

On the picket line outside a factory that makes combines that sell for $800,000, workers said the wage increase felt stingy for a company that’s enjoying record profits and surging sales. They say hourly pay is just above $20 for most workers. The company puts it at $26 to $30, including profit sharing and incentive pay.

Deere has been one of the winners during a pandemic still plaguing many other sectors. Earnings are forecast to be 75% higher this year, reaching $5.9 billion on 24% higher sales of $44.2 billion, according to Bloomberg data. Deere CEO John May received a pay package valued at $15.6 million in 2020.

Deere’s proposal to deny pensions to workers hired after Nov. 1 angered employees still resentful of a recently expired two-tier wage system that paid newer union members less than longer-tenured colleagues. COVID-19 fueled new complaints among workers. Deemed “essential workers” under pandemic mitigation guidelines, Deere factory hands were required to work assembly lines and risk infection, while others were allowed to work from home.

Couple that with the lowest unemployment rate among the state’s metro areas, 5.1% in August, and workers see an opportunity to hold out for more. “They feel like karma’s playing out a little, and this is a moment to reset the standard. It probably took something as dramatic as a global pandemic,” Bruno says.

After the walkout began on Oct. 14, the two sides resumed bargaining. “We remain committed to hearing our employees' priorities and continuing talks until the strike is resolved,” the company said in a statement.

Less than a week into the strike, the economic impact isn’t being felt yet, but it lurks below the surface. That’s especially true in Moline, Deere’s headquarters since 1848. Founder John Deere was the town’s second mayor, and the company name is on local roads and buildings, its signature green and yellow colors dotting the landscape.

“It’s in our interest as a city to see the matter resolved,” says City Administrator Bob Vitas. “We don’t take sides. We don’t want to be in the headlines three months from now with it still not being settled.”

Neither does the state.