

UNITED STATES DEPARTMENT OF LABOR

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Effect of War-Contract Cut- Backs on Selected Plants



Bulletin No. 818

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Letter of Transmittal

UNITED STATES DEPARTMENT OF LABOR,
BUREAU OF LABOR STATISTICS,
Washington, D. C., March 24, 1945.

THE SECRETARY OF LABOR:

I have the honor to transmit herewith a report on the effects at selected war plants of contract cancellations and cut-backs during late 1943 and early 1944. This survey of 80 establishments in 25 localities, covering the first period of major adjustments in war production, indicates the effects of cut-backs on the companies, workers, and communities involved.

The report was prepared in the Bureau's Productivity and Technological Development Division by George E. Sadler and Betty C. Proudfoot. It is based on field surveys by Maynard C. Heins, Leon Theodore, and the authors. The study was under the supervision of James M. Silverman.

A. F. HINRICHS, *Acting Commissioner*

HON. FRANCES PERKINS,
Secretary of Labor.

(IV)

Bulletin No. 818 of the

United States Bureau of Labor Statistics

[Reprinted from the MONTHLY LABOR REVIEW, March 1945]

Effects of War-Contract Cut-Backs on Selected Plants

Summary

DURING May and June 1944 the Bureau of Labor Statistics made a survey of 80 establishments in 25 localities to study the effects of cut-backs¹ in war contracts upon the plants, employees, and communities involved. The cut-backs varied greatly in size. In 9 plants production was wholly discontinued after the cut-back and all employees were released, and in 11 other plants employment was reduced to less than half the former level. On the other hand, in almost half of the establishments employment was reduced less than 25 percent. The total decline in employment in the 53 plants significantly affected by cut-backs amounted to 91,224, an average of 1,721 for each establishment.

The rate of voluntary separations increased markedly during the reduction period at most plants, but lay-offs were the principal means used to effect reductions in employment. Some type of seniority was the primary basis for selection of employees for lay-off in nine-tenths of the plants. In most of the plants visited, staff adjustments following cut-backs were accomplished without appreciable modifications in the basic workweek, and in only a third of the establishments was any change made in the number of shifts scheduled per day.

A few companies were able to avoid dispersion of their work force by interim transfer of their workers to other plants in the vicinity; in most cases, however, even temporary reductions resulted in almost complete loss of the separated employees to the plant. Most plants receiving cut-backs found it necessary to balance their staffs, during the adjustment period, by means of intraplant transfers of employees. On the average, about three workers were transferred during this period for every four laid off. At most plants the transfers involved no change in status or skill level, and relatively little retraining was required.

In most cases unions did not participate in handling the staff adjustments beyond checking or furnishing seniority lists and negotiating minor disputes. The companies usually adhered closely to contractual provisions. At the majority of the establishments there were no significant grievances resulting from the reductions, and at two-thirds of the plants there were no noticeable effects upon the workers' productivity and morale. In a few plants, however,

¹ The term "cut-back" is here used to indicate cancellation of contracts as well as reduction in the volume or size of the contract. Scheduled increases in production which were cancelled before any work was done, sometimes referred to as "paper cut-backs," were not covered in this survey.

serious problems arose; major contributing factors were lack of sound labor relations and a loss of the feeling of war urgency.

In two-thirds of the areas, the cut-backs either released so few workers that there was no appreciable effect on the labor-market situation, or the demands for labor were so large that the release even of substantial numbers of employees failed to relieve the shortage. Most of the released men in all areas were placed in other jobs either immediately or after relatively short periods of job hunting, although not always at comparable rates. Many women, however, were unable to obtain other employment, and a large number voluntarily left the labor market. In most areas, no serious continuing unemployment resulted from the cut-backs and there was no appreciable effect upon local business activity.

Purpose and Scope of Survey

The Bureau's study, made during May and June 1944, covered certain plants which had received cut-backs during the first large wave of war-contract cancellations which began in November 1943, reached a peak in February 1944, and continued for several months longer. An effort was made to determine the effects of the reductions on the establishments, workers, and communities involved. The study covered the experience of the companies during and following the cut-backs, the adjustments faced by the employees, and the effects upon business activity and labor-market conditions in the communities where the companies were situated. The data were obtained by representatives of the Bureau, who interviewed plant managers, unions, local government agencies, and officials of civic, educational, and business organizations.

At the time the survey was made, uniform and detailed information about the cut-backs could not be obtained from other sources. An investigation of the subject seemed desirable because of the magnitude of employment changes involved. It was also believed that a record of the experiences of companies, workers, and communities at that time might help in carrying through with less friction the larger cut-back program which would be imposed later, after victory in Europe. The results of the survey were made available to other interested Government agencies, particularly those charged with the responsibility of planning future war-contract adjustments.

The survey covered 80 plants in 25 cities and towns; 41 of the companies and 14 of the communities were in the East North Central region. Other regions were sampled less intensively, because of smaller numbers of cut-backs, but at least one company was visited in each region except the West South Central, Mountain, and Pacific regions.²

The communities visited ranged in size from one-industry towns of less than 20,000 population to the huge war-production centers of Chicago, Detroit, and Cleveland. However, most of the cities were

² The number of companies and the communities visited in each region were as follows: New England—14 companies in Bridgeport, Hartford, and New Haven, Conn., and Lowell and Springfield, Mass.; Middle Atlantic—15 companies in Buffalo, N. Y.; East North Central—41 companies in Chicago, Ill., Evansville, Ind., Detroit, Flint, and Grand Rapids, Mich., Akron, Canton, Cincinnati, Cleveland, Port Clinton, and Toledo, Ohio, and Milwaukee, Racine, and Eau Claire, Wis.; West North Central—6 companies in Des Moines, Iowa, Minneapolis and St. Paul, Minn.; South Atlantic—3 companies in Atlanta, Ga.; and East South Central—1 company in Nashville, Tenn.

typified by diversified industry and in 1940 had populations between 100,000 and 400,000. All types of labor-market conditions were represented, from War Manpower Commission Group I acute labor-shortage areas to Group IV labor-surplus areas.

All of the plants visited had received cut-backs on Army Service Forces contracts. Included in the sample were small and medium-size as well as large plants. A great variety of products had been made in these plants before the war, but each was devoted largely or exclusively to war work at the time of the survey. Cut-backs at the plants visited occurred on contracts for the following items: Carbines and rifles; small-arms ammunition; shells and components; armored cars, half tracks, and components; bombs; explosives; machine-gun belt links; gun mounts; and fire-control devices and gun sights.

Extent of Cut-backs

EXTENT OF NOTICE TO MANAGEMENT

Notices of cut-backs were usually received by the companies from the Army Ordnance Division or from other procurement agencies. The cut-back notice was frequently given over the telephone from the local or district offices of the procurement agencies and was later confirmed by telegram or letter. Occasionally such letters or telegrams came directly from Washington, with no prior indication to the company that cut-backs were impending. Companies which had been engaged on subcontracts received their notices of cut-backs from the prime-contract holders. The local managements of companies with plants at various locations throughout the country usually received notices of the cut-backs from the companies' home offices.

Cut-back notification tended to be abrupt; in one-fourth of the cases the cut-backs were effective immediately upon receipt of the notice, and in more than half of the cases notices of less than a month were given. At many of the companies, however, the notices were anticipated, since unofficial warning that cut-backs could be expected had been given. In some cases, company officials realized that their plant's production was part of a program which was undergoing modification.

Some of the companies which reported that the notice given was adequate were among those receiving abrupt notice; on the other hand, some which reported that the notice given was inadequate were among those receiving the most notice. The most common suggestion for Government action made by company officials was that more notice be given. Many of the officials cited 60 days as a desirable minimum, but whether any one fixed period of time would be considered adequate notice for a particular cut-back would depend upon the complexity of the adjustment which the work reduction entailed.

The details of one cut-back were decided upon at a meeting between representatives of all the manufacturers of the item to be cut back and officials of the procurement agency. Certain companies were successful in obtaining extensions of time or other modifications of the cut-back orders through negotiation with officials of the procurement agencies.

CONTRACT SITUATION OF COMPANIES AFTER CUT-BACKS

The experience of the companies in adjusting their operations following cut-backs varied according to the proportion of the facilities affected, the rates of change occurring in the production of unaffected items, whether and how quickly new contracts were secured, and whether labor-management relations were favorable. The classification of all the plants visited according to any one of these factors does not necessarily yield groups of companies having similar patterns of experience, since no one of the factors dominates the experience in every case.

Among the 80 companies visited, 39 had by the time of the interview obtained new contracts to replace, at least in part, those affected by cut-backs. Fifteen companies had no new contracts, but production continued or was initiated on contracts which had been previously obtained. For 9 companies, the entire facility was released by the cut-back. The remaining 17 companies were generally little affected, mainly because only a small part of their total activity was involved.

The relative importance of the contract reduction for a given company may be indicated by comparing the number of employees assigned to work on the affected contracts with the total number employed in the plant prior to any reduction in employment. Information of this character is available for 70 of the 80 sample plants, and their experiences are shown by the following tabulation:

Percent of plant employment affected by cut-back:	<i>Number of companies</i>
Less than 20.....	12
20 to 40.....	18
40 to 60.....	12
60 to 80.....	7
80 or more.....	21

Companies obtaining replacement contracts.—As mentioned above, 39 of the companies had obtained new contracts, by the time of the interviews in May and June 1944, sufficient to replace at least partially those cut back. For example, one company was notified in February to cease shipments of 37 mm. shot within 10 days. About half of the company's production workers had been engaged on this contract. At the time the plant was visited a subcontract had been obtained and conversion was under way; however, production on the new contract was not scheduled to begin until July and peak employment was not expected to be reached until October. In nearly all of these 39 companies the cut-backs took the form of cancellation of contracts rather than of revision of production schedules.

In 14 of the above companies, production had been specialized and devoted principally to a single product. Accordingly, the cut-backs affected virtually all the companies' facilities. As a rule these cut-backs were replaced with several relatively small contracts, and at the time of the interviews only 3 among the 39 companies were engaged in the manufacture of a single type of product. As would be expected, the effects of the cut-backs were generally less severe in the 25 companies which had been engaged in a diversity of activities.

Companies not obtaining replacement contracts.—In 15 of the companies visited, the cut-back contracts had not been replaced with new

contracts by the time of the survey interviews; however, some of these companies were in the process of tooling up for contracts which had been secured previously and others were attempting to obtain new contracts. One company, which received four cut-backs between November 1943 and February 1944, had been unable to obtain new work, but was retooling for contracts previously secured. Many of the workers released by the cut-backs were transferred to such work; although 70 percent of the company's employment was affected by the cut-backs, a reduction in force of only 45 percent occurred, and this reduction was temporary.

The proportion of facilities affected by the cut-backs did not exceed 70 percent in any of these companies, and in two-thirds the proportion was 40 percent or less. In 9 of these companies the cut-backs resulted in the cancellation of one or more contracts; each of these plants continued operation on other work. In each of the 6 other companies war production had been confined to a single item which was frequently delivered on a single contract. The cut-backs in these cases took the form of reductions in delivery schedules. This situation often occurs when the large Government-owned, company-managed small-arms ammunition plants are cut back.

Companies releasing entire plant.—The cut-backs resulted in 9 of the companies' releasing plants in which production on a single war product or contract was eliminated. However, some of these companies had other facilities nearby which were not entirely affected by cut-backs. All of the released plants were either owned by or under lease to the Government. As far as could be learned at the time of the interviews, no further use of these plants was contemplated in 5 of the cases; demolition had been started on one of these plants, but some of the others were to be maintained in stand-by condition against possible increases in future military needs. Facilities released by the other 4 companies were taken over by different managements for conversion to other war products. In none of the 3 cases in which estimates of post-conversion employment were available was the former employment peak expected to be attained again.

Companies not seriously affected.—In 17 of the companies visited, the cut-back did not result in significant changes in employment; only one of these companies had a lay-off, and it involved but a few employees and was of short duration.

The reasons for the slight effect of the loss of contract were various. In all but one case, a variety of war products was produced and often the plant held many contracts. For instance, one company manufactured many different war items, mostly on relatively short-term contracts no one of which required a substantial portion of the total work force. At the time of the interview, the plant was working on 12 major and about 60 minor items. Contracts had been placed, terminated, and cut back from time to time even earlier during the war period. The management regarded adjustments in production schedules of the type brought about by cut-backs as part of the normal routine; under peacetime operations, this company had experienced more substantial production fluctuations than any encountered in war production.

In 9 of these companies the contract cut-back represented such a small proportion of the total activities that the effects were of no consequence and were difficult or impossible to isolate; more than

half of these establishments were large, each employing between 8,000 and 24,000 workers.³ In 2 companies the cut-back occurred before production on the contract in question was under way, and in still another the Navy increased its orders for the item that the Army had cut back. In the 5 remaining companies of this group, the cut-backs did not affect substantial proportions of the employment and facilities; the absence of problems and lay-offs at 3 companies is attributable to unusually rapid conversions, and at the other 2 to the fact that production on other contracts was increasing more rapidly than and coincidentally with the curtailment of production on the cutback items.

Obtaining New Contracts and Converting Plant

NEW CONTRACTS

Companies which converted their facilities to other work after the cut-backs most commonly sought new prime contracts from the local Ordnance District or other procurement agencies. A few of the companies and even a few unions sent representatives to Washington for this purpose. Although nearly all of the companies sought new contracts more actively than merely by bidding on listed contracts, it was not uncommon for the procurement agencies to take the initiative and ask the companies to submit bids or take on certain contracts. Several companies were offered new contracts at the same time that cut-backs were announced. In general, excellent relationships existed between companies and procurement agencies. Officials of a few companies suggested, however, that means should be found to facilitate the securing of new prime contracts.

Subcontracts were obtained almost as often as prime contracts by companies seeking new work. These were usually secured by sending representatives to various prime contractors. In some areas, local organizations had drawn up lists of prime contractors or available "outside" work to aid managements in finding suitable subcontracts. Small subcontracts, available quickly and running for a relatively short period of time, were frequently used as stop-gap measures to ease the transition periods or to retain key personnel.

CONVERSION OF FACILITIES TO NEW WORK

Approximately a sixth of the companies visited resumed production of their peacetime product in at least a part of the facilities released by the cut-backs. In most cases this was a temporary expedient to keep an integrated work force intact during a period of preparation for other war work. The War Production Board granted a release on materials for this purpose in a number of cases.

Extensive reconversions were required not only by the 39 companies which secured new contracts specifically to replace cut-backs, but also by many of the companies which did not obtain such new contracts and by all of the plants which changed management. Information on reconversion was obtained for all companies at which such information was available.

³ To illustrate, in one large mid-western plant the cut-back accounted for about one-eighth of one percent of the total value of the company's output. Very few employees were affected, and these were reabsorbed in other departments without difficulty.

With few exceptions, the conversion of plant facilities did involve radical changes in the nature of the work done. Companies were successful in finding new work to which equipment on hand could be adapted, and the majority of the conversions required nothing more than rearrangement of machinery. However, retooling was nearly always necessary; this involved providing machines with new cutting tools, resetting machine adjustments, making jigs and fixtures, and fitting presses with new dies. Although nearly a third of the conversions required that at least some new machinery be obtained and installed, in most cases the new equipment was needed to supplement equipment on hand, and represented a small proportion of that required for the new contract. In several cases, difficulties or delays in securing new equipment disrupted the scheduled conversion of facilities.

A different situation existed in those facilities which changed management after the cut-backs. Often none of the equipment in these plants was suitable for the new work, and the first step in conversion was the complete clearing of the space. In most cases, the old equipment was removed and either stored or moved to other plants by employees of the company whose contract had been cut back, but in one case a separate contractor not only removed the old equipment but installed the new machinery and production lines.

The length of time needed for conversion varied from a few days in several cases to more than 1 year in one plant. More than half the conversions required less than 2 months, and nearly nine-tenths required less than 4 months. Although late delivery of equipment was the most common cause of unexpected delays, difficulties in recruiting needed labor were nearly as common. Conversion schedules at several companies were held up by delays in removing Government-owned equipment or in securing materials and components and at another by the need for a considerable amount of experimentation in connection with the new contract.

Effects of Cut-Backs Upon Plant Employment

REDUCTION OF PERSONNEL

A number of factors determined the size of the work-force reductions. Of these the severity of the cut-back was the most important. Other factors were the availability of new contracts, the extent to which the released workers could be absorbed in the production of other items, and the speed with which such transfers could be made. With the exception of the 17 companies previously noted as only slightly affected, all companies reduced the size of the work force following the cut-backs. The reduction in personnel varied from 5 to 10 percent for companies which either experienced comparatively light cut-backs or successfully integrated a conversion to new work with the decrease of activity on the old, to 100 percent for plants in which all production was discontinued.

In almost half of the plants, the reduction amounted to less than 25 percent of peak employment, while in three-fourths of the establishments the decrease was 50 percent or less. The decline in employment for the 53 plants which were significantly affected by the cut-backs and which continued in operation totaled 91,224 and averaged 1,721.

The reduction in force represented an average cut in personnel of 40 percent from the peak employment preceding the cut-back.

In most instances, the reductions were effected principally by laying off the employees. The ratio of employees laid off to the total reduction in employment varied widely between individual companies. In approximately three-fifths of the plants, lay-offs accounted for more than 50 percent of the total reduction in employment. In 7 plants, lay-offs exceeded the total reduction during the cut-back period, since accessions in the whole plant more than compensated for lay-offs in affected departments. Many of the plants, however, were able to make their adjustments in personnel with relatively light lay-offs, and in about a fourth of the establishments no lay-offs were necessary.

In the 61 plants which made lay-offs during the cut-back period, the number of employees laid off ranged from 14 to 10,629; however, more than half of these lay-offs affected fewer than 500 persons. In only 3 plants were more than 75 percent of all employees laid off.

In nine-tenths of the plants reporting the basis for selecting employees to be laid off, some type of seniority was the primary determinant; plant-wide seniority governed in half of the plants reporting, and length of service in the particular department in a third. The proportion of establishments selecting employees according to length of service was highest in those cases in which contracts with nationally affiliated unions were in effect; however, seniority was important in all plants, irrespective of union status.

In addition to lay-offs, other factors in the reductions were voluntary separations, discharges, and military withdrawals. In 15 plants, the total decline in employment was attributable to such separations, while in a number of other plants they exceeded lay-offs. Quits, discharges, and military withdrawals accounted for 35 percent of the total reduction in force in the 53 plants which were significantly affected by the cut-backs and which continued in operation.

The rate of voluntary separations increased markedly during this period in nearly all plants. Some companies urged all employees who had prospects of other jobs to quit and take them, and most of the companies issued certificates of availability freely to workers who requested them at this time. In other instances, however, the demands of the production schedule prohibited significant numbers of separations until operations were essentially completed. The relative importance of voluntary separations and lay-offs in effecting the total reduction in force reflected management policy, although the wage scale of the plant cut back, the morale of the work force, and the availability of comparable jobs in the area were also important factors.

In a few plants, the management weeded out and discharged inefficient workmen during the period of adjustment to cut-backs. In general, however, the reduction in force was almost entirely accomplished by voluntary separations and lay-offs based upon seniority, so that discharges accounted for an insignificant proportion of the reduction. Although in some plants military withdrawals increased, since the cut-backs affected the deferment status of workers, in most cases the proportion of military withdrawals was relatively constant, and men released by the cut-backs were not inducted into the armed forces in large numbers.

TEMPORARY TRANSFERS

A few companies were able to avoid dispersion of their work force when faced with temporary shut-downs for conversion to other products by arranging interim transfers of workers to other plants in the vicinity. This system of "negotiated transfers," although used in several areas, was most common in Chicago where the U. S. Employment Service had formalized the procedure and assisted with its administration. Difficulties were frequently encountered when the plants temporarily laying off employees had paid exceptionally high wage rates, and transfers could not be negotiated for workers except at lower rates. The success of the plan at Chicago is difficult to evaluate, as the plants visited had not begun to recall workers by the time of the interviews, and the proportion of workers who exercised their option of not responding to recall is not known. However, transfers of this type were not particularly popular in other areas, and many companies refused to hire employees on a temporary-transfer basis.

RECALL EXPERIENCE

Approximately half of all of the plants visited had made attempts to recall laid-off employees. In the 48 plants for which information is available, 16 percent of all employees laid off were later rehired. Although one plant succeeded in recalling 95 percent of the laid-off workers, and a second approximately 75 percent, these plants were unusual. The average percentage of employees called back by plants which had not replaced cut-backs with new contracts was virtually the same as that in companies which had converted their facilities to other work. This suggests that the proportion of laid-off workers rehired was limited primarily by the availability of the employees, since plants with new contracts required additional personnel to reconstitute their staffs, while plants not replacing cut-back contracts rehired only to replace turnover.

Internal Labor-Force Adjustments

CHANGES IN WORKWEEK

In most of the plants visited, adjustments following cut-backs were accomplished without significant modifications of the basic workweek. In three plants, however, temporary plant-wide reductions to 40 hours per week were made, while in two other plants several departments were reduced from 48 to 40 hours per week. Five establishments reported that hours in excess of 48 per week were eliminated after the cut-back.

In approximately a third of the plants visited, some change in the shift schedule was made, following the cut-backs. The extent to which shifts were eliminated varied with the nature of the work reduction and its relation to the plant's total production commitments. In some instances, only departments making the affected item were involved, while in others it was necessary to make the changes on a plant-wide basis. Likewise, some managements found it necessary to eliminate two shifts, while in other plants only one shift was discontinued. In several establishments, the eliminations were temporary, and shifts were restored after new contracts were in production. In

other instances, however, the reduced schedule was to be continued indefinitely. The changes in shift schedules are summarized in the following tabulation:

	<i>Number of companies</i>
Total companies studied.....	80
No shifts eliminated.....	54
Plants eliminating shifts.....	26
Changes affecting entire plant.....	20
Shifts reduced from 3 to 2 per day.....	9
Shifts reduced from 3 to 1 per day.....	8
Shifts reduced from 2 to 1 per day.....	3
Changes affecting certain departments.....	6
Shifts reduced from 3 to 2 per day.....	4
Shifts reduced from 3 to 1 per day.....	2

TRANSFERS OF EMPLOYEES WITHIN COMPANIES

Most plants receiving substantial cut-backs found it necessary to balance their work force by shifting employees to other jobs or departments. The degree to which transfers were carried out was greatly determined by the nature of the production, management policy, and the transfer provisions in union contracts. In almost all instances, the basis of selection for transfer was similar to that for lay-offs. Employees were usually given the option of lay-off, and sometimes preferred it to transfer. The proportion of employees accepting transfer varied widely, depending on the availability of other work in the area, the relative wage rates of the plant, and the extent of demotion, if any, incident to the transfer.

Demotional transfers occurred when workers whose jobs were eliminated by the cut-backs displaced ("bumped") workers with less seniority from lower-paying jobs. The elimination of jobs sometimes resulted in the downgrading of a succession of workers, and lay-offs were made only at the lowest levels. This situation was common in many companies in which strict, plant-wide seniority was the sole basis for lay-offs. Demotional transfers were rare in plants which received only minor cut-backs and were able to transfer employees to unaffected departments, as well as in plants where the cut-backs were counteracted by new war contracts of similar magnitude.

Most transfers were horizontal rather than demotional, and skill levels remained virtually unchanged. Of the 58 plants which transferred workers after the cut-backs, 36 reported that no reductions in job classifications or rates of pay were necessary. Plants manufacturing either a single product or several products of a similar type were usually able to arrange transfers throughout the entire plant; however, in establishments which had a number of dissimilar products, interdepartmental transfers were frequently impracticable.

In approximately a fourth of the plants visited, no transfers were made; in another fourth, less than 25 percent of all employees were transferred. In contrast, in 19 of the plants the majority of the employees were shifted, while in 9 of these plants all or almost all of the plant's workers were transferred to new jobs. In those companies for which reliable statistics are available, 3 workers were transferred for every 4 laid off.

RETRAINING OF TRANSFERRED EMPLOYEES

Most of the transfers involved only minor changes in the tasks performed by production workers. Some companies, however, converted to entirely different work, making special training of key personnel necessary. This type of training was often accomplished by sending the men either to the companies which manufactured the new equipment or to plants already employing the new processes and techniques. Classroom instruction and courses in technical schools were not used for this specialized training, although many companies had formerly arranged for key workers and supervisors to take the WMC Training Within Industry courses or other instruction of a general nature. The key personnel were then considered qualified to retrain the production workers.

In nearly every case, retraining of production workers was done on the new job, although a few companies set up "training lines," and one held classes on the new work in the plant. Many of the transferred workers remained on work so similar to that previously performed that only very limited retraining was necessary. In over half the cases, retraining was accomplished within a few hours or a few days; in only a few cases did the time needed for retraining exceed 1 month.

Retraining for production workers usually involved instruction in operating new machines, the use of new precision gauges and instruments, and the techniques of machining to very close tolerances.

EFFECT OF TRANSFERS UPON WAGE RATES

Of the 58 plants which transferred workers following the cut-backs, 36 reported that no reductions in job classification or rate of pay were necessary. In the main, these were plants which received only minor cut-backs or obtained new war contracts to replace their cancelled production. Companies which were able to transfer employees to comparable jobs in unaffected departments also made no reductions in pay rates.

The reductions in wage rates which were made resulted primarily from demotional transfers. In nearly a third of all establishments making transfers, most of the transferred workers were downgraded and received significant reductions in rates of pay. At two large establishments, the average pay for all transferred employees was reduced approximately 10 percent; at another plant, the hourly rate of workers transferred declined from \$1.00 to 60 cents. At two plants, wage rates of men declined from 15 to 20 cents per hour, while women took reductions of from 10 to 14 cents per hour. However, reductions in wage rates were also received as a result of shifts to civilian production, and in each of 5 plants a few employees received lower rates although job levels remained unchanged. At one plant which resumed civilian production for an interim period, straight-time workers received about the same wages, but employees on incentive rates earned about 20 percent less than before. In a number of establishments where no decrease in pay was involved in transfers, the new duties were heavier or more disagreeable than the former tasks.

Cut-Backs and Labor-Management Relations

NOTICE TO EMPLOYEES

There was wide variation in the amount of notice given to employees, but in nearly all cases some effort was made to give them warning before they were transferred or laid off. In about half of the companies for which data are available, employees were notified of lay-off during the week prior to their separation, and in a few cases advance notice was given ranging up to a month or more. On the other hand, employees of 5 companies were given no previous warning, and were notified of lay-offs only when they received their final pay envelopes.

Most frequently employees received individual notice of changes in status directly from foremen or other supervisors. In several plants, personnel representatives talked to all employees individually. At one large plant, the personnel director assembled a crew of 25 interviewers from among company officials and supervisors as well as from his own department. Each affected worker was excused from his job long enough to talk to one of these interviewers. During the interview it was explained that the work was being terminated in accordance with plans of the armed services, and that the worker was needed, if not at this company, at other neighboring companies.

Many plants took pains to inform all the employees about the causes for and extent of the cut-backs before individual notices were given to those affected. The dissemination of accurate and official information concerning the cut-backs did much to minimize the effect of rumor and helped to maintain morale. Most plants gave information concerning the cut-back to all employees, through at least two of the following media: Unions or labor-management committees, notices or letters posted on bulletin boards or sent to employees, articles in company magazines, and mass meetings of employees or announcements over public-address systems.

UNION PARTICIPATION

Of the 69 plants for which information was available, 61 were organized and operating under union agreements. Forty-one of the contracts were with C. I. O. locals, 12 with A. F. of L. affiliates, 7 with independent unions, and 1 with a District 50 local of the United Mine Workers. Although the union was usually notified of the cut-back by the management, in most cases it did not participate in effecting the adjustment beyond such traditional duties as checking or furnishing seniority lists and negotiating minor disputes.

In about a third of the companies which notified unions about the cut-backs, the unions played an active part during the adjustment period. This included, generally, participating with management in discussions of the problems involved in the work reduction, notifying employees of their separation date, or informing employees of the facts of the situation in order to maintain morale. Some of the unions were asked to help in planning lay-off and transfer procedures, and in one case the union itself selected the employees to be laid off on the basis of the seniority lists. In practically all instances in which the union was invited to participate, the employees' morale remained high and there were relatively few grievances.

GRIEVANCES ATTRIBUTABLE TO ADJUSTMENTS AFTER CUT-BACKS

Fifty-three of the 76 companies for which information on grievances was obtained indicated that there were no grievances of any consequence resulting from cut-backs, and 14 plants reported that only a few arose. At only 9 plants was there a significant number of grievances.

Of the factors which tended to keep the number of grievances at a minimum in most plants, probably the most important were the availability of comparable jobs in the area and strict adherence to provisions of the union agreement concerning work-force adjustments. Plants with a background of sound labor relations also had few grievances. In every case in which the union participated in planning or handling the reduction, no serious grievances arose. Management representatives in areas where the labor movement is strong and of long tenure usually indicated that there were no grievances of any consequence during the work-force adjustments. On the other hand, of a total of 9 companies reporting the occurrence of numerous grievances, 5 were in an area where labor organizations have usually encountered strong opposition. Only 4 of the 13 plants visited in this area reported that no grievances of importance developed during the adjustment period. However, only 1 of these 4 plants experienced a sizable reduction in force, and this plant emphasized the unusually cordial relationship with the employees and their representatives.

As shown in the accompanying tabulation, the most common grievances reported were those regarding seniority status or classification on the seniority list, or disagreements resulting from demotional transfers.

	<i>Number of cases reported¹</i>
Seniority lists improperly prepared, or not followed.....	11
Arbitrary reassignment, employee not consulted.....	5
Provisions of union contract not followed.....	5
Employees not placed on work which utilized their experience.....	4
Insufficient or no advance notice.....	3
Reduction in pay, employees performing same work for less pay.....	3
Employees required to work excessive overtime during large lay-offs.....	3
Union not allowed to participate in adjustment.....	2
Favoritism shown by management.....	2
Improper classification of workers for transfer or lay-off.....	2
Short crews.....	1
Supervision arbitrary.....	1
Employees not properly instructed for new jobs.....	1
Dispute over relative weight to be given seniority and ability.....	1
Certificate of availability not given on employee request even though there had been a large lay-off.....	1
Negro girls transferred to previously all-white department.....	1
Company's announced call-back program violated union agreement.....	1
Unjustified downgrading.....	1

¹ 53 companies reported that no grievances arose attributable to the cut-backs.

EFFECTS OF REDUCTION ON PRODUCTIVITY AND MORALE

Officials of two-thirds of the plants visited indicated that there were either no noticeable effects on productivity and morale or only very slight decreases attributable to the cut-backs. In most of these cases, the reason for the absence of a significant decline was the fact that the adjustments made necessary by the cut-backs were relatively minor.

In a few instances employee morale and productivity remained high despite large reductions in employment. This was due either to the availability of other jobs in the area or to positive efforts on the part of management, usually with the cooperation of the union, to ease the transition of the workers and prevent the loss of morale. For example, four plants were able to make a smooth adjustment even though large cuts in personnel were necessary, because of steps taken by the companies to minimize the impact of the lay-offs and gain the confidence of the employees. Morale and productivity remained high and practically no grievances arose. In two of the plants, the company guaranteed that no worker would be terminated before he was placed in another position; in the other two, the union was asked to participate in planning and handling the adjustment. The experience of all four plants indicates the advantages, during a period of personnel reduction, that accrue from amicable labor relations.

In three plants visited, two of which experienced large reductions, it was stated not only that morale remained high but that absenteeism and turnover actually decreased, and that the output of the employees increased noticeably. The improvement in these plants was due both to the desire of the workmen to avoid lay-off or transfer, and to the attempts of the companies to impress on the employees a sense of continuing war urgency.

In 10 plants, both the morale and efficiency of the workers were badly affected, in 8 other plants morale was lowered but no decline in work application of employees was observed. Representatives of the companies and unions in about three-fourths of these 18 plants attributed the bad situation to the large cut in employment; in about half of the plants poor labor relations may also have been a contributing cause.

In 6 of these 18 companies, each with a history of poor labor relations, serious difficulties were experienced during the period of labor-force adjustment, even though the reductions in employment in some instances were relatively minor. In each of these plants, employee morale was seriously affected, turnover increased, and in some instances absenteeism as well. Many grievances were presented, and in some plants there were disputes concerning the methods of handling the lay-offs and placing transferred employees. In all 6 plants there was a decided drop in output; in 3 cases the decline was so great that employees were accused of deliberate slow-downs; employee spokesmen, on the other hand, claimed that improper placement and understaffing were responsible for the production declines. Some of the decrease in efficiency was due to a loss of the feeling of war urgency, occasioned by the cut-back.

Relatively few of the company representatives reported increased turn over resulting from the workers' desire to seek civilian-industry jobs of a permanent nature.

Effect of Cut-Backs on Communities and the Labor Force

EFFECT ON LABOR SUPPLY

Fifteen of the 24 ⁴ localities visited are now classified by the War Manpower Commission as Group I and II labor-shortage areas, while

⁴ Minneapolis and St. Paul are included as one labor-market area.

9 are in Group III or IV labor-surplus areas. The contract reductions did not exert a particularly marked effect upon the balance of labor supply and demand in most of the areas surveyed. In two areas classified as Group III before the cut-backs, the supply of labor which became available permitted reclassifications to Group IV; however, both of these areas were later again classified as Group III, because of out-migration and the demands of new establishments in the vicinity. One other area formerly classified as Group I was changed to Group II after cut-backs released a sufficient number of men to reduce the severity of the labor shortage.

In almost a third of the areas, so few workmen were released that there was no appreciable effect on the labor-supply situation, regardless of the area classification. In all other districts cut-backs released substantial numbers of workers, ranging from a few thousands to many thousands. In almost half of these areas, even the relatively large number of workers released failed to relieve the severity of the labor shortages, either because the majority of the released workers left the area, or because expanding demands and the severity of the existing shortage prevented any change in the labor-market classification. Heavy lay-offs following cancellations or reductions of contracts in 7 labor-surplus areas resulted in significant increases in the numbers of job seekers. In many of these areas, however, the majority of the surplus labor was again absorbed, and existing surpluses were chiefly in female applicants considered suitable only for special types of work.

DISPOSITION OF RELEASED WORKERS

Detailed statistics regarding the disposition of all released employees were not available for any area. However, in all instances it was possible to obtain some information on the proportion of men and women who were placed locally, migrated, or dropped out of the labor market entirely. Most of the released workers remained in war work in either the same or other areas. In certain cases substantial numbers of released workers returned to farms.

In about one-third of the areas almost all workers released by cut-backs were immediately absorbed in other war work, generally at similar rates of pay. Very few men left these areas, and less than 10 percent of the released women dropped out of the labor market. In several other areas, although the majority of the released male workers were placed in other local war jobs at similar rates of pay and very few left the area, large numbers of the released women left the labor market. The rates of pay for those women who obtained other jobs were in general substantially below the rates on their former jobs. All except one of these localities were classified as Group I or II labor-shortage areas.

In one-fourth of the areas—all classified as Group III surplus—over half of the released male workers were placed in other local war jobs, after job-shopping periods of varying length. Rates of pay for new jobs, in most instances, were approximately the same, but many men obtained work only at substantially lower rates. Between 15 and 30 percent of the men released in these areas migrated, and the majority of the women who lost their jobs dropped out of the labor market. The few who were placed in other local jobs, often in less-essential work, received considerably lower rates of pay.

In the remaining localities, two of which were classified in Group II and two in Group III, the majority of the men released as the result of war-contract cut-backs migrated to other areas. Most of the released women left the labor market. A majority of the released employees, both male and female, who were placed in other local jobs received much lower wages than in their former jobs.

UNEMPLOYMENT RESULTING FROM CUT-BACKS

In half of the areas no unemployment resulted from reductions in personnel following cut-backs. Most of these localities had been classified as areas of critical labor shortages. In about one-fourth of the areas some unemployment followed the cut-backs, but in almost all of these all men seeking work eventually found other jobs or left the locality. In a few places there were still several hundred unemployed men at the time of the survey. In all areas in which unemployment occurred, substantial proportions of the released women were still seeking work at the time of the interviews, and an even larger number had dropped out of the labor market entirely.

EFFECTS ON GENERAL BUSINESS ACTIVITY

In four-fifths of the areas surveyed, it was stated that the cut-backs had no appreciable effect on the general level of business. This was to be expected, since the ratio of released workers to total employment was generally small, and the majority of the employees were placed in local jobs in more than three-fourths of the localities.

In the remaining areas there was some decrease in local business activity; the decreases were estimated at from 10 to 20 percent of the peaks of business activity preceding the cut-backs. Some areas were saved from more serious effects by the location of new enterprises in the area, or the expansion of labor demands of some of the established plants.