1985

Economic Conversation: Conversion & the Labor Movement

Lance Compa
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Abstract
[Excerpt] There is nothing mysterious about economic conversion. Broadly speaking, it is the transformation of a manufacturing process making a certain end product to another activity leading to a different end product, but using the same human and material resources involved in the earlier process.

Corporations undertake economic conversion all the time. The American Standard Corp. changed one of its bathtub manufacturing plants in Macon, Georgia, into an electronics operation producing wire harnesses for rapid transit signaling systems. There was a two-year hiatus between the end of the porcelain operation and the start-up of wiring production, but the company rehired many of the former bathtub plant workers. Likewise, a Fremont, California, General Motors plant has converted from mid-size American car production to joint production with Toyota of a new subcompact model, using the same plant and many of the same employees.

In recent years the concept of economic conversion has taken on a more specialized meaning among political activists, trade unionists, disarmament organizers, economists and others concerned with the direction of U.S. employment policy and foreign policy. Here, economic conversion is seen as a strategy to solve a linchpin problem for advocates of cuts in military spending and of a move away from an interventionist foreign policy: what to do about the many jobs that would be eliminated by such a radical shift in government policies.

Keywords
economic conversation, economic conversion

This article is available in Labor Research Review: http://digitalcommons.ilr.cornell.edu/lrr/vol1/iss7/7
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Lance Compa is on the staff of the United Electrical, Radio & Machine Workers of America (UE).
Conversion planning to move from military to non-military production can tear down the barrier—fear of job loss—that blocks broad rank-and-file support for disarmament initiatives and a non-interventionist policy in Central America and elsewhere. In removing the barrier, conversion planning can unite two mass movements with the capacity to transform American political, economic and social life: the labor movement and the peace movement.

Conversion activists still cannot claim any special insight even with this more pointed definition of conversion. Just as in the commonplace cases of companies that shift from production of widgets to production of thingamajigs in the same facility with the same workforce, there are examples of companies shifting from military to civilian goods manufacture.

In the 1940s and 50s the huge General Electric plant in Erie, Pennsylvania, was G.E.’s center for large appliance manufacturing—refrigerators, ranges and other kitchen units. When G.E. opened its Appliance Park complex in Louisville, Kentucky, all appliance work left Erie. The Erie Works then moved to production of the Polaris missile and other weapons systems, which carried the plant through the 1950s. As those military contracts were phased out, G.E. expanded its production of diesel locomotives in Erie, where it is now the largest U.S. maker of that product. Thousands of workers remained on the job throughout this process of civilian-to-military-to-civilian conversion.

When Pentagon contracts dried up after the Vietnam War, Boeing Corp’s Vertol Division, a maker of helicopters based south of Philadelphia, sought to convert to the manufacture of rapid transit cars. The experiment failed due to design and engineering flaws—perhaps a generic problem for military contractors—but at least the experiment showed management’s awareness that opportunities outside the military sector could be pursued.

Perhaps the purest example of economic conversion from military to civilian production occurred in a small New Jersey plastics plant. This plant produced body bags to transport the corpses of dead Vietnamese and American soldiers. It operated at full capacity through the late 1960s and early 70s. With the end of U.S. intervention, workers there faced heavy layoffs. Instead, the company converted to a different product line: condoms and diaphragms. Conversion was such a success that workers and added a night shift to products that unarguably satisfy human need.

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An example of economic conversion from a production of synthetic fabric products: condoms and diaphragms for contraceptive uses. Conversion was such a success that the company hired new workers and added a shift to meet the demand for new products that unarguably satisfy human needs.

Need for Labor Involvement

In these cases a company's move to alternative use was motivated by its own desires to remain a profitable enterprise. Unfortunately, such shifts are haphazard exceptions to the usual course of events. More common are the shutdowns and heavy layoffs that usually result from cancelled military contracts or a company's move to abandon a product line.

Conservative economists would object that the process is not haphazard at all; it is guided by market principles. If a company sees an opportunity to meet profit objectives, it will convert facilities to alternative use on its own initiative. If the profit potential is not there, no amount of conversion planning or mobilization of workers and community allies in support of alternative use proposals can make conversion happen.

This conversion-will-take-care-of-itself argument credits management with foresight, skills and powers of analysis that all too many workers have learned, to their misfortune, are sorely lacking. Studies by Seymour Melman and Lloyd Dumas have shown that managers, designers and engineers in the military sector are so conditioned to cost-plus contracts and exotic performance demands that they are unable to adjust to more competitive frameworks and the need for design simplicity in civilian-oriented production. This is true even though other objective conditions such as employee skills, plant facilities, modern equipment, new technology and raw engineering talent would permit successful conversion to alternative use. Indeed, many critics from management's own ranks argue that shortsighted policies—such as milking facilities for short-term profits without reinvesting for long-term growth and the compulsion to grow by merger and acquisition instead of building their core business—have more to do with competitive failures than the dictates of the market.

While giving management too much credit, the notion that economic conversion will happen of its own accord sells short the insights and planning capabilities of workers, unions and community supporters. Employees' experience provides a rich store of ideas for new product lines and new production methods. Union researchers and pro-union marketing, engineering and
business planning advisors are able to spot opportunities that may not be apparent to some employers, particularly small or single-product companies. Community allies can bring up local needs—a hazardous waste site that needs cleaning, a hospital that requires new equipment, low cost housing or classroom shortages that could be cured by modular construction—that can serve as a basis for start-up production of alternative products that could then succeed in wider markets.

Some peace activists who consider themselves hard-headed realists develop another argument against conversion. The argument goes like this: dislocation in the form of plant closings, product line transfers and other wrenching changes that lead to job losses goes on all the time in a dynamic, evolving economy. Millions of industrial workers have lost their jobs in recent years in steel, auto and other basic industries. We need a national policy for retraining and re-employing affected workers, but we do not need to expend precious political capital in creating special arrangements for defense workers (who tend to be higher-paid, conservative white males anyway). Let’s put our efforts into changing U.S. foreign and military policy and cutting military spending and weapons systems, and let the chips fall where they may—they’re preferable to the bombs.

For all their claim to be practical, these arguments overlook several realities. U.S. corporations are not indifferent to what they produce. The military sector is different; companies would not just as soon manufacture commercial goods as weapons. Superprofits are derived from Pentagon contracts, so employers bring their own considerable political clout to bear on stopping changes in foreign policy or cuts in military spending. U.S. foreign policy props up right-wing dictatorships abroad that provide havens for runaway shops for many of the same large firms’ commercial divisions. Corporations can ride out boom-and-bust cycles in defense work; it is workers and communities that suffer the consequences. Finally, precisely because we do not have full employment policies, adequate income maintenance programs and comprehensive retraining efforts for dislocated workers, conversion can be raised as a job-protecting measure for all workers faced with plant closings and runaways, not just defense workers.

The importance of economic conversion as a rallying movement for trade unionists and peace activists lies in the political conversion it implies: the transformation of workers and their communities from passive, mute victims of employer decisions to active, shaping creators of new purposes for their skills and resources. Turning labor and community re-actors can boost political involve force against employer influence an organized, well-financed right-wing lol race. The movement for economic co educational thrust, pushing unions anc connections between high military damage to the economy and to the la

European Experi

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European Experience

The European conversion experience is about a decade ahead
of our own. Advanced conversion initiatives have been underway
since the 1970s in Britain, Sweden, Italy, West Germany and other
countries. In Landskrona, Sweden, a shipyard slated for shutdown
was converted into a number of smaller enterprises, many of them
producing maritime-related equipment such as oil spill cleanup
rigs and industrial fishing systems. The move saved nearly all
2,300 jobs due to be eliminated.

The Metalworkers union in West Germany has engaged the help
of pro-labor economists, engineers and other consultants to fashion
conversion programs for affiliates faced with cutbacks in military
production. Italian metalworkers have made conversion planning
a bargaining demand in negotiations with major arms makers.
The long struggle of British workers at Lucas Aerospace, a producer of military aircraft equipment, is probably the richest in lessons for conversion activists, both for its successes and its failures. Moved by signs of impending layoffs in the mid 1970s, a committee of Lucas shop stewards surveyed their co-workers for an inventory of skills and equipment and for ideas for new products. They came up with a list of some 150 products in six major areas: medical equipment, alternative energy systems, transport equipment, braking mechanisms, oceanic gear and remote control systems.

Entitled the "Corporate Plan," the Lucas workers' conversion proposal was presented to company management and to the Labor Party government then in power in 1977. With government funding, prototypes of some of the product ideas were manufactured at Lucas divisions. Mobilization in support of the demands created enough pressure on the company and the government to reverse one major plant closing and to hold off other planned layoffs. Perhaps most important, the Lucas movement spurred local government units—notably the Greater London Council, an activist-led municipal government for the London metropolitan area—to set up publicly-funded conversion projects to promote alternative use planning at the local level.

The intransigence of Lucas management, combined with the demise of the Labor government and the coming of Thatcherism at the end of the 1970s, blunted the Lucas conversion drive. Big boosts in military spending removed the threat of heavy layoffs before the company accepted any part of the Corporate Plan. Harsh anti-union policies put the labor movement on the defensive, and new initiatives moved to the bottom of unions' priority list. Unfortunately, the Labor government's half-hearted reform policies played to management concerns about maintaining "investor confidence" in the British economy, and never provided a credible backing for the Lucas stewards' Corporate Plan.

National union leaders were, at best, ambivalent about the Lucas conversion effort—seen by many as a threatening rump movement that bypassed established union channels.

In recent years U.S. workers and their unions are also beginning to move on conversion issues. A worker and community-based effort called the South Shore Conversion Project has offered alternative use proposals for General Dynamics' Quincy, Massachusetts, shipyard, seeking to stabilize the boom-and-bust cycle of the ship construction industry. An Oil, Chemical and Atomic Workers local in Portsmouth, Ohio, has formed an Atomic Reclamation Project to develop new uses for a nuclear fuel processing plant due to be phased out.

Another important conversion project non-military setting at General Electric's growing demand for new electric power. In June 1984, 450 employees remained at a high of 1200 in the mid 1970s. Hourly workers at the GE Charleston facility were laid off in the mid 1970s. The GE plant closing announcement was attended by hundreds of trade unionists, community organizers, sympathetic of them from Europe who had been
Workers at Lucas Aerospace, a processing plant due to be phased out of operation. At a McDonnell-Douglas plant in Long Beach, California, the UAW local and advisors from the Center for Economic Conversion cracked the customary stone wall of management resistance to conversion talks. They held serious discussions with plant officials on development of new transportation products and alternative energy systems to take up anticipated production slack as contracts for military aircraft began to wind down. Though local management appeared receptive to the union’s ideas, alternative use proposals were killed by top corporate officials in St. Louis. As in the Lucas experience when the Thatcher government came to power, new Pentagon contracts under the Reagan administration’s military spending spree weakened rank-and-file resolve to pursue conversion planning. Sadly, the prospect of a year or two’s steady work obscures the long-range damage to job security and the economy being caused by the Reagan military buildup.

UE Local 1202

Another important conversion project has taken place in a non-military setting at General Electric’s Charleston, South Carolina, steam turbine plant. In June 1984, GE announced plans to close the plant one year later. Declining orders for steam turbine generators left the company with overcapacity and a need to consolidate steam turbine production at its Schenectady, New York plant.

The Charleston facility was built in 1968 at a time of rapidly growing demand for new electric power generating stations; it was outfitted with millions of dollars of modern machining equipment. In June 1984, 450 employees remained in the plant, down from a high of 1200 in the mid 1970s.

Hourly workers at the GE Charleston plant were represented by Local 1202 of the United Electrical, Radio and Machine Workers of America (UE). Union activists there began organizing soon after the plant opened. They lost two union elections before prevailing by just three votes in a 1975 election, one of the decade’s most significant union breakthroughs in the South. It was the only major GE manufacturing plant organized by any union in the 1970s.

The GE plant closing announcement was issued only days before an international economic conversion conference in Boston attended by hundreds of trade unionists, peace activists, community organizers, sympathetic academics and others, many of them from Europe who had been directly involved in the
ECONOMIC CONVERSION

initiatives discussed earlier.

Prompted by accounts of European conversion drives, UE officers asked the leaders of Local 1202 if they would try an economic conversion effort in response to GE's shutdown announcement. Bill Niven, a conversion specialist with the Greater London Council in the U.S. for the Boston conference, flew to Charleston to meet with Local 1202 and help outline a conversion plan for the union.

Niven and the local union leadership drew up a survey form for distribution among the UE membership and among non-union engineers and managers. The survey asked GE workers for summaries of their skills and experience, and for their ideas on alternative use for the plant.

Preliminary survey results included ideas for alternative power generating systems such as cogeneration and hydropower; scrubbers and specialized boilers for acid rain prevention; prefabricated bridge and tunnel sections for highway, rail and mass transit construction; modular systems for factories in outer space; laser tool systems; and, in what is known as "reverse conversion," weapons systems such as naval gunnery units or rocket stages.

UE Local 1202 formed an Alternative Use Committee of six officers and stewards to sift through the new product ideas and come up with a viable conversion proposal. Three goals guided the committee's work. First, to the extent possible, alternative production should involve the same large scale metal fabricating and precision machining operations as steam turbine production, to ensure the preservation of existing workforce skills and jobs. Second, the alternative use should stay as close as possible to the electrical power industry that the plant was already involved with, or other GE product lines. This would preserve the collective bargaining relationship and the integrity of the collective bargaining agreement, as well as take advantage of GE's substantial resources and ability to move to alternative product areas. Finally, an alternative use proposal should focus on products with long-term growth potential, not those of a boom-or-bust market that could leave workers facing the same shutdown threat a few years down the road.

UE Local 1202's Alternative Use Committee narrowed the union's economic conversion proposal to two basic product areas: alternative energy systems (cogeneration units, municipal solid waste generating plants, renewable energy sources such as hydro, solar and geothermal power generation) and environmental protection equipment (acid rain scrubbers, fluedized gas combustion systems, specialized tanks and containers for hazardous waste storage, etc.).

choosing one particular product creation of an Alternative Energy Center. With four different plant dimensions and capable of handling varying size and complexity, the manufacturing center could adapt to changes in market demand. The local union presented its Charleston plant management in but noncommittal reception. The group reached out to other trade union officials, to are
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The local union presented its alternative use proposal to GE’s Charleston plant management in September, 1984, getting a polite but noncommittal reception. Besides confronting GE, the UE group reached out to other trade unionists, to local, state and federal political officials, to area clergy and community leaders.
for support. The South Carolina State Development Board, whose purpose in normal times is to lure industry to the state with promises of an anti-union climate, responded favorably to the UE initiative and adopted the union's alternative use plan as its own focus in seeking a new employer to take over the plant.

The governor of South Carolina voiced support for the union's proposal and assigned staff to monitor developments. South Carolina Senator Strom Thurmond, an extreme rightist Republican, vied with conservative Democrat Ernest Hollings for prominence in backing the conversion effort. Reverend Jesse Jackson, campaigning for the Democratic presidential nomination at the time, led a labor-community rally in support of the alternative use plan and met with GE chairman John Welch to appeal for a positive response to the union's proposals.

The Catholic bishop of Charleston, Rev. Ernest L. Unterkoefer, declared the GE workers' conversion campaign a model of approaches urged in the newly-released bishops' draft pastoral letter on the U.S. economy. Bishop Unterkoefer and other South Carolina clergy, in an impressive display of ecumenical and multiracial unity, sponsored a community forum on the alternative use plan, an event that drew wide participation and support in the Charleston area.

GE officials declined the Bishop's invitation to appear at the community forum. The company was clearly in a hunkered-down mode, saying publicly only that the union's alternative use plan did not "fit in" with GE's own business strategies. By early 1985 it became clear that the company did not intend to convert the plant. The union then asked GE and the State Development Board to singly or jointly fund a more detailed feasibility study to make the conversion plan attractive to another employer who could take over the plant. GE refused, and the Development Board said its budget did not permit such funding. State officials did offer seed money from a special governor's account for a multi-party study, but matching funds did not materialize.

In May 1985, GE closed the Charleston plant. By then only a skeleton crew of maintenance workers remained. Despite the closing, UE Local 1202 held a special membership meeting and a press conference to declare that its economic conversion efforts were not ending. Attempts to find a new employer to adopt the alternative use plan would continue, said local union leaders, and any move by the State Development Board to market the facility must reckon with the union's determination to see its members' jobs restored.

Lessons

The activities and experience of UE the Charleston GE plant contain seven activists. The Charleston effort showed conversion principles to a non-military type of workers and unions that can become movement. The UE conversion drive of local union leadership and member resignation when the company first announced an active, organizing, self-educating push to save the plant.

The mostly black leadership of the U.S. carpet industry, demonstrated the planning for minority workers and the leadership in the conversion movement and Alternative Use Committee in as well, displaying the unity that exists between Charleston local, which has always had black officers.

The UE conversion effort also helped forces in South Carolina—unions, organizations, political figures and officials—better understand the potential of economic conversion. It was the progressive movements generally, the more in a year to move politics forward, than in a decade. To the extent we spread the Charleston story, the convers around the country spark a new interest.

The problems faced by UE Charleston analyzed. In contrast to the Lucas experience, engineering workers were largely organized to the Corporate Plan, GE salaried and non-union, tend to be management-oriented and exceptions—are not inclined to cooperate. Charleston GE workers went far beyond expectations in their professional and technical top-notch design, engineering, marketing. Another problem for the UE conversion was the dominant anti-union culture officials and State Development Board courteous and responsive, but the union
Lessons

The activities and experience of UE’s alternative use drive at the Charleston GE plant contain several lessons for conversion activists. The Charleston effort showed the applicability of conversion principles to a non-military setting, widening the scope of workers and unions that can become active in the conversion movement. The UE conversion drive transformed the sentiment of local union leadership and membership from one of passive resignation when the company first announced the plant closing to an active, organizing, self-educating attitude throughout their push to save the plant.

The mostly black leadership of the UE Charleston local and the makeup of the Alternative Use Committee, reflecting the majority black workforce, demonstrated the importance of conversion planning for minority workers and the potential for minority leadership in the conversion movement. The local union leadership and Alternative Use Committee included white UE members as well, displaying the unity that always characterized the Charleston local, which has always had a mix of black and white officers.

The UE conversion effort also helped mobilize and educate other forces in South Carolina—unions, churches, community organizations, political figures and others—on the job-saving potential of economic conversion. In a difficult climate for progressive movements generally, the UE drive accomplished more in a year to move politics forward in the state than had been done in a decade. To the extent widespread media coverage spread the Charleston story, the conversion message reached allies around the country, sparking a new interest in conversion.

The problems faced by UE Charleston members must also be analyzed. In contrast to the Lucas example, where design and engineering workers were largely organized and able to contribute to the Corporate Plan, GE salaried and engineering personnel are non-union, tend to be management-minded and—with some exceptions—are not inclined to cooperate with hourly workers. Charleston GE workers went as far as possible on their own resources; future conversion campaigns will have to find new ways to involve professional and technical employees and secure top-notch design, engineering, marketing and planning advice.

Another problem for the UE conversion leaders in Charleston was the dominant anti-union culture of South Carolina. State officials and State Development Board staffers were always courteous and responsive, but the union leaders who met with
them always had the nagging feeling that they were reluctant to go all-out for the union's plan. After all, South Carolina seeks to attract new industry by touting its right-to-work law and low rate of unionization.

Even when firms can be persuaded to pursue conversion possibilities, they still have to overcome what business analysts call "barriers to entry"—the obstacles to a company's moving into a new product line. Alternative production of socially useful goods is a glowing ideal, but for the foreseeable future conversion victories, if we are to have any, must come in a capitalist economy where profitability will still be decisive. If a particular product line is economically feasible, other companies are likely already involved in that product or at least have a head start in moving toward it. Capital requirements, economies of scale, marketing and distribution networks, research and development capability, existing competitive conditions, brand name recognition, brand loyalty, switching costs (the costs incurred by potential customers in switching to a new supplier)—all these factors must be considered in deciding whether to move into a new product line. Conversion proposals can pinpoint a product with promising growth potential, but other companies might well have impossible-to-overcome advantages in responding to new demand for such products.

The same considerations ruled out pursuit of an employee buyout to prevent the GE Charleston plant closing, an option suggested at one time or another by nearly everyone who became involved in the project. There was no way 450 employees could take over a $35 million plant and compete against General Electric, Westinghouse, Siemens, Phillips, Matsushita, Hitachi and other multinational giants already producing alternative energy and environmental systems.

A further lesson GE Charleston workers have drawn from their effort is that waiting until after a plant closing announcement to try to launch a conversion campaign is probably too late. Once a company makes a plant closing decision, it is not inclined to admit that its workers came up with a plan for saving the plant that the company was unable to see. It is not just a matter of immediate embarrassment. A conversion-based reversal of a plant closing decision raises wider questions: Who needs management? Who should run the economy? What is production for?

In Charleston, even the one year's advance notice of closing left the union little effective time to turn around a company like GE that thoroughly plans and implements a major closing decision. Unions must instead integrate conversion planning into their collective bargaining programs; process, every set of negoti- should include discussions of .

Perhaps the most important is that conversion is primarily a in technical expertise. General E to refine and apply the union's s under enormous pressure the c group in Charleston found tha need for legislation is paramount, with a stronger, gr- sympathetic national and state g local might have brought enough the conversion plan.

At the urging of UE Local 12 Herbert Fielding introduced le\ by requiring alt Fielding bill, South Carolina e closing would first have to un-study" of alternative product line workforce. Employers unable to own would be assisted by the St with management and employe the Fielding bill calls "an ec alternative use that would, if imj at the affected facility." The U Charleston is lobbying the stat-

The UE leadership is continuing Development Board to bring a r union still believes that the A production at the plant and brir turn of events may yet bring a c. It would be a tremendous boost would remain a special case with programmatic action by local, sta Only government has the resou an overview to determine what is the leverage to compel compani job of the conversion movement allies in peace and civil rights a to mount a political struggle that on conversion.
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Perhaps the most important lesson in the Charleston experience is that conversion is primarily a political struggle, not an exercise in technical expertise. General Electric had all the expertise needed to refine and apply the union’s alternative use proposals, but even under enormous pressure the company was not moved. The UE group in Charleston found that the role of government and the need for legislation is paramount. In a more favorable political climate, with a stronger, growing labor movement and a sympathetic national and state government administration, the UE local might have brought enough pressure to bear on GE to swing the conversion plan.

At the urging of UE Local 1202, South Carolina state senator Herbert Fielding introduced legislation to avert plant closings in South Carolina by requiring alternative use planning. Under the Fielding bill, South Carolina employers contemplating a plant closing would first have to undertake an “economic feasibility study” of alternative product lines that would preserve the existing workforce. Employers unable to carry out such a study on their own would be assisted by the State Development Board, working with management and employee representatives to devise what the Fielding bill calls “an economic conversion program of alternative use that would, if implemented, maintain employment at the affected facility.” The UE Alternative Use Committee in Charleston is lobbying the state legislature on the bill.

The UE leadership is continuing to monitor efforts by the State Development Board to bring a new employer into the plant. The union still believes that the Alternative Use plan can restore production at the plant and bring back the lost jobs. A fortunate turn of events may yet bring a conversion victory in Charleston. It would be a tremendous boost for conversion advocates, but it would remain a special case without addressing the need for strong programmatic action by local, state and federal government bodies. Only government has the resources to do the necessary studies, an overview to determine what is socially useful production, and the leverage to compel companies to accept conversion plans. The job of the conversion movement, therefore—workers, unions and allies in peace and civil rights and community organizations—is to mount a political struggle that will advance government action on conversion.