

## CHAPTER II

### THE TRANSFER OF WORK-PEOPLE FROM WAR TO PEACE EMPLOYMENT

WHEN it became evident in the autumn of 1918 that peace must come soon, anxiety was naturally focussed on the problem of transfer, particularly of the transfer of wage-earners. Vast armies would have to be rapidly demobilised and work in war factories, which had been engaging several millions of men and women, would come abruptly to an end. Would alternative work be available for them? Could their transfer to such work be accomplished without great masses of would-be employees being thrown for a long period into involuntary idleness, with resultant dangerous reactions upon our whole social and political life? This question could not be answered beforehand with any assurance. It was the clear duty of the Government to watch over and, so far as might be, protect the process.

In the earlier stages of the Breathing Space there was considerable anxiety about the chances of a revival of private demand adequate to fill quickly the gap left by the cessation of Government orders — an anxiety which the figures to be given in Chapter III show to have been not without warrant. Thus in December Mr. Churchill stated: "We are making special efforts to obtain orders from Government Departments, from the Colonies and the Dominions and from public bodies, with a view to placing them to the greatest advantage . . . to develop alternative industrial production as a stop-gap pending the transition from war to peace industry". Sir Auckland Geddes later referred to "public works, which in their execution will

give a wide range of employment and will spread employment through a large number of trades". The Report of the War Cabinet for 1918 spoke of authority having been obtained to enable the Minister of Munitions to place interim orders for certain standard products, and of arrangements made with the Railway Executive and the Board of Trade to place large orders, if necessary, for locomotives and waggons, "such orders to be placed with special regard to the smoothing of the transition from war to peace industry". In December a recommendation of the Machinery of Government Committee to institute a Ministry of Supplies had been provisionally adopted; and Mr. Churchill's successor was actually appointed under the title of Minister of Munitions and Supplies. Already during the war the Ministry of Munitions had made enquiries from other Departments and from local authorities as to their requirements for steel for immediate post-war contracts for work delayed on account of the war. But the response had been meagre, and the result of a census of available orders two days after the Armistice was not encouraging. It was suggested that, in order to overcome the reluctance to place orders at a high-cost level, the Government might agree to bear the difference in cost of placing an order now and a year later, or else relax the embargo on borrowing by local authorities and adopt a more lenient attitude to capital issues by commercial firms. The Ministry was apparently prepared at the time to give advance-orders to producers, even at the risk of being left with material on its hands for disposal; and the Treasury even gave consent to this course of action, provided that offers of financial assistance were not made before the orders were placed. But in its operation this policy appears to have been cautious and faint-hearted. A few small orders were placed among steel-works and copper-smelters; but Lord Inverforth, who succeeded Mr. Churchill, was apparently hostile to the

placing of any advance-orders in anticipation of demands from other Departments and local authorities, chiefly on the ground that this " would leave the Government without an answer to the trade deputations who were pressing for the retention of national factories by the Government ". When several firms, that had previously been engaged on armaments, approached the Ministry with a request for orders for railway engines in view of a probable large demand for engines in the near future, it was decided not to place any such orders except against the stipulated requirements of the Railway Executive. Never very largely or boldly conceived, this policy seems to have been quickly submerged in the campaign to liberate private enterprise from control and from the rivalry of State enterprise.

The position at this stage, though fundamentally similar, was different in detail for persons engaged in civilian war work and for members of the Forces. For the former the return of peace had an indirect impact through the cessation of Government orders for the goods they had been making ; for the latter a direct impact through the act of demobilisation. The indirect impact turned out to be the more abrupt. On 24th October 1918 contractors were informed of a decision by the Ministry of Munitions that " contracts for such stores as will serve no useful purpose in peace should be terminated abruptly . . . instead of continuing deliveries for the period stated in the present form of Break Clause " ; and that claims for compensation for cancellation of the notice-period would be open to consideration at a later date. The policy of the Treasury was laid down in a communication to the Ministry a week after the Armistice, as follows : " Even if termination involves the sacrifice of expenditure already incurred, it may well be more in the public interest, on general economic as well as on financial grounds, to avoid further expenditure of money and the use of labour and materials, which will

ultimately be urgently needed elsewhere, than to complete munitions of war that are no longer required". In accordance with this policy, notice to terminate explosives contracts was given immediately after the Armistice; and chemical contracts were liquidated within a few weeks. Machine-tool orders were cancelled immediately where the machines were of a special-purpose type; but, where they were of a general-purpose type having a post-war market, some postponement was allowed, and deliveries were later passed to the Disposal Board for sale. At the Armistice the Ministry of Munitions had over twenty thousand outstanding contracts other than for aircraft, explosives and chemicals. By 21st January notice to terminate had been given in four-fifths of these; so that work on munitions contracts had virtually ended by the early spring of 1919. The liquidation of aircraft contracts was longer delayed, owing to the unusual length of the notice-period that was necessary for them. But by the end of January arrangements had been made also for the tapering off of work on most of these. On the whole, the date at which the representative person engaged on war work lost his or her indirect Government employment was earlier than that on which the representative man in the Forces lost his direct Government employment.

Again, whereas every man demobilised from the Forces had to find a new job and a new employer, a number of persons in industry, who ceased to work indirectly for the Government, might hope to continue at very nearly the same job and with the same employer. Thus mechanical transport equipment had civilian uses, especially spare and semi-manufactured parts. Labour in the optical and glassware industry was easily adaptable to civil work. Certain of the constituents of explosives, like toluol and benzene, could be sold to private consumers. Small engineering firms could sometimes switch their plant quickly from

cartridge-cases and fuses to gramophones, from aero-engine sparking-plugs to commercial plugs, from aircraft components to motor parts. It was generally true that, as one travelled back from final to primary product, the possibility of adaptation increased, although the rate at which it did so varied greatly in different industries. Given the requisite demand, iron and steel could be switched over almost without any interval from war orders to the service of peace-time needs. In sum, of the total number of controlled establishments within the jurisdiction of the Ministry of Munitions, it was estimated that about half had been engaged in war-time on work the same as, or fairly similar to, their normal peace-time work. Plainly the difficulties of transition were likely to be less for persons employed by these firms than for demobilised soldiers.

As against this was the fact that demobilisation of civilian war workers could not easily be regulated with regard to the opportunities awaiting them elsewhere; whereas in demobilising the Forces the Government could, and did, in some measure, take account of these. Thus, by an order of the 16th December, 1918, it tried to secure priority of release for slip men, *i.e.* men with definite offers of employment, for men in certain trades and for men on leave producing written offers of employment.<sup>1</sup> Difficulties arose and, in order to prevent jealousy and ill-feeling, it was found necessary on the 7th January to stop preferential treatment of men on leave. On that date demobilisation was opened for all men in receipt of offers of immediate work. To release at an early stage key workers, whose presence in industry was necessary before others could be taken on, and men with definite offers of work, was a sensible way of helping ex-Service men to be absorbed into civil life. This purpose had, however, to be subordinated in some degree to conceptions of fairness between men of

<sup>1</sup> Dearle, *An Economic Chronicle of the Great War*, p. 235.

long and short service, between older and younger men and between married and unmarried men.

Besides differential demobilisation there were two other ways in which the Government tried to look after demobilised members of the Forces, but not demobilised war workers. Service men on demobilisation were granted twenty-eight days' furlough — they appeared in the statistics as demobilised men at the beginning, not at the end, of this furlough — with full pay together with a war gratuity. Privates of less than one year's standing received the lowest gratuity, namely £5. Further, the Government tried to help men whose training had been interrupted by the war, or who had suffered disabling injuries, to recover, so far as might be, what they had lost. Thus, in the middle of December, schemes for higher education and training were announced and students were given grants for University education. In the following February a scheme of State assistance to enable men to complete apprenticeships which had been interrupted by war service was announced. An Industrial Training Department of the Ministry of Labour was formally constituted to organise training for demobilised ex-Service men and civilian war workers, and to control, in place of the Ministry of Pensions, training, other than curative, of disabled men. In principle this arrangement also was obviously sensible, and something of the same kind would need to be done in any similar emergency.

These differences of treatment between civilian war workers and members of the Forces deserve attention. In the broad picture, however, they are secondary incidents. The dominant fact was that, as a result of the return of peace, an enormous number of persons were liable to be thrown suddenly on the labour market and so might have found themselves at a grave disadvantage in wage bargaining, and faced with serious difficulty in finding new employ-

ment. To obviate these things and the social unrest, which, if they came about, would inevitably follow, the Government adopted two lines of policy.

First, on 21st November it passed through Parliament the Wages (Temporary Regulation) Act. The main purpose of this Act was "to secure the maintenance, for a period of six months, of the minimum wages generally applicable at the date of the signing of the Armistice in each trade or branch of a trade or district to each class of workmen, except in so far as these minimum wages are varied by arbitration or by agreement".<sup>1</sup> In the conditions immediately following the Armistice some such Act was undoubtedly a wise precaution. Nor does the fact that a few months later the tendency of wages was upwards prove that it was superfluous; for immediately after the outbreak of peace untoward happenings might easily have taken place. In September 1920, after two renewals, the Act was allowed to expire.

Secondly, provision was made for out-of-work donation to be paid by the State both for ex-Service men and also for unemployed civil workers. In the *Labour Gazette's* summary of the scheme the civilians envisaged are spoken of as "civil war workers", by which apparently is meant persons employed by "factories and firms engaged on work for the Ministry of Munitions".<sup>2</sup> But, in his evidence to the committee of enquiry into the working of the scheme, the representative of the Ministry of Labour said: "Owing to the concentration of all the nation's resources on the prosecution of the war almost every industry, in Great Britain at any rate, was dependent, to a greater or less degree, on the war effort, and would suffer dislocation when the effort ceased. It was, therefore, decided that the only way of meeting the situation was by making a free grant

<sup>1</sup> *Labour Gazette*, November 1918, p. 485.

<sup>2</sup> *Ibid.* December 1918, pp. 437-8.

of out-of-work donation for a limited period to unemployed civilian workers, as well as to demobilised men.”<sup>1</sup> The test of eligibility for a donation was that the applicants should have been employed contributors under the Health Insurance scheme before 25th August 1918, or should give proof of employment before that date if between the ages of 15 and 18 or over 70.<sup>2</sup> It thus appears that, broadly speaking, all civil workers were counted as war workers and were eligible for out-of-work donation. For ex-Service men this donation was, in the first instance, made available for twelve months after each man’s demobilisation, for civilians for six months from a date to be appointed. Ex-Service men were to be eligible for 26 weekly payments, civilians for thirteen. At a later date eligibility was extended for both classes. The rates of payment, originally 24s. a week for men and 20s. for women, plus children’s allowances, were also modified. The scheme was intended as an interim measure pending the elaboration of a system of universal contributory unemployment insurance. In the circumstances some such scheme was essential if great distress and dangerous repercussions were to be avoided. Since, however, at the present time a general system of unemployment insurance exists, the situation against which it was intended to guard cannot arise again. Therefore, since the purpose of this volume is to study past history, not for its own sake, but chiefly for the guidance it may afford for action, the 1918 scheme need not be described in detail here. A clear account of it is given in the *Labour Gazette* for November 1918.

On the ground thus prepared and softened by State planning the task of ejecting as painlessly, but also as rapidly, as possible a great army of persons from the occupations in which they were engaged, and transferring them to others, had to be undertaken — and undertaken,

<sup>1</sup> Cmd. 407, 1919, p. 1.

<sup>2</sup> *Ibid.* p. 2.



not by any supervising autocrat, but, so to speak, by the invisible, or if we will, the blind hand of our interlocked economic system. As we have seen, a large number of the civilian workers displaced did not need to leave their trade or their factory, or even their job — a job, say, in metal-working or engineering that could be used in war work but was not specialised to it, and could equally well contribute towards making civilian goods. None the less, the number in the Armed Forces and in civil war work that had to be definitely transferred was very large. What happened to these men? How far in fact were they thrown during a prolonged period of transition into involuntary idleness?

Down to 1911 the only statistics of wide range available for measuring such idleness were the percentages of members unemployed returned at the end of each month by certain Trade Unions.<sup>1</sup> In spite of the fact that the membership of the Unions concerned was not large — until 1900 it was under half a million, and even in 1920, its maximum year, it only slightly exceeded a million and a half — there is reason to believe that these percentages, particularly when corrected to allow for the over-representation of engineers and ship-builders in the Unions making returns, provided a reasonably good index of the proportion of unemployment prevailing from time to time throughout industry as a whole. In a discussion before the Royal Statistical Society in 1923 Mr. Ramsbottom of the Ministry of Labour, after mentioning the chief considerations which might suggest that the statistics were unrepresentative, said that, in his own view, “before the war, in times of good trade the Trade Union percentage — crude percentage, as originally published, — approximated very closely to the actual level of unemployment among the wage-earning population”, but that, in times of bad trade, on account

<sup>1</sup> During the war the percentages were based on the number of men on a Union's books minus the number of men serving with the Forces.

of the undue weight given in it to the highly variable engineering and ship-building trades, "it over-rated the amount of unemployment".<sup>1</sup> Under the Unemployment Insurance Act of 1911 and the further Act of 1916 additional statistics were collected ; but these, owing to the complicating effect of out-of-work donation, are not available between the Armistice and November 1919. Hence for that period they cannot be used to supplement the Trade Union figures. Those figures were, November 1918, 0.5 per cent, April 1919, 2.7 per cent, May 1919, 2.1 per cent ; so that employment in April-May 1919 was about 2 per cent higher than in November 1918. At this time the total number of wage-earners seeking work can hardly have exceeded 16 millions. Hence, according to these figures, the number of persons involuntarily out of work in April-May 1919 was not much over 300,000 ! In view of all the circumstances this figure is fantastically small and cannot possibly be correct. The explanation *may be* that men in receipt of out-of-work donation who had been serving in the Forces did not, for the most part, as yet report themselves to their Unions as out-of-work. The fact that the Trade Union figures refer to skilled men is also relevant. But, whatever the explanation may be, it is quite certain that these percentages are worthless for a study of this period, and ought not to be cited.

There are, however, available statistics published in connection with the post-Armistice scheme for out-of-work donation. This scheme, as already noticed, covered all wage-earners, whether ex-Service personnel or others, and whether male or female. At the end of April 1919, the number of persons holding out-of-work donation policies, who were registered as unemployed, were :

<sup>1</sup> *Statistical Journal*, March 1923, p. 200. Mr. Hilton's paper, to which this discussion referred, furnished a corrected index eliminating this bias. Cf. Appendix, Section I, Table VII.

## EMPLOYMENT

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Ex-Service men . . .	380,000
Civilian male workers . . .	239,000
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Total males . . .	619,000
Female workers . . .	474,000
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Grand total	1,093,000

This was the largest total recorded in any month. It is, of course, much smaller than the difference between the numbers *employed* in November 1918 and April 1919 respectively, because that difference includes a large number of persons voluntarily withdrawn from gainful employment. At the same date there were some 350,000 men enjoying post-demobilisation furlough, most of whom, presumably, were not yet engaged in civilian industry.<sup>1</sup> From this time onward the number of persons in receipt of out-of-work donation rapidly and continuously fell, till in October 1919, the last month in which donation was paid to civil workers, the figures were :

Ex-Service men . . .	340,000
Civilian male workers . . .	101,000
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Total males . . .	441,000
Female wage-earners . . .	38,000
	<hr/>
Grand total	479,000

It would be wrong to claim that the whole of the large reduction in the number of persons receiving out-of-work donation between May and November carried with it a corresponding decrease in unemployment. Part of it was due to changes in administration and to the exhaustion in the later months of the rights (13 weeks in six months for civilians) of some policy-holders. Nevertheless, there can

<sup>1</sup> Since post-demobilisation furlough was for twenty-eight days, the number of men on furlough in any month must be roughly equal to the addition made in the month before to the total number demobilised.

be no doubt that a large part of the reduction was genuine improvement. In November, too, the number of ex-Service men on post-demobilisation furlough had fallen to about 170,000.

The improvement continued for the remainder of 1919, and, apart from difficulties in the engineering trade due to a strike of iron-founders, during the earlier part of 1920. A summary account of the movement of employment in 1920 was given in the *Labour Gazette* of January 1921 as follows: "At the beginning of 1920 there was much unemployment in the engineering industry and in some other sections of the metal trade owing to the shortage of castings, resulting from a general strike of iron-founders, which had begun in the previous September and was still in progress. In other industries employment was good on the whole. After the termination of the strike in January, employment in the metal trade improved, and in nearly all the principal industries it was good until the summer."<sup>1</sup>

At the end of April 1920 demobilisation was practically complete; at that date the number of ex-Service men in receipt of out-of-work donation was 217,000 (+ 2000 ex-Service women), falling in July to a minimum of 140,000.<sup>2</sup> Thus the great post-war transfer was substantially completed by the spring, or at latest the early summer, of 1920. Thereafter the state of and the fluctuations in wage-earners' activity that the country was to experience, though, of course, in large part an aftermath of the war, were incidents in the then established peace situation, not incidents in the transfer of men and women from war to peace employment.

The essential fact from the standpoint of this chapter is that at no time throughout the period covered by the trans-

<sup>1</sup> *Labour Gazette*, January 1921, p. 2.

<sup>2</sup> From this date onwards it rose; standing at 338,000 in February and 279,000 in March 1921.

fer did the number of persons involuntarily out-of-work — those on post-demobilisation furlough should not be included in that class — rise appreciably above the million mark. It only reached that mark during two months, March and April 1919. Moreover, it may well be that the high figures for these months exaggerate the amount of true involuntary idleness then prevailing. For, as we have seen, all civilian workers who were out-of-work were entitled to out-of-work donation for 13 weeks per six months. In these circumstances it is practically certain that a number of persons, particularly married women, who did not intend to resume work in industry, nevertheless exercised their legal right to claim donation. In so far as they did this, the number of workers whose unemployment was really involuntary was less than the number recorded as in receipt of out-of-work donation. The truth is even more favourable — involuntary idleness during the course of the transition was even smaller — than the figures cited indicate. Scarcely anyone before the event would have dared to prophesy that the great post-war transfer would be carried through so smoothly and with so little pain.