

UNITED STATES TARIFF COMMISSION
Washington, D.C.

TC Publication 115

TEA-W-57

November 25, 1963

TARIFF COMMISSION REPORTS TO THE PRESIDENT ON
CERAMIC MOSAIC TILE WORKERS' PETITION
FOR ADJUSTMENT ASSISTANCE

The U.S. Tariff Commission today reported to the President the results of its investigation No. TEA-W-5, conducted under section 301(c)(2) of the Trade Expansion Act of 1962. The whole of the Commission's report to the President may not be made public, since it contains certain information that would disclose the operations of an individual concern. Except for such information, however, the text of the report to the President is reproduced below:

In accordance with section 301(f)(1) of the Trade Expansion Act of 1962, the U.S. Tariff Commission herein reports the results of its investigation, conducted under section 301(c)(2) of that act, in response to a workers' petition for determination of eligibility to apply for adjustment assistance. The petition was filed with the Commission on September 26, 1963, by Edward L. Wright, attorney, on behalf of a group of workers from the Winburn Tile Manufacturing Co. of Little Rock, Ark., a subsidiary of the Mosaic Tile Co. of Cleveland, Ohio. The petitioners alleged that "increasing imports of ceramic mosaic tile caused in major part by concessions granted under trade agreements were the major factor causing unemployment or underemployment to a significant number of employees of the above-mentioned company."

The Commission instituted the investigation on September 27, 1963. Public notice of the receipt of the petition and the institution of the investigation was given by publication in the Federal Register (28 F.R. 10698). The Commission did not order a public hearing in conjunction with the investigation inasmuch as the petitioners stated that they did not desire such a hearing and no other interested party requested one.

The information in this report was obtained principally from the following sources: the petitioners; the Winburn Tile Manufacturing Co., the Mosaic Tile Co., and other companies of the ceramic mosaic tile industry; the Employment Security Division of the Arkansas Department of Labor, responses by individual companies to questionnaires prepared by the Tile Council of America; and the Commission's files, particularly data obtained in the course of the Commission's 1961 investigation (7-100) concerning ceramic mosaic tile. 1/

Finding of the Commission 2/

On the basis of its investigation the Commission unanimously finds that ceramic mosaic tile is not, as a result in major part of concessions granted under trade agreements, being imported in such increased quantities as to cause, or threaten to cause, the unemployment or underemployment of a significant number or proportion of the workers of the Winburn Tile Manufacturing Co., of Little Rock, Ark. (hereinafter referred to as Winburn).

Considerations Bearing on the Commission's Finding

The petition cites 51 production and related workers of Winburn who were reported to have been laid off after October 11, 1962, the effective date of the Trade Expansion Act of 1962. The Trade Agreements Extension Act of 1951, which was in effect immediately prior to that date, made no provision for adjustment assistance, and the Trade Expansion Act makes no provision for such assistance based on unemployment prior to October 11, 1962. The petition states that imports of ceramic mosaic tile increased during the past several years (except in 1961, when special conditions prevailed) and that the increase resulted in major part from trade-agreement concessions;

1/ U.S. Tariff Commission, Ceramic Mosaic Tile: Report to the President on Escape-Clause Investigation No. 7-100 . . . , TC Publication 16, 1961 (processed); Ceramic Mosaic Tile: Report in Response to the President's Request for Information Supplemental to the Report on Escape-Clause Investigation No. 7-100, TC Publication 45, 1961 (processed).

2/ Commissioner Dan H. Fenn, Jr., who entered on duty on Oct. 18, 1963, did not participate in the investigation or the finding.

that the increase in imports was the cause of the unemployment of the aforementioned 51 Winburn employees (all of whom were identified by name); and that additional Winburn employees were threatened with unemployment.

Winburn is engaged exclusively in the manufacture of ceramic mosaic tile. Since 1948 it has been operated as a subsidiary of the Mosaic Tile Co. (hereinafter referred to as Mosaic). The parent corporation * * * operates two other plants wherein ceramic tile is produced. In a plant at Zanesville, Ohio (operated directly by the parent corporation), it produces ceramic mosaic tile (generally used on floors), as well as ceramic wall tile. In another establishment, at Corona, California (operated through a wholly owned subsidiary), it produces both ceramic mosaic and ceramic wall tile.

Mosaic, through its exclusive handling of the sales and distribution of Winburn's product, in effect controls Winburn's output. It maintains warehouses throughout the country, some of which are in Winburn's sales area. The parent corporation is remunerated by Winburn for these selling and warehousing services. Mosaic's sales are allocated to its three plants by geographic regions; the general basis of allocation has not varied significantly since Winburn became a subsidiary. One notable exception to this procedure occurred, however, in the months from September 1961 through April 1962, during most of which period Mosaic's plant at Zanesville was closed largely because of a strike. In this period orders for mosaic tile from the Zanesville sales territory were filled chiefly with tile produced at Winburn. Accordingly, there was a substantial but short-lived buildup in Winburn's sales, production, employees on the payroll, and man-hours worked. Later, after customary distribution from the Zanesville plant had been resumed, retrenchment in production and employment took place.

The petition calls attention to this "special situation" from September 1961 to April 1962 affecting production and employment at Winburn. With reference to the strike that closed the plant at Zanesville, Ohio, the petition stated that--

In order to maintain adequate stocks at this distribution center [at Zanesville, Ohio] and to avoid losing even more business to importers, Winburn's output (and employment) was sharply expanded and assigned to fill the shortages created by the temporary closing of associated plants. As the associated plants reopened, Winburn's production declined.

The strike commenced in the middle of September 1961 and Winburn started to increase output and employment almost immediately. Production worker employment increased by more than 20% by the end of the month and kept rising all the way through the first quarter of 1962. The strike was settled in February 1962, but then another two months were consumed by the associated companies in rebuilding stocks, etc. As a result, Winburn production did not start declining until the end of April 1962.

Although the petitioners recognize that the strike at Zanesville had an effect on employment and production at Winburn, they state in their petition that--

None of the parties named in this petition, to the best of our knowledge and belief, were workers hired to meet the temporary "allocated production." Further, this petition is also directed to our fellow workers, now employed, who are clearly faced by the threat of unemployment or underemployment as a result of increased imports.

The statute invoked by the workers from the Winburn plant in filing their petition requires the Commission to determine whether "a significant number or proportion of the workers" are unemployed or underemployed primarily because of increased imports of an article like or directly competitive with that produced by Winburn, and whether the increase in imports occurred "as a result in major part of concessions granted under trade agreements."

If the Commission finds that Winburn has not been obliged to reduce significantly the volume of its output because of such increased imports, the Commission need not consider in what measure, if at all, unemployment and underemployment have taken place.

Unemployment stemming from other causes, such as industrial innovation (including automation), replacement of some employees by others, seasonal and cyclical variations in building activity, strikes, "normal" turnover, and other factors not directly attributable to import competition, provide no basis for an affirmative finding by the Commission under section 301(c)(2) of the Trade Expansion Act. Further, any reduction in the plant's output must, under the provisions of the Trade Expansion Act, be absolute--not merely a reduction in the ratio of production to either imports or total domestic consumption of the article under consideration.

The Commission observes also that its finding in 1961 (under sec. 7 of the Trade Agreements Extension Act of 1951) that the domestic ceramic mosaic tile industry was being injured by imports, creates no presumption that the Winburn plant--whose output per man-hour is among the * * * highest in the industry--has currently been obliged to reduce its physical output to such an extent as to necessitate a significant reduction in its work force.

In the instant case the Commission finds that such reduction in employment as may have occurred in the Winburn establishment in recent years must be attributed to causes other than reduced production and sales by that establishment and hence is attributable to causes other than increased imports. Likewise, increased imports cannot be considered as threatening to cause unemployment or underemployment.

* * * * *

If increased imports were the major factor--or indeed a factor at all--in any recent reduction in employment at Winburn, the impact of such imports would be manifested chiefly in a decline in Winburn's production and sales. However, Winburn's production of finished mosaic tile in the first 6 months of 1963 * * * was * * * greater than it was in the corresponding period of 1961. It was also * * * greater than the average production during the corresponding periods in the 3 years before the strike occurred (1958-60). Comparably, Winburn's sales of mosaic tile in the first 6 months of 1963 * * * were about the same as those in the corresponding period of 1961. They were equivalent also to about half of the average annual sales during the entire period 1958-60. Clearly the reported decline in employment at the Winburn plant reflected neither reduced production nor reduced sales and hence cannot be ascribed to increased imports.

* * * the average number of workers on Winburn's payroll was * * * smaller during January-June 1963 than the average for 1960, the year before the strike occurred in its associated plant, and * * * smaller than the average for 1958-60. During the period of the strike at Zanesville the number of workers on Winburn's payroll expanded rapidly. The number employed in December 1961 * * * was more than double the number in July of that year * * *. By the close of 1962--i.e., considerably after the termination of the strike--the average number of workers on the payroll had readjusted to the same level as that of July 1961 * * *. The Zanesville plant was strike free during the first half of both 1963 and 1961; it is significant, therefore, that the number of workers on the Winburn payroll was * * * greater during the first half of 1963 than in the corresponding period of 1961 * * *. Indeed, the number of workers employed in each of the first 9 months of 1963 was either equal to

or greater than the number in the corresponding month of 1961. During the first three quarters of 1963 the number of additions to Winburn's work force exceeded the number of separations.

Man-hours of employment in the Winburn plant followed a pattern similar to that indicated above for the average number of workers employed. * * * both production and man-hours of employment during the first 6 months of 1963, though lower than those in the strike-influenced period in the first half of 1962, were higher than those in the first half of 1961. The lower sales and employment in 1963 than in 1962 reflected largely the resumption of customary operations following the greatly expanded operations in 1962. * * * During the third quarter of 1963, the man-hours worked were * * * greater than in the third quarter of 1961.

As measured in man-hours, employment during the first half of 1963 was indeed smaller * * * than the average during the corresponding periods in the 3 years preceding the strike (1958-60). However, the production and employment data assembled by the Commission show that between 1958 and 1963 there was a substantial reduction in the man-hours of labor required at Winburn to produce a given quantity of tile. The increase in output per man-hour could alone account for the aforementioned decline in employment between 1958 and 1963. * * *

The Trade Expansion Act of 1962 provides for adjustment assistance for workers whose unemployment or underemployment is attributable to increased imports generated mainly by trade-agreement concessions. The statute makes no provision for adjustment assistance to workers whose unemployment or underemployment is attributable wholly, or in major part, to industrial innovation or other developments not directly assignable to increased imports.

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