STATEMENT OF THE MINORITY

OF

INDUSTRY COMMITTEE NO. 1

SUBMITTED TO

THE ADMINISTRATOR OF THE FAIR LABOR STANDARDS ACT OF 1938

This statement is in opposition to the recommendation of the Majority of Industry Committee No. 1, appointed for the Textile Industry under the Fair Labor Standards Act of 1938.

The Minority members of the Committee support the objectives of the Wage-Hour law. The decision to oppose the recommendation of the Majority was therefore taken with reluctance. However, the Minority earnestly feel that the success of this program to raise the living standards of the workers and to restore some measure of stability and prosperity to the industry is dependent upon a careful, informed, and realistic approach to these objectives, with due regard at every step to actual conditions prevailing within the industry, the declared policy of the Congress, and the plain requirements of the Act.

Stated differently, the Minority feel that nothing could so quickly and effectively discredit this whole pioneering approach to the problem of low wage and living standards as precipitate and ill-considered action at this stage, with its almost inevitable dislocations and loss of employment.

Believing this, and being firmly convinced, after hearing all of the testimony and carefully examining the record, that the recommendation of the Majority was not made in accordance with law or supported by the evidence adduced by the Committee or considered by it, the Minority respectfully request that such recommendation be disapproved by the Administrator for the following reasons:

A. <u>The recommendation of the Majority was not made in accordance with law.</u>

1. The Committee itself is not constituted with due regard to the geographical regions in which the industry is carried on.

Section 5 (b) of the Fair Labor Standards Act of 1938 (herein referred to as the "Act"), provides as follows:

> "An industry committee shall be appointed by the Administrator without regard to any other provision of law regarding the appointment and compensation of employees of the United States. It shall include a number of disinterested persons representing the public, one of whom the Administrator shall designate as Chairman, a like number of persons representing employees in the industry, and a like number representing employers in the industry. <u>In the appointment of persons representing each group, the Administrator shall give due regard to the geographical regions in which the industry is carried on.</u>" (underscoring supplied)

The intent of Congress in providing that representatives of each of these groups -- i.e., the public, the employees, and the employers -- should be appointed with due regard to the geographical regions in which the industry is carried on is, of course, obvious. In the words of Mr. Hinrichs, Chief Economist of the Bureau of Labor Statistics, "a true understanding of cotton-textile wages requires that they be viewed against the economic background of the areas in which the industry is located.(1)" To assure this, Congress mandatorily required that the personnel of an industry committee shall be appointed with <u>due regard to the areas in which the industry is carried on</u> and therefore presumably comprised of persons familiar with the conditions peculiar to such industry as it operates in the various sections and localities.

Note: (1) Bulletin 663, U. S. Dept. of Labor, Bureau of Labor Statistics, at P.73.

Of the total number(1) of employees under the jurisdiction of Industry Committee No. 1, 351,000 or 54 per cent, are located in the cotton-growing states, and 299,000 or 46 per cent, are located in other sections, principally in New England.

Any wage order will affect primarily employees of the related industry group of cotton manufactures, the largest group under the jurisdiction of Industry Committee No. 1, and the heaviest burden will fall upon the spinning division of the industry, approximately three-fourths(2) of which is located in the cotton-growing states.

An examination of Administrative Order No. 1 reveals that four of the seven public members, five of the seven employee members, and three of the seven employer members -- a total of twelve of the twenty-one members of Industry Committee No. 1 -- were appointed from non-cotton-growing states. In other words, while 75 to 80 per cent of the industry which would be directly affected by a wage order is located in the South, a majority of the Committee as a whole and an overwhelming majority of one of its groups (Employee) was appointed from other sections.

Can this fairly be said to be in compliance with the mandatory provision of section 5 (b) which requires that in the "appointment of persons representing <u>each group</u>, the Administrator shall give due regard to the geographical regions in which <u>the industry is carried on</u>"?

Moreover, apart from the fact that only two of the seven employee members were appointed from cotton-growing states, another serious question arises

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Note: (1) Estimated at around 650,000.
Note: (2) At the end of July 1938, there were 18,798,000 cotton spindles in place in the cotton-growing states, of which 18,128 were reported active. As of the same date, the New England states reported 6,777 spindles in place, of which 5,919 were active.
Bulletin 663, Department of Labor, P. 20.

as to whether the personnel of this group may be said to be representative of the employees of the Textile Industry as a whole. It is believed that every member of the present employee group is a representative of organized labor, whereas the vast majority of textile workers are unorganized. The Act requires the appointment of persons "representing employees in the industry". With most of the industry carried on in the South and with an overwhelming majority of its employees not members of any labor union, can it be said that this requirement of the law is satisfied by the appointment of five members out of seven from the ranks of organized labor and from a different section of the country?

The Minority do not feel that the committee was appointed or is at present constituted in accordance with the plain requirements of the Act and accordingly hereby submit that the recommendation of such committee as thus constituted, should not be recognized by the Administrator.

2. Administrative Order No. 1, under which Industry Committee No. 1 was appointed, provides no sufficient standards for the guidance of the committee.

The pertinent provisions of Administrative Order No. 1 are found in Paragraph 3 thereof, which is as follows:

> "The Industry Committee herein created, in accordance with the provisions of the 'Fair Labor Standards Act of 1938' and rules and regulations promulgated thereunder, shall investigate conditions in the textile industry and recommend to the Administrator", etc. (underscoring supplied).

In effect, Congress has by this Act delegated certain legislative authority to the Administrator. Without discussing at this time the case law on the subject, it is nevertheless established that such a delegation of legislative power, to be valid, must be made and exercised in accordance with certain reasonable and clearly defined standards. In other words, Congress may not abdicate its legislative function by transferring it to the executive branch of the Government and, within the permissible area of such delegation of legislative authority, it must be exercised within limits and in accordance with standards which serve as a definite guide for the Administrative Authority.

In this instance, the Committee was directed "to investigate conditions in the textile industry". What conditions? The Act states [Sec. 2 (b)] that--

> "It is hereby declared to be the policy of this Act, through the exercise by Congress of its power to regulate commerce among the several states, to correct and as rapidly as possible to eliminate the conditions above referred to in such industries without substantially curtailing employment or earning power" (underscoring supplied).

While it was established by the testimony adduced at the hearing and was, indeed, before this a matter of common knowledge that, generally speaking, the textile industry is a "sick industry", the question of the possible effect of any given wage order upon earnings as such was not considered by the Committee. Other and similar failures of the Committee to take into account factors intended by Congress and required by the Act to be taken into account will be discussed in another part of this statement. The contention here advanced -- and illustrated by the foregoing reference -- is that the direction to the Committee "to investigate conditions in the textile industry", as supplemented by the rules and regulations issued under the Act for the guidance of Industry Committees, established no sufficient standards for the guidance of the Committee in its studies and deliberations.

While an industry committee cannot itself establish or finally promulgate a wage order, nevertheless such orders may become effective only upon the committee's recommendation -- i.e., when the Administrator approves a recommendation, after a hearing, and after taking into account the same factors required to be considered by the Committee. Consequently, the role of the Industry Committees as fact-finding agencies is an important one and their duties and procedures should be defined with sufficient definiteness to enable them to discharge their functions as contemplated by the Act.

3. The Majority of Industry Committee No. 1, in arriving at its recommendations failed to take into account factors required by the Act to be taken into account in making a recommendation for a wage order.

The failure of the Administrator to establish sufficient standards for the guidance of the Committee was commented upon in the preceding paragraph. It is arguable that such failures or omissions might have been cured if the Committee had in fact considered and taken into account all of the factors required by the Act to be taken into account. That this was not done, however, appears from even the most cursory examination of the Act and the Record:

(a) The Act is based upon an alleged finding by Congress of "the existence, in industries engaged in commerce or in the production of goods for commerce, of labor conditions detrimental to the maintenance of the minimum standard of living necessary for health, efficiency, and general well-being of workers. . .".

The adequacy of any given wage to support a decent standard of living is dependent upon what it will buy. WPA, American Federation of Labor, and Industrial Conference Board statistics were introduced in an effort to establish that, while living standards were lower in the cotton-growing states, living costs were not -- or at least not appreciably so. Aside from the circumstance hat this conclusion and these figures are contrary to the demonstrable fact [illegible] di-tures for food, shelter, fuel, and clothing normally are less [illegible] te than in a cold one, no investigation was made of the bene[illegible] r at cost by southern mills for their workers, or of the size of th[illegible] . of the average mill town of the south. The Minority feel that this question of living costs in the different regions is one that should receive careful study by an unbiased agency of government which is not under the compulsion of establishing a case for large relief appropriations from Congress.

(b) In the same connection, no investigation was made of annual as distinguished from hourly earnings in the North and South. Obviously, 35 cents an hour with year-round employment is conductive to greater security and a higher standard of living than 60 cents an hour for four or five months out of the year. Nevertheless, this question, which is vital to any proper understanding of living conditions, was not touched upon by the committee.

(c) The failure of the committee to explore the possible effect of any given minimum wage upon earnings -- a subject specifically mentioned in the policy declaration of the Act -- has been commented upon.

(d) Section 8 (b) of the Act provides (in part):

> ". . . The Committee shall recommend to the Administrator the highest minimum wage rates for the industry which it determines, having due regard to economic and competitive conditions, will not substantially curtail employment in the industry" (underscoring supplied).

That language appears to be clear enough. It mandatorily requires that the committee, before arriving at a recommendation for a wage order, shall give due regard to economic and competitive conditions and shall determine, in the light of these, that the minimum wage recommended, if approved, will not substantially curtail employment.

Among the "economic" or "competitive" conditions or factors not considered by the committee, or given wholly inadequate consideration, may be mentioned-

Freight rates;
Taxation;
The economic consequences, in terms of increased purchasing power, of any given minimum wage recommendation;
The effect of Reciprocal Trade Treaties;
The probable effect of the pending Cotton Export Subsidy;
The effect of Government cotton loans on prices and the relationship of these artificial controls to the problems of the increasing use of substitutes and foreign competition.

Discussing these in the above-named order, a brief memorandum on "Competitive conditions as affected by transportation costs in the Cotton Textile Industry" was prepared by the Economic Section of the Wage-Hour Division, but it was not considered by the committee. Similarly, such testimony as was received on this subject was regarded by the committee -- and properly so -- as inadequate to enable the committee to arrive at any conclusions.

No pretense is made that, in the time and with the facilities and resources available, the Minority has been able to explore the question of competitive transportation costs with any degree of thoroughness or finality. Indeed, no obligation rests upon the Minority of this committee or other interested parties to prove that southern textile manufacturers are operating under a competitive disadvantage by reason of a discriminatory freight rate situation. It is the function of the committee, under the law, to investigate all important competitive factors and to determine from the facts whether, as between different geographical regions, or different elements within or in competition with the industry, a competitive disadvantage exists and, if so, the effect of the recommended minimum wage upon such situation.

The information on comparative transportation costs (1) which follows is therefore intended merely to establish that, as between the North and South, a competitive situation exists which, under the Act, the Committee should have taken into consideration. This data (2) prepared by Carl R. Cunningham, Manager, Traffic Department, representing Associated Southern Mills, North Carolina Cotton Manufacturers Association, Inc., and the Cotton Manufacturers Association of South Carolina, shows:

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(1) In cents per 100 pounds on finished cotton fabrics in original piece.
(2) The complete statement prepared by Mr. Cunningham, of which the following is only a summary, is attached hereto.

1. That the transportation cost, in cents per 100 pounds, via routes over which the lowest rates are available to the largest consuming market, New York City, from 50 representative origins in all sections of the Southern States, and from 50 representative origins in all sections of the New England States, averages approximately one-half cent per pound, or 51 cents per 100 pounds, higher from the South than from New England and the East.

2. That the transportation cost, via standard all-rail and rail and water routes, from Boston and Philadelphia, representative origin mill points in the Eastern and New England mill territory, and from Charlotte and Atlanta, representative origins in the Southern territory, to the 25 largest cities in the United States, averages (a) via standard all rail routes, 16 cents per 100 pounds higher from the South than from New England and the East; and (b) via routes over which the lowest rates are available, 27 cents per 100 pounds higher from the South than from New England and the East.

3. That the transportation cost, via standard all rail routes, from Atlanta, the recognized base group point in Southern mill territory, and from Boston, the recognized base group point in New England mill territory, to the 30 largest cities East of the Mississippi River, is 14 cents per 100 pounds higher from Atlanta than from Boston.

The foregoing information is intended merely to illustrate a single aspect of an extremely complicated problem. However, the Minority respectfully submit that in wholly neglecting to investigate or take into account this vital matter of discriminatory transportation costs, the committee failed to comply with the requirements of the Act and for this reason, among others herein discussed, the Majority's recommendation was not made in accordance with law.

The language of Sec. 8 (b) of the Act, ". . . having due regard to economic and competitive conditions, will not substantially curtail employment" clearly indicates a recognition by Congress that only by a careful consideration of all relevant economic and competitive conditions can it be determined whether a given wage order is likely substantially to curtail employment. The failure of the committee to delve into the freight rate situation has been noted. Another important competitive factor virtually ignored by the committee is that of the comparative tax burden under which the textile industry operates in the various sections and localities.

Frequent reference was made in the course of the committee hearings to those instances -- believed to be relatively insignificant in number -- of exemption of plants from local taxation by Southern communities seeking to entice industry away from other regions. No effort was made to ascertain the extent of this particular practice or -- what is of vastly more importance -- to weigh, as a competitive factor, the aggregate tax burden existing in the various regions in which the industry is carried on.

Taxes are a part of the inescapable cost of production. The tax bill must be included in the price of every piece of goods sold. So far as the Minority is aware, reliable information has never been assembled as to this element of the cost of doing business in the different regions in which the textile industry is located. The opinion seemed to be held by certain witnesses that taxes are lower in the South than in the North. Perhaps so. The point here made is that this is an economic or competitive factor which should have received the attention of the Committee.

It was asserted over and over again, however, -- especially by the proponents of a 40 cent minimum hourly wage -- that such an increase in wages would increase consumer purchasing power by an amount sufficient not only to compensate for the higher prices which would result from such increase, but by an additional margin sufficient to "stabilize" this sick industry and put it on its feet. This contention will be examined in detail in another part of this statement, but it is desired to point out here that, from first to last in its deliberations, the Committee made not the slightest effort to appraise or determine the economic consequences of any given minimum wage, including the one recommended, in terms of increased consumer buying power.

It should be recalled in this connection that, in a very real sense, the Industry Committee is the agency which must find and weigh the facts upon which a wage order is based. The Administrator cannot make a wage order except upon the recommendation of the Committee. It consequently follows, that while the Administrator may disapprove an ill-founded recommendation, he cannot cure errors, failures, and omissions by himself investigating conditions which, under the law, the Committee must consider as a basis for its recommendation.

By what amount would a uniform 32½ cent minimum hourly wage increase effective consumer buying power?

How many consumers would benefit from such increase and for what would they be likely to spend their money? For gas and oil? Or a new shirt or cotton dress?

What would be the <u>net</u> effect upon consumer buying power? The farmers -- to whom the law does not apply at all -- are among the largest consumers of cheap cotton textile products. Obviously, any increase in price would diminish their purchasing power. Would this off-set to an appreciable extent any gains in purchasing power among the textile and other employee groups benefiting from the provisions of the Act?

These and other related questions -- believed by the Minority to go to the heart of the whole matter of the probable effect of wage increases upon consumer buying power -- are left unanswered by the Committee. And it is respectfully submitted that, until these questions are answered in the light of a reasonable investigation and finding of facts, there is no basis whatever for the Majority's assumption that if its recommendation is approved, substantial curtailment of employment will not in fact result.

It is repeated again -- because the Minority feel that it cannot be emphasized too strongly -- that the function of the Industry Committee is that of affirmatively establishing, after reasonable investigation of all relevant economic and competitive conditions, that a wage recommendation higher than the statutory minimum will not substantially curtail employment. The function of the Committee is not to guess, or to hope, or to make recommendations based in part upon the failure of some other group to establish that such recommendation, if approved, will produce substantial unemployment. Its findings cannot rest upon default. They must be affirmative, complete, and based upon authenticated factual information.

The same general comment might be made with reference to the Committee's failure to make any adequate study of the probable long-range effects upon the Textile Industry of the Reciprocal Tariff Program, or to appraise the probable effect of the pending Export Subsidy Program in respect to raw cotton. Clearly the latter has an obvious and vital bearing upon the foreign competitive position of the Textile Industry as a whole, but it was not discussed or considered by the Committee. The same treatment was accorded those problems growing out of the Government's cotton-loan program. There is demonstrably a direct causal relationship between the increasing use of substitutes and these artificial price controls, but it was virtually ignored by the Committee.

(e) The Act states [Sec. 8 (c)] that "no classification shall be made, and no minimum wage rate shall be fixed, <u>solely</u> on a regional basis, and the Administrator shall consider <u>among other relevant factors</u> the following:

(1) Competitive conditions as affected by transportation, living, and production costs;

(2) The wages established for work of like or comparable character by collective labor agreements negotiated between employers and employees by representatives of their own choosing; and

(3) The wages paid for work of like or comparable character by employers who voluntarily maintain minimum-wage standards in the industry" (underscoring supplied).

What is the meaning of this language? The Majority correctly assume that regional differentials as such are prohibited by the terms of the Act, but did it go further than this and fail to give adequate consideration to the possible desirability of a regional differential based not <u>solely</u> upon a regional basis, <u>but also upon other competitive factors</u>, some of which are enumerated above? The Minority believes that it did and that it thereby failed to give effect to a clearly implied purpose of Congress that, if necessary to avoid substantial dislocations in employment, such differentials should be established.

(f) As will be seen, the chief impact of the proposed $32\frac{1}{2}$-cent minimum rate would be upon the Southern sector of the industry. Evidence was offered tending to establish (without taking into account various factors, such as discriminatory freight rates) that a wage differential of from 6 to 8 cents per hour now exists in favor of the South. And it was a primary endeavor of certain witnesses to establish that the "equalization" of this assumed differential should be a basic objective of any wage order.

Is this a permissible objective under the terms of this or any other Federal law? Ours is a system of delegated powers. The South has struggled for 75 years against various obstacles consciously erected to hinder and retard its industrial and commercial development. Chiefly as a result of these factors, it has recently been described as the "Nation's Economic Problem No. 1." The practical effect of this proposed minimum will be further to penalize this section in the interest of other and more favored sections. This question may have to be determined in another forum, but is there any constitutional authority under which, whether intentionally or not, Congress or an Administrative agency operating under a law passed by Congress, may penalize one section for the continued economize aggrandizement of another? The Minority doubts that such constitutional authority exists and respectfully submits that the purpose of this Act is to place such reasonable floor under wages and ceiling over hours as will not result in a substantial curtailment of employment. More specifically, <u>its purpose is not to perpetuate the punitive program of the carpet baggers under the guise of "equalizing" existing competitive conditions as such.</u>

To summarize this statement up to this point:

The Committee is not constituted in accordance with law;
Administrative Order No. 1 provides no sufficient standards for the guidance of the Committee;
The majority of the Committee, in arriving at its recommendation, failed to take into account factors required by the Act to be considered in making a wage order, including among others-

Living costs;
Annual earnings;
Freight rates;
Taxes;
Effect of any given wage order upon consumer purchasing power.
Effect of Reciprocal Trade Treaties;
Effect of a Cotton Export Subsidy;

Effect of Government cotton loans on prices and the relationship of these artificial controls to the problems of the increasing use of substitutes and foreign competition.

It has also been noted that the question of the possible advisability of regional differentials based upon economic and competitive factors was not fully considered and that the "equalization" of existing competitive conditions, as between different sections, is not a permissible objective of the Act.

For the foregoing reasons, the Minority respectfully submit that the recommendation of the Majority was not made in accordance with law and hereby request that such recommendation be disapproved.

B. The Recommendation of the Majority is not sustained by the evidence adduced by the Committee or considered by it.

In weighing the probative value of the information and testimony upon which the Majority based its recommendation, three general principles should be kept in mind:

(1) As has been previously stated, the burden is upon the Committee to establish, having due regard for all relevant economic and competitive conditions, that a recommended minimum wage will not substantially curtail employment in the industry. Such finding must be based upon the greater weight of the evidence and upon an investigation of all the relevant economic and competitive factors.

(2) The probative value of opinion -- of which there is much in the Record -- is necessarily dependent upon the knowledge of the witness of the matter in respect to which his opinion is given. Thus, the opinion of a labor leader as to the merits of a jurisdictional dispute would be entitled to more weight than that of a mill superintendent while, conversely, the mill executive

might reasonably be expected to be better informed about markets or manufacturing costs, for example, than a labor leader would be.

(3) At the same time, the interests of the witnesses must be kept in mind and an effort made to sift fact from prejudice or economic predilection.

Measured by the foregoing standards, does the information and evidence adduced by the Committee and considered by it sustain the Majority recommendation?

The most pertinent and authoritative source of information made available to the Committee was the report on Wages in Cotton Goods Manufacturing (Bulletin No. 663), prepared by Mr. A. F. Hinrichs, Chief Economist for the Bureau of Labor Statistics. This report deals with certain aspects of the economic background of the textile industry and undertakes to provide an analysis of the wage data as they bear upon the problem of wage determination. It does not embrace -- or purport to embrace -- all of the factors required to be taken into account by the Committee and notably omits any satisfactory discussion of real wages, the effect of any given minimum upon the higher wage brackets, annual earnings, competition between cotton goods and paper, and the problems incident to the raising of capital for modernization purposes.

Bearing upon the economic position and outlook of the textile industry at the present time, however, Mr. Hinrichs states:

"The cotton goods industry, like other textile industries, is highly competitive . . . The intensity of competition in the largest branches of the cotton goods industry is indicated by all available information."(1)

(1) P. 14 - 15.

"The problem of earning a return on competitive capital investment takes on an entirely different aspect under conditions of expanding and static demand. Throughout the 19th century there had been an almost continuous expansion of the plant capacity of the industry, both in New England and the cotton-growing states. . . . There has been no expansion of the aggregate consumption of cotton over the last 15 years (underscoring supplied). . . These figures (table 11) seem to indicate a stabilization of demand, rather than a contraction, in which the market for cotton goods -- aside from year to year fluctuations -- is highly dependent upon the size of the national income . . . The total spindles in place in the United States have decreased from about 38 million for the United States as a whole in 1925 to about 26 million at the present time."(1) (underscoring supplied)

"Various (technological) factors have contributed to decrease the number of spindle hours required to process a bale of cotton from 15,300 in 1922-23 to a low point of 12,700 in 1936-37. . . . Spindles, when used today, are used more hours per year than was formerly the case. The search for economy has not overlooked the opportunity to spread a fixed annual overhead cost for taxes, insurance, depreciation, and even to some extent of management over more hours of machine operation in the year.(2)

". . . The industry is operating under bitter pressure that retards new investment and tends to drive old investment out of the cotton-textile industry by the bankruptcy route. . . It is apparent from the ability of a number of companies to realize net profits on sales that under efficient management and without the burden of idle equipment the industry as a whole would show considerably larger returns on net textile investment.(3)

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(1) P. 16, et seq.
(2) P. 23 - 24
(3) P. 31, 33; table 19 shows average annual rate of return for spinning and weaving companies 2.7%.

"As regards the importance of labor costs — the item which will be most affected by a minimum wage . . . From January 1933 to June 1936 the percentage of labor costs to total manufacturing costs ranged from 21.5 to 23.8 in weaving mills, from 23.8 to 27.3 percent in spinning mills, and from 27.1 to 29.2 percent in combined spinning and weaving mills(1) . . . For spinning and weaving mills as a whole, labor cost was about 29 percent of the total manufacturing cost, ranging from somewhat less than 25 percent on medium yarn count cloth to 40 percent on fine goods. Any change in wage rates will more seriously affect manufacturing costs in those instances where labor costs are large. In this connection it should be borne in mind that, in precisely those cases where labor costs are a large proportion of manufacturing costs, wages tend to be above minimum levels, and fewer employees would be affected by the establishment of a minimum wage. Under conditions of competition such as exist in cotton textile manufacturing, high-cost mills have tended to go out of existence . . . Inefficiency has been able to survive only as it was able to operate at unusually low wages . . . . Efficiency is a relative term; a mill that was efficient in 1920 will be relatively inefficient in 1938 if it has not modernized its equipment. <u>Leadership in efficiency by a mill or a region can only be maintained as new investment is continuously made</u>. <u>With the general unattractiveness of the cotton textile industry to outside capital, this means essentially that efficiency is maintained through the reinvestment of adequate reserves for depreciation</u> and that expansion must be financed from profits (underscoring supplied). The lowest wages are perhaps more frequently associated with equipment which would, of necessity, be junked in a fully competitive labor market . . . The existence of such operations is one of the factors which Industry Committee No. 1 will wish to consider."(2)

(1) "Labor costs are today estimated to be, on an average, about 36 percent of total manufacturing costs". From memorandum by Economic Section, Wage & Hour Division, P. 10.

(2) P. 34 - 35

"While there is no data on profits of the cotton textile industry at the present time (Nov. 1938), changing mill margins trace the changing fortunes of the industry quite closely(1). . . It has been lower in recent months than it has been over any extended period since 1933(2) . . . The present margins so far as statistical evidence goes, appear to be close to the costs of the most efficient producers (underscoring supplied). . . The evidence seems to indicate that any substantial increase of costs will result in corresponding increases in selling prices(2)".

"At least two-fifths of the spindles in place are nearly 30 years old and have been rendered obsolete(3) . . . In general, an equalization of wage scales will necessitate modernization of the more obsolete mills, or will result in a transference of business to higher-wage mills that are now partially idle because of competition from low-wage mills (underscoring supplied).

"The increase in the national average output per man-hour in the past ten years has been remarkable . . . For the period 1928 to 1936 as a whole, the increase amounted to 49 percent. . . The cotton-goods industry has given substantial evidence of its capacity to assimilate rising wages without increased labor-cost. The essential problem is one of the rate at which adjustments are made -- a problem that arises out of the fact that a wage rate increase at the moment that it is made usually involves an increase of labor costs, while output per man-hour rises gradually.(4)

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(1) P. 37. Table 24, showing cotton and print cloth prices and mill margins from 1923-38 reveal an almost steady decline from 24.71 for the last month of 1936 to 13.55 for September 1938.
(2) P. 142
(3) P. 52
(4) P. 47, 54.

"Any substantial increase in the price of cotton goods will tend to affect both foreign trade and the domestic market . . . The industry is primarily dependent upon the domestic market.[1]

"It is estimated that 40 percent of the cotton consumed in the United States is for wearing apparel, 40 percent for industrial and agricultural purposes, and 20 percent for household use. In certain industrial uses, cotton competes with paper, jute, and other low-priced materials. Increases in the price of cotton or cost of manufacture may force cotton out of a competitive position with these materials (underscoring supplied) . . . The fact that there is such a high degree of competition between cotton and other materials in the low-order uses shows the necessity of maintaining a balance between the cost of cotton goods and of competing products if shifts away from cotton goods are to be avoided. . . . The most important factor contributing to such elasticity as is found in cotton textiles may be the possibilities for substitution. The data presently available are insufficient for this Bureau to appraise the competitive relationships of paper products and cotton goods, for example (underscoring supplied). . . . . One may still wash in the brook and dry one's hands in the grass after a picnic, though paper napkins are now commonly strewn over the country-side . . . The development of paper towels, napkins, handkerchiefs, bags, and gummed tape are all evidence, in part, of successful competition with cotton . . . As regards household furnishings and apparel, there are insufficient data to warrant this Bureau drawing any conclusion as to the influence of price on consumption[2] (underscoring supplied) . . . There is ample evidence to indicate that the American market is not adequately supplied with cotton goods . . . On the basis of

(1) P. 143
(2) P. 60, 61, 62, 143.

such data as are now available, it appears that the most important single factor in determining cotton textile consumption for apparel and household furnishings is the amount of income of low-income groups."

"Average hourly earnings in August 1938 (of 319,000 employees) in 784 establishments in the cotton-goods industry were 38.35 cents . . . As of August 1938, there was an 8-cent difference between the average hourly earnings of Northern and Southern cotton mills, or 18 percent . . . In the interpretation of this difference, it is important to bear two points in mind: First, the figures are averages for all mills reporting (underscoring supplied); second, a small part of the difference is due to the types of mill in the two regions . . . The yarn division of the industry, which averages less than the industry as a whole, partly because of the occupational composition of the mills, is primarily concentrated in the South. In the sample presented, out of 48,878 workers in spinning mills, 41,601 were in the South. On the other hand, specialized weaving mills which average higher hourly earnings than in the industry as a whole, reported the same number of employees in the North and in the South. The regional difference in hourly earnings in mills that do both spinning and weaving amounted to about 6.9 cents as compared with the difference of 8 cents for the industry as a whole . . . Earnings in the cotton textile industry in the North are lower than in many other Northern industries, even for similar types of skill . . . Southern cotton wages are low relative to Northern cotton wages. But it does not follow from this that wages in the Southern branch of the cotton textile industry are also low relative to prevailing wages in other Southern industry. . . . The cotton textile industry in the South occupies a more intermediate position in the general wage economy than in the North. . . Cotton textile incomes are substantially higher in the South than farm incomes in that area[(1)] (underscoring supplied).

(1) Chapter 9.

"About one-tenth of the workers in the industry were affected by the 25-cent minimum wage. Virtually all of these workers were in Southern mills. . . A minimum wage of 30 cents for all workers will affect comparatively few workers in Northern mills and does not appear to involve any general change of wage scales for workers in occupations paid more than the minimum. <u>In Southern mills averaging 37.5 or more</u> the mere increase to 30 cents of workers receiving less than 30 cents an hour would not involve an increase of as much as one-half cent in average hourly earnings for all workers. On the other hand, <u>if such mills should attempt to maintain existing wage differentials between laborers and sweepers and groups of workers now receiving 30 cents or more, they will face an increase of 5 cents or more in average hourly earnings. Among Southern mills averaging less than 30 cents, even disregarding the existence of two separate wage scales at minimum levels, a 30 cent minimum will raise plant averages by about 4.7 cents</u>"(underscoring supplied).

In conclusion, Mr. Hinrichs states (in part):

". . .The competitive character of the industry assures that within comparatively brief period of time the benefits of technological advance are passed on to consumers or workers, or both. <u>There is no exorbitant profit margin to indicate exploitation of the consumers or workers</u> (underscoring supplied). The main question has been whether the benefits of technological progress were to accrue to the wage earners in the form of higher wages or to consumers in the form of lower prices. The Congress decided that workers should be benefited at least to the extent of ultimately receiving a wage of 40 cents, when such wage is possible without substantially curtailing employment. . . There seems to be little question that such a wage can be ultimately achieved. The main problems are <u>problems of Timing.</u> (underscoring supplied). It is one thing to say that consumers have benefited disproportionately by the technical advances of the last ten years; it is another to deduce from this the conclusion that substantial increases of cost can be made immediately without some decrease of consumption. It is one thing to acknowledge that a certain number of obsolete mills are bound eventually to be displaced, unless they are modernized; it is another thing to decide that they should all be displaced immediately.

In his subsequent testimony given in explanation of the Report, Mr. Hinrichs emphasized --

The low rate of earnings on capital invested, from which it was reiterated "that it cannot be assumed that increases in costs will not be reflected in higher prices";

That "the maintenance of obsolete equipment has been possible within the industry, purely because of the fact that it was possible to find in some localities relatively low wages so that the lower efficiency of the equipment of the workers was compensated from the manufacturer's point of view in terms of the lower wages being paid";

That larger quantities of cotton goods can be moved at low prices than at high;

That, "obviously the amount of wages which are spent by cotton textile workers, as such, on cotton textiles is a comparatively small part of their total income (underscoring supplied);

That (in his opinion) a 40-cent minimum wage would have "a very substantial effect upon the demand, not only for cotton products, but for other products as well, sufficiently large so that it would be a big part -- a permanent influence on the market";

That there is no information available as to what effect a 30-, 35-, 40-cent minimum would have upon the wages of the higher skilled groups (underscoring supplied);

That the cost of living -- in terms of the prices of food, clothing, shelter, etc. -- does not vary greatly as between the North and South, or as between large and small communities;

That "this discussion has nothing whatever to do with family income; . . . the differences in family income between communities may be very substantial"; and

That, anyway, "the kind of living which this income ($832) will buy in the small cities of the South does not seem to warrant lower wage rates in that area to take account of any differential which may exist between living costs in the North and South".

Notincluded in Bulletin No. 663, but introduced in connection with it, as related information, is the data, including a memorandum on "The possible effects of different minima on labor costs, manufacturing costs, and prices" prepared by Mr. Daugherty, of the Economic Section of the Wage-Hour Division, and his associates, on the relationship of labor costs to retail prices to the consumer.

According to Mr. Daugherty, labor costs are about 36 percent of total manufacturing costs.(1)

A 32½-cent minimum would increase labor costs <u>for the industry as a whole</u> approximately 4 percent and manufacturing costs 1.4 percent.(1)

The record becomes unintelligible at this point (top of page 39, vol. 1 of Hearings), but it appears that in computing the increase in the final price

(1) P. 10-11 Memorandum; See P.___ Ante, for Mr. Hinrichs' figures as to effect of 30-cent minimum on Southern wage structure.

of finished goods to the consumer, increases in certain processes subsequent to the first may have been omitted. In any event, Mr. Daugherty concludes that in the case of an article such as men's shorts, a 20 percent increase in wages at the mill would result in an increase in the price of the finished article, as it reaches the consumer, of approximately 3.9 per cent. It was his belief that prices for this type of wearing apparel are rather rigid and that it would require in the neighborhood of a 10 percent increase to cause the retailer to change his classification. Consequently, he concludes, any final price increase likely to result from a minimum wage within the power of the Committee to recommend would not be passed on to the consumer, but would be more likely to be "taken out of the tail of the shirt". This thought is repeated in the memorandum by the Economic Section of the Wage and Hour Division: ". . . No minimum wage order would appear to have drastic effects upon the industry as a whole or on the consumers of cotton-textile products (underscoring supplied).

The information made available to the Committee by Messrs. Hinrichs and Daugherty speaks for itself. All of it is interesting and most of it is pertinent to the subject under consideration, but it is respectfully submitted that, for the purposes of this Act, the information made available to the Committee was wholly inadequate to enable it to reach a legally defensible determination.

It is recognized that it is not the function of the Bureau of Labor Statistics or of the Economic Section of the Wage-Hour Division to draw administrative conclusions from the data submitted. On the other hand, the Committee should have been provided by these or by some other agency of the government with the raw materials -- inthe form of reasonably complete statistical data -- out of which an administrative determination might be fashioned. The Committee's task was to arrive at a minimum wage recommendation which, with due regard to the relevant economic and competitive factors, would not substantially curtail employment. In the light of this -- and in view of the fact that the impact of any wage increase would be felt most by mills -- many of which are nearly obsolete -- in the South -- what should the committee make of Mr. Daugherty's figures on the effect, upon the industry as a whole, of various wage minima?

The law requires that the Industry Committee shall not recommend, or the Administrator approve, a wage order which will substantially curtail employment. Obviously, the test here is not only that of the effect of a $32\frac{1}{2}$-cent (or any other minimum) upon the industry as a whole, or upon spinning or weaving or integrated mills as such, but also upon those small and marginal establishments, wherever located and of whatever nature, which are most likely to prove unable to carry on under the added burden. And the only way in which it could possibly be determined whether, for example, those nearly obsolete spindles, estimated by Mr. Hinrichs to comprise two-fifths of the total, would be put out of business by the proposed $32\frac{1}{2}$-cent minimum would be to make a survey of their present financial condition and prospects, whether a modernization program could be generally carried out, and, if not, how many jobs would be lost.

This information was not made available to the Committee, nor did the Committee make any effort to obtain it.

In this same connection, Mr. Hinrichs stated that "an equalization of the wage scale will necessitate modernization of the more obsolete mills, or will result in the transference of business to higher-wage mills that are now partially idle because of competition from low-wage mills.(underscoring supplied). In other words, the conclusion implied is that no net unemployment would result from the closing up and dismantling of the more obsolete mills.

Is this a well-founded conclusion? The Minority do not agree that it is. In the first place, the payroll of these small and marginal mills is the economic life-blood of many small communities. It is hardly likely that Congress intended that a definition of "Substantial unemployment" should be adopted which would not treat unemployment as real because it happened to be local. The Minority specifically contend and hereby take the position that any wage order which will close and put out of business a substantial number of mills will thereby substantially curtail employment within the meaning of the Act, even though there may be some transference of business to the more modern and lower-cost establishments.

But this is not the only sense in which the closing of these mills would substantially curtail employment. Aggregate net employment would be curtailed because, to the extent that a "Transference of business" should result, it would go to the more modern mills in which higher machine output requires fewer man-hours. Did Congress intend that this Act should be administered so as unduly to accelerate the existing trend towards the further displacement of men by machines? Or to promote monopoly and the further concentration of business in the large centers at the expense of small enterprise and small communities? The Minority do not think that it did.

Mr. Hinrichs spoke of the difference between "making existing records sing a new song and getting a new basic record". It appears to the Minority that, of all the statistical songs presented for the enlightenment of the Committee, none touched upon what is probably the crux of this whole matter. Indeed, until the committee knows, from a complete and thorough investigation, what will be the probable effect upon the small and marginal mills of further and drastically increasing labor costs, general information as to certain other effects of such increase upon the industry as a whole appears somewhat academic. That Mr. Hinrichs himself experienced some misgivings on this particular score is perhaps indicated by the following statement made by him:

> "It is one thing to acknowledge that a certain number of obsolete mills are bound eventually to be displaced, unless they are modernized; it is another thing to decide that they should all be displaced immediately." (1)

Of the other testimony received by the Committee, most of it was presented by organizations and individuals representing employers and employees. In order to understand this evidence and fairly appraise its probative value, it is necessary to examine the testimony of each witness in some detail. In the interests of brevity, however, an effort will be made to summarize only the conclusions of the witnesses and the principal reasons or data submitted in support of such conclusions.

The first group to be heard on behalf of the employers was the Cotton Textile Institute, headed by Dr. C. T. Murchison, and representing "70 percent of the cotton textile regions of the industry; the American Manufacturers Association, which includes the Southern division of the textile industry; the National Cotton Manufacturers Association, which is the more Eastern division; the National Rayon Weavers Association, which is national in scope; and the National Federation of Textiles, which includes the greater part of the silk weaving industry".

By brief filed with the Committee and in his testimony, Dr. Murchison offered evidence tending to establish--

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(1) Bulletin No. 663. Page 147

That the cotton textile industry, here and in other countries, is an industry of chronic adversities.

That, among the factors responsible for the instability and poor earning record of the cotton textile industry, were the increasing use of substitutes, notably rayon, jute, hemp, linen, and sisal and non-textile products like paper, leather, and rubber; changes in consumer spending; increased importance of fashion changes; and changes in bargaining strength. Bureau of Internal Revenue figures submitted reveal that in the period 1926-35, the cotton textile industry had only four profitable years — 1927, '28, '29, and '33. Moreover, "the effect of the textile depression on the . . . silk and rayon weaving industry was as great as on the cotton textile industry" . . . In the Northern section of the silk and rayon industry, during the period 1921-29, slightly more than 1000 firms went out of business and more than 1200 firms entered . . . In no year since 1929 has the number of (silk and rayon) mills reporting net income been in excess of 40 percent of the total.

That the high degree of mechanization of most textile processes has reduced the importance of skilled labor in the textile industries, as compared with such high-wage industries as iron, steel, and metal fabricating. However, measured by the ratio of wages to value of product or wages to value added, the textile industries rank high among the industries whose labor costs constitute a high percentage of total costs.

That the fixing of a 32½-cent minimum wage would require 1.3 cents to more than 20 cents, or from 4.2 percent to over 160 percent for more than 129,000 employees. Such increases would affect 44.2 percent, or 124,447, of the workers employed in the South and more than 6 percent, or 4,656, of the workers in the North.

That no information is available which would enable anyone accurately to appraise the effect of any given new minimum upon the entire wage structure. However, on the basis of such information as is available, a $32\frac{1}{2}$-cent minimum would require more than 80 percent of the Southern mills to increase wages from 0.8 percent to more than 116.7 percent. (1) The same minimum would require 16.5 percent of Northern mills to increase wages ranging from 3.4 percent to more than 39.4 percent.(1)

That even a small upward adjustment of wage rates would immediately increase production costs for some mills and a substantial increase would affect all mills. Such increases could not be met out of profits — which are largely non-existent. The present position of the industry provides no assurance that prices are likely to rise in the near future, thereby providing a wider spread between costs and selling prices. Moreover, "unless general economic recovery proceeds at a more rapid rate than we are now (January, 1939) experiencing, general purchasing power will not be adequate to absorb higher priced textiles". An increase in wage rates at this time will not enhance the ability of American mills to meet a growing volume of foreign competition. Such an increase is also likely to accelerate the process of modernization, putting high-cost mills out of business and resulting in extensive unemployment which will not be compensated for by an increase in employment in the more efficient mills. "The tragedy of the withdrawal of these mills from the industry arises from the fact that in the majority of instances these mills, whether they be cotton, rayon, or silk, are located in isolated communities that have no alternative sources of employment. In the cotton-textile industry, for example, more than one-half of the mills, employing 200,000 workers, are located in communities of less than 5,000 population."

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(1) As of August, 1938.

That "these industries are less able today to adjust themselves to a substantial increase in costs than they were five years ago under N.R.A.. The period that marked the legislative debate leading to the enactment of the N. I. R. A., and the time that transpired before the codes became effective were characterized by a sharp, though temporary spurt in activity and prices in all business lines. The pronounced upward trend in farm prices and in commodities generally increased purchasing power and 'cushioned' the impact of higher prices. The inauguration of the President's Reemployment Agreement and the rapid codification of almost all industries, both inter- and intra-state, tended to keep wage costs in various industries in line with each other. Furthermore, the textile code placed a limitation on machine hours and the N. I. R. A. provided machinery for increased protection from foreign competition . . . The favorable forces that accompanied the inauguration of the N. R. A. are absent today"(underscoring supplied).

In conclusion, Dr. Murchison indicated his belief that any considerable increase in the burden under which the cotton textile industry is operating at the present time will substantially curtail employment. "Wisdom", he said, "dictates that the objectives of the Act be approached slowly and cautiously".

A supplemental brief was presented to Sub-Committee "D" of Industry Committee No. 1 by the American Cotton Manufacturers Association representing the Southern Sector (comprising 80 percent of the total) of the cotton textile industry. This brief was not filed until March 1, but it and other information received by the Sub-Committee are summarized here in the interests of presenting all of the testimony of the Employer Group under a single heading. The brief was presented by Mr. W. M. McLaurine, Secretary and Treasurer of the Association, who stated (in part):

That -- with reference to the effect of the 25-cent minimum wage -- the time that has elapsed since October 1938 does not represent a sufficient time to estimate the effect of increased wages . . . However, the industry has been going through a very trying period since October and the information which is becoming available indicates a decrease in employment. . . The price of cotton goods has decreased during the period. The volume of cotton goods sales has not equalled production during this period. The number of cotton spindles in place has decreased during the four-month period ending January by 307,000 spindles. . . Last year for the first time the number of spindles in place in the cotton producing states has shown a decrease. Some of the older mills have found it impossible to compete on a 25-cent minimum. More mills will be dismantled as the wage rate increases.

That the same number of pounds of cotton yarn can be produced in a modern cotton mill by 80% of the spindles and 70% of the employees that is now being produced in a mill of which the average age is 20 years. . . A radical change in the wage scale will unduly accelerate modernization and substantially reduce the number of employees required to manufacture the same quantity of cotton into cotton goods. . . The cost of modernizing a cotton mill is substantial and many of the mills now operating in the South are not in a position to meet such capital outlay. This means that the marginal mills will go out of business, the poorly financed mills would be handicapped, and only the stronger mills could meet the requirements.

That the period from October through January has shown a marked decrease in the mill margin.

That the experience of the industry under NRA provides no assurance whatever that substantial increases in wage rates can be absorbed at this time. Economic conditions were widely different and the sentiment and outlook more favorable in 1933 than in 1938-9. Moreover, the textile industry never proved its ability to support the NRA wage structure after the first constructive effects of that legislation were spent.

That the competitive condition of the cotton textile industry has been adversely affected on account of the great inroads that paper has made in competition with certain cotton fibers, the increased use of rayon, the reciprocal trade agreement with Great Britian, Canada, and other countries, and the importation of flax, jute, and other fibers.

That the 25-cent minimum wage has increased the price of wood pulp per cord to such an extent that wood pulp may be imported from foreign countries, "and we are advised that when the minimum rate goes to 30 cents there will be an increasing danger of the importation of foreign wood pulp. <u>We beg to submit to the Committee that the threat of importation of foreign material and the corresponding decrease in employment in the United States will make it practically impossible for any industry committee to consider a higher wage for the paper and wood pulp industry than the 30 cents which Congress has fixed to be effective in October 1939. . . Any change in the minimum wage of the textile industry that does not, at substantially the same time, affect labor of similar skill and opportunity should not be adopted</u>" (underscoring supplied).

In conclusion, Mr. McLaurine stated the position of the Association:

> "We submit that we have been unable to find any evidence that would justify the Committee in ordering an increase in the minimum wage that could not be quickly refuted at a public hearing, as required by the law. We therefore beg of this Committee that there shall be no wage order at this time changing the minimum as fixed by law for a period of one year beginning in October 1938".

Generally in accord with the conclusions advanced by Dr. Murchison and Mr. McLaurine was the testimony of Mr. J. C. Serrine, Lowell Textile Engineer and expert in factory management. Mr. Serrine's brief was not made a part of the Record, but excerpts from his testimony before Sub-Committee "D" are included here because they tend to amplify the statements made by the Cotton Textile Institute and the American Cotton Manufacturers Association. Mr. Serrine stated (in part):

That an increase in wages does not necessarily increase the output of the textile worker, whose production is usually regulated by the speed of the machine.

That the last half of 1938 -- contrary to the impressions of some -- had not been a prosperous period for the industry.

That, during the 10-year period, 1928 - 1938, there has been a growth in the industrial use of cotton cloth and a falling off in the apparel use.

That less than 1 percent of all the workers gainfully employed are in the cotton textile industry, and an increase in their wages does not affect the wages of the other 99 percent, nor does it give the other 99 percent any greater purchasing power so far as the products of this industry are concerned.

That there are a great many isolated mills in small communities, and in many instances, those mills are not well equipped. <u>The effect of the higher minimum will be to put those mills out of business</u> (underscoring supplied).

That the textile industry is now running into very serious competition, not only in this country, but with other textile plants abroad, and with other fibers and substitutes.

That, "as fast as you raise the price, you also curtail the market...

High prices are the result, not the cause. They come as a result of demand. They don't make demands, they are a consequence".

That is not the purpose of this Committee or the purpose of the law to force anyone out of business, "and if you apply the terms of this law too drastically, you are going to put a lot of them out of business, at least temporarily. That is an inescapable, logical conclusion".

Other representatives of the Employer Group heard by the Committee were:

Mr. Burt C. Blanton and Mr. H. A. Burrows, representing the Southwest Textile Manufacturers Association comprised of some 32 mills in Texas, Oklahoma, and Arkansas. These witnesses stated that the mills of the Southwest operate under a severe handicap in transportation costs; that they need a wage differential of 5 cents per hour in order to continue to compete; and that the minimum wage to be set should not exceed 30-cents per hour.

Mr. R. W. Johnson, of Johnson and Johnson, New Jersey Manufacturers of surgical dressings, favored an immediate 40-cent minimum for the entire cotton textile industry. It developed, however, that he manufactures textiles only as a source of supply for a high-priced (1) specialized product and it was stated by Mr. Serrino that Mr. Johnson's knowledge of the textile business as such was "extremely limited".

National Textile Processors Guild, representing the textile dyeing, bleaching, and finishing industry (50 members out of 150 in the field). The memorandum submitted by Mr. Korzenik stated that

> "The labor employed in any dye house must be technically skilled, generally adept and imbued with a sense of great responsibility because of the delicacy of the work and the great damage that might result through ineptitude or carelessness."

(1) The average ratio of raw cotton prices to finished goods prices is that of 1 to 3 - 4; in the case of surgical bandages it is approximately 1 to 100.

He accordingly invited a wage order "above the minimum provided by statute". In response to a question, Mr. Korzenik stated that his association represented about 5,000 employees.

The Dyers and Printers Employers Association, representing 40 concerns, located mostly in New Jersey, and employing approximately 10,000 people. Mr. Paul Rittenberg, on behalf of this Association, urged the adoption of "the highest minimum wage in accordance with the provisions of the Fair Labor Standards Act of 1938". He stated that under a labor agreement now in force, unskilled employees receive 66 cents per hour. He did not state, however, -- although he was asked the question -- how many weeks per year the employees actually worked, but said the occupation was a seasonal one.

Textile Fabrics Association, of New York. Representing an undisclosed number of converters of textile fabrics. This Association, by letter from its president, Mr. W. P. Fickett, urged "the necessity of keeping the price of cotton goods as low as it is possible to keep it, without creating of course any substandard conditions of labor. Cotton garments are the apparel of the masses and every effort should be made to give as great a value for the consumer's dollar as possible.

Narrow Fabrics Institute, New London, Connecticut. Representing an undisclosed number of woven elastic manufacturers, braided elastic manufacturers, and braided non-elastic manufacturers; through their secretary, Mr. Wilwyn Herbert recommended a $32\frac{1}{2}$-cent minimum and urged a "very gradual change".

Rhode Island Textile Association, by letter from its secretary-treasurer, Mr. E. F. Walker, stated that "the members of this association would have no objection to a minimum wage of 30 cents or thereabouts, but not less than 30 cents".

"We might also add", Mr. Walker continued, "that we have very definite information from a number of our members that Mr. Wilwyn Herbert, secretary of the Narrow Fabrics Institute, did not represent their point of view on learners, nor will he represent their point of view at the hearing on the minimum wage if he appears."

Mississippi Textile Manufacturers' Association, by letter from Mr. Robert D. Sanders, president, enumerates the following disadvantages under which the textile industry operates in that state:

Discriminatory freight rates
A 1/4 of 1% manufacturers sales tax
Lack of any workman's compensation law
Location away from trained labor supply

Mr. Sanders states:

"We most earnestly present the above for your kind consideration and want you to know that if the same wages and hours are imposed upon Mississippi mills as the mills of the large textile centers, the textile industry of this state will be ruined and have to close down and put several thousand people out of work."

Mr. A. G. Myers, president of Textiles, Incorporated, Gastonia, North Carolina, in a letter addressed to the Administrator and turned over to the Committee states:

". . . I am of the opinion that a minimum wage of 30 cents per hour would not be out of place, while on the other hand a minimum wage above that amount would probably be out of line since it must be remembered that cotton goods must be produced as cheaply as possible since they are used in large quantities by the laboring element and the poorer classes. . . . I also feel that there should be some reasonable differential in the wage scale between the mill having its own village and the mill which does not have its village."

Mr. H. P. Claussen, of the Bemis Brothers Bag Company. Mr. Claussen was requested to take any given range in the gross cost of cloth and attempt to translate such increases in terms of increased cost per 1000 bags. He evidently presented a written statement to the Sub-Committee, but it was not made a part of the Record. In the absence of this statement, Mr. Claussen's testimony cannot be fairly analyzed.

Mr. Donald B. Tansill (unidentified in the Record except as a converter, "My responsibility is the laying out and styling of the products of the mill and seeing that these goods are sold. I am not in the manufacturing end of the business".) Mr. Tansill presented no prepared statement, but in response to questions by members of the Sub-Committee, stated:

That an increase of 1/4 or 3/8 cent per yard in the price of gray goods would not affect the volume of business, but query as to any increase beyond 1/2 cent.

In the case of certain articles - e.g., bed sheets, which have sold from 59 cents to $1.09, the volume sold at the lower figure was not greater than that sold at the higher.

"Confidence in the stability of the situation is as important as price."

Mr. Herbert O. Bergdahl (Requested by the Chairman of the Committee to present information to Sub-Committee "D" as to the effects of increased prices of goods on retail distribution). Mr. Bergdahl stated in part:

That rising costs are never absorbed, but are always passed on to the consumer.

That "always at the beginning of a price rise there is a run for the merchandise. Everybody buys to get under the price rise. Then, after they are loaded up, the mills are producing on a higher cost basis. Consumption declines because of the resistance, at leas to some extent, on the part of the consumer, and when the buying begins to stop, the price either stabilizes or declines. It generally declines".

Mr. T. J. Burns, Merchandising Manager for W. P. Grant Company. Mr. Burns considered the probable affect upon the retail price of men's shirts and shorts which would result from certain minimum wage rates. It was his opinion that --

In the case of the shirt, presently retailing at 69 cents, a 30-cent minimum would require that the price be raised to 79 cents and that, with a 35-cent minimum, the price would remain unchanged. However, "our experience was that if we raise the price 10 cents, we decrease the number of units distributed.. . . When we move this shirt to 89 cents retail, the item practically dies. Sales are very small. There is resistance from the management and resistance from the consumer."

A similar conclusion was advanced as to the effect of increased manufacturing costs in the case of men's shorts.

Mr. P. W. Lewis (unidentified in the Record) made a similar analysis of the effect of given wage minima upon the retail price of various items and arrived at conclusions substantially in line with those advanced by Mr. Grant.

Mr. J. V. Fox, president of the Blue Bell-Globe Manufacturing Company:

"We manufacture nothing but overalls. . . A 30-cent minimum wage would not affect our selling prices . . . at 32½ cents. . . 89-cent overalls would jump to 98 cents."

Mr. Earl Stall, Textile Engineer. Presented study of effect of given minima upon a small mill employing 315 persons. Mr. Stall stated to the subcommittee —

That a $32\frac{1}{2}$-cent minimum would increase the mill's annual labor costs by $35,850, or 15-3/4%.

That the mill is now operating at a substantial loss.

That a minimum wage as high as $32\frac{1}{2}$ cents would close the mill.

That "we have got no money to revamp the mill".

That, in his opinion, the textile industry will have the best opportunity to maintain employment if the minimum wage is left unchanged.

Mr. R. O. Arnold (unidentified in the Record, except as a mill executive):

> "In conclusion, I say to you, in all sincerity, that not only are the mill owners against this proposed raise, but the mill workers are against it, the merchants are against it, the farmers are against it, and the buying public is against it. Is there any other class of people for whom this legislation should be enacted?"

Mr. R. C. Moore (connected with a heavy sheeting and drill mill in North Carolina), in response to the question -

"Then I take it you feel that any higher minimum than that(25 cents) would substantially curtail employment?"

Answer: "I don't see how we could stand it unless you could assure us that the change in the rate would increase the price of our goods".

Mr. John A. Low (unidentified in the Record):

"I say unqualifiedly and without reserve that I can see no justification, either from the standpoint of financial conditions of the mills or from the present prospects of better market conditions to justify the increasing of wages at the present time."

That completes the summary of the testimony and information presented by the employer group. Measured by the standards described at the outset of this part of the Minority Statement, not only is there nothing in the Employer group's testimony which would tend affirmatively to sustain the Majority's recommendation, but it is against any change whatever in the minimum wage rate at the present time. And bearing on the question of whether such a drastic increase in labor costs would produce substantial unemployment, the overwhelming weight of employer testimony is that it would.

The next group to be heard by the Committee was that representing such of the employees as have become members of labor unions. Principal spokesman for the CIO group was Mr. Solomon Barkin, Research Director of the TWOC, while the A.F. of L. was represented by Mr. Brois Shiskin, of the National Council of Textile Unions.

The extraordinary position assumed by the representatives of organized labor at this hearing makes it difficult fairly to appraise the value of the testimony and information presented in its relation to the questions now before the Administrator. These questions, it may be recalled, are, first, whether the 32½-cent minimum wage recommendation of the Majority was made in accordance with law; and, second, whether the information and testimony presented to and considered by the Committee, including the information and testimony bearing upon all relevant economic and competitive conditions, are sufficient to warrant the conclusion of the Committee that a 32½-cent minimum wage recommendation would not, if approved, result in a substantial curtailment of employment.

The representatives of organized labor unanimously supported a flat 40-cent minimum and declined to consider any intermediate figure, including the one finally recommended by the Committee.

Their position was that sub-standard conditions of living prevailed in the Textile Industry; that the policy of the Act was to do away with such sub-standard conditions and "chiselling"; that an impossible competitive condition existed between the Northern and Southern branches of the industry by reason of the lower wages paid by the latter; that, on the matter of unemployment, extensive unemployment would result in the North unless a 40-cent minimum should be adopted; and that the increased purchasing power which would result from a 40-cent minimum wage, far from producing substantial unemployment, would in fact make for better prices, a larger volume of sales, and the general rehabilitation and stabilization of the entire industry, both in the North and South. It was also stated that the country was (December 1938) upon the threshold of a substantial economic upturn(1) and that this would further assist the industry and consumers to absorb the added cost of a 40-cent minimum wage.

Can it be said that this argument for a 40-cent minimum supports a $32\frac{1}{2}$-cent recommendation? If -- as was repeatedly stressed by the representatives of organized labor -- a 40-cent minimum is necessary to prevent the "denuding" of Northern textile centers, with attendant dislocations in employment, are these tatements to be considered as tending to sustain the $32\frac{1}{2}$-cent recommendation t t was actually made by the Committee? Obviously, the labor representatives themselves did not intend to support a $32\frac{1}{2}$-cent recommendation. They presented no data to establish that any figure <u>less than 40 cents</u> would prevent the "further denuding" of Northern textile centers, or would increase general purchasing power

(1) The New York Times index of business activity was around 94 in December 1938. Last week, as the Temporary National Economics Committee began hearings in an effort to determine the causes of continued depression, the *Times* index stood at 86.2.

to any appreciable extent. On the contrary, they appeared to feel that the highest minimum wage permitted under the law might not be sufficient to arrest this process. The Record is clear on this point. In response to the question by Mr. Nickerson --

"Would you oppose below 40 -- differentials or classifications?" Mr. Barkin answered (P.240, Vol. 3 Record of Hearing):

"That is right. We believe it is entirely an economic necessity to set the 40-cent level. I do not think the problem of differentials enter into it, because we believe it is advisable to set it at the 40-cent level. It will not curtail employment, and does not involve any possibility of establishing a lower minimum."

Mr. Shiskin, of the A. F. of L. affirmed this statement of the C. I. C. representative with an equally strong declaration of his own (P. 318):

> "We think that in the evidence we shall introduce we can show that any rate lower than the 40-cent rate will have a tendency of substantially increasing unemployment in the long run and defeating the purpose of the Act."

It may be said, however, that since the labor representatives did argue for a higher minimum than that recommended, that this line of testimony does, in a sense, tend to support and sustain the recommendation of the Committee. <u>The answer to this is that not one of the basic conclusions upon which the labor group finally rested its case is supported by any factual data presented to the Committee.</u>

Was production picking up and a general business recovery under way in December 1938?

Was any convincing evidence presented that a $32\frac{1}{2}$-cent minimum wage would increase general purchasing power by an amount sufficient to enable the industry and consumers to absorb these added costs?

There is much in the Record to establish that an increase in the minimum wage rate at this time would substantially curtail employment. Is there anything in the Record from which the Committee might reasonably find that it would not?

A careful examination of the entire Record fails to provide any tenable basis for an affirmative answer to these questions. And until they are answered with some semblance of authority, how can the Committee make any wage recommendation which would be in accordance with the clearly stated intent of Congress and the plain requirements of the Act?

It is unnecessary to add, the Minority feel sure, that this matter of fixing a minimum wage for one of the largest industries in the country is a serious one. The powers delegated by Congress to the Industry Committee and the Administrator affect the lives and livelihood of a very large number of people. If the Act is carefully and realistically administered, with due regard at every step to all of the economic and competitive conditions intended by Congress to be taken into account, it can and should operate to the lasting benefit of the industry, its employees, and the public. If, on the other hand, its objectives are approached in an over-hasty or superficial or irresponsible manner -- without giving due consideration to clearly relevant economic and competitive conditions -- the result is easily foreseen. Mills will be forced to close down. Thousands, now employed, will lose their jobs and take their places on the relief rolls. And finally Congress -- noting the failure of the law to work -- will repeal it and the cause of higher wages and better living conditions will receive another setback.

The Minority subscribe unreservedly to a statement made by the Administrator in a public address delivered in Detroit on December 29, 1938:

"If the ultimate objectives of the Fair Labor Standards Act are to be attained, it is argued that this cost raising process must proceed gradually and steadily so as to minimize the resulting dislocation of employment.

[In the case of the Textile Industry] "This slow process may be somewhat tiresome to those who consider the raising of labor standards to be a simple matter, but it is clearly required if the eventual wage orders are to avoid conferring a competitive advantage on any group in the industry and to avoid any substantial curtailment of employment."

In the present instance, the recommendation of the Majority was not made in accordance with law.

It is not sustained by the information and testimony of Record and considered by the Committee. On the contrary, the greater weight of this evidence is against any change in the minimum wage at the present time. It also strongly indicates that the proposed 32½-cent minimum would, if approved, produce substantial unemployment.

The economic condition of the industry, far from improving, as was predicted by some, has undergone a steady deterioration since the Committee last met. In December, the New York Times Index of Business Activity was around 94; last week it stood at 86.2. According to the Census Bureau, cotton consumption by domestic mills declined from 649,237 bales in March to 546,702 bales in April. Active cotton spindles declined from 22,742,330 in March to 22,109,394 in April. Last week mill margins were at the lowest point in six years. The declines in amount of cotton consumed and number of spindles in place are of course contrary to the usual seasonal trend.

And before the full effects of the 25-cent minimum can be fully appraised, a further raise to 30 cents must be made in any event. That Congress intended that changes beyond the statutory minima should be made gradually is shown by the provision that this process of attaining the 40-cent maximum may be extended over 7 years. Why, then, all the haste to perform another major operation upon this ailing industry? The Minority earnestly feel that -- apart from the fact that there has been no sufficient compliance in this case with the requirements of the Act -- considerations of sound administrative and public policy dictate a more gradual approach to our common objective. Little can be lost and much may be gained by observing the effects of these statutory increases before resort to such a drastic application of the law as that urged by the Majority. Moreover, a more gradual approach will afford time in which to fix minima for other and competing low-wage industries, thereby simultaneously increasing the purchasing power of a maximum number of the low-income group.

For all of these reasons, the Minority of Industry Committee No. 1 must dissent from the recommendation of the Majority and respectfully urge that such recommendation be disapproved.

Signed: C. A. Cannon

John R. Cheatham

Robert H. Chapman

R. R. West

E. L. Foshee

P. O. Davis

Tyre Taylor
(Counsel for the Minority)

Washington, D. C.
May 22, 1939

October 1st, 1938

TRANSPORTATION COST, in cents per 100 pounds, via routes over which lowest rates are available, on FINISHED COTTON FABRICS IN ORIGINAL PIECE to the largest consuming market, NEW YORK CITY, from representative origins in all section of the Southern States and of the Eastern and New England states constituting the principal textile manufacturing districts.

From Representative Eastern Mill Points	Rate	Route	Tariff Auth.
CONNECTICUT			
Danielson	35	AR	1
Grosvenordale	35	AR	1
Jewett City	31	AR	1
Moosup	31	AR	1
New Haven	26	AR	1
New London	26	AR	1
New Milford	29	AR	1
Norwich	31	AR	1
Plainfield	31	AR	1
Wauregan	31	AR	1
DELAWARE			
Kentmere	41	AR	3
Rockford	41	AR	3
MAINE			
Biddeford	51	RW	4
Brunswick	55	RW	4
Lewiston	57	RW	4
MASSACHUSETTS			
East Dedham	40	AR	1
Fall River	26	AR	1
Housatonic	35	AR	1
Lawrence	44	RW	4
Lowell	44	RW	4
New Bedford	26	AR	1
North Adams	26	AR	5
Southbridge	35	AR	1
Taunton	31	AR	1
Webster	35	AR	1
NEW HAMPSHIRE			
Dover	47	RW	4
Manchester	44	RW	4
Nashua	44	RW	4
Somersworth	47	RW	4
Suncook	46	RW	4
NEW JERSEY			
Bridgeton	42	AR	3
Passaic	28	AR	3
Paterson	28	AR	3

From Representative Southern Mill Points	Rate	Route	Tariff Auth.
ALABAMA			
Anniston	92	RW	2
Birmingham	92	RW	2
Cordova	92	RW	2
Fayette	96	RW	2
Huntsville	92	RW	2
Montgomery	92	RW	2
Opelika	92	RW	2
Opp	92	RW	2
Pell City	92	RW	2
Sylacauga	92	RW	2
GEORGIA			
Atlanta	92	RW	2
Augusta	81	RW	2
Chickamauga	92	RW	2
Columbus	92	RW	2
Fitzgerald	92	RW	2
Griffin	92	RW	2
La Grange	92	RW	2
Macon	92	RW	2
Rome	92	RW	2
Toccoa	92	RW	2
MISSISSIPPI			
Columbus	99	RW	2
Laurel	99	RW	2
McComb	99	RW	2
Natchez	99	RW	2
NORTH CAROLINA			
Asheville	85	RW	2
Charlotte	76	RW	2
Concord	76	RW	2
Gastonia	81	RW	2
Greensboro	67	RW	2
Hickory	85	RW	2
Lexington	76	RW	2
Raleigh	67	RW	2
Salisbury	76	RW	2
Winston Salem	67	RW	2

TRANSPORTATION COST, in cents per 100 pounds, via routes over which lowest rates are available, on Finished Cotton Fabrics in original piece to the largest consuming market, New York City, from representative origins in all sections of the southern states and of the eastern and New England states constituting the principal textile manufacturing districts.

From Representative Eastern Mill Points (continued)	Rate	Route	Tariff Auth.
NEW YORK			
Chadwick	31	AR	6
New Hamburg	19	AR	7
New York Mills	31	AR	7
Troy	31	AR	7
Utica	31	AR	6,7,8
PENNSYLVANIA			
Chester	38	AR	3
Philadelphia	37	AR	3
RHODE ISLAND			
Apponaug	26	AR	1
Cranston	26	AR	1
East Greenwich	26	AR	1
Lonsdale	31	AR	1
Pawtucket	29	AR	1
Phillipsdale	29	AR	1
Providence	26	AR	1
Saylesville	29	AR	1
Warren	26	AR	1
Westerly	27	AR	1
Totals	1711		

From Representative Southern Mill Points (continued)	Rate	Route	Tariff Auth.
SOUTH CAROLINA			
Anderson	81	RW	2
Chester	81	RW	2
Columbia	81	RW	2
Graniteville	81	RW	2
Greenville	81	RW	2
Hartsville	81	RW	2
Newberry	81	RW	2
Rock Hill	81	RW	2
Spartanburg	81	RW	2
Greenwood	81	RW	2
TENNESSEE			
Chattanooga	92	RW	2
Knoxville	86	RW	2
Memphis	99	RW	2
Nashville	92	RW	2
VIRGINIA			
Danville	58	RW	2
Martinsville	67	RW	2
Totals	4261		

Average from 50 representative Eastern points shown - - - - - 34.2

Average from 50 representative Southern Points shown - 85.2

Average amount by which transportation cost from representative Southern Points exceeds that from representative Eastern points shown
51 cents per 100 pounds.

Explanation of route references

AR Via All Rail RW Via Rail and Water Routes

Explanation of tariff authority references:

1 - NYNH&H RR ICC F 3518
2 - Agent F.D.Miller's ICC 176
3 - Agent W.S. Curlett's ICC A-445
4 - Boston and Maine Railroad ICC A-2899
5 - Boston and Albany Railroad ICC 9390
6 - Delaware, Lackawanna & Western Railroad ICC 23685
7 - New York Central Railroad ICC 16776 (Items 6795, 6800, 6805 and 7088 of Supplement 99
8 - NYC&W Railroad ICC 10034.

(1188)

October 1, 1938.

Comparison of <u>Transportation Costs</u>, via <u>Standard All Rail Routes</u>, From Atlanta, Ga. (Base Group Point in Southern Mill Territory) and from Boston, Mass. (Base Group Point in New England Mill Territory) on <u>Finished Cotton Fabrics in Original Piece</u> to Important Markets as represented by Principal Cities of the United States East of <u>he Mississippi River, showing differences in distances and differences in rates.</u>

To Principal Cities	Population (1930 Census)	Distance in Miles from		Rates Cents per 100 lbs. from		Location nearer		Transportation cost lower from	
		Atlanta	Boston	Atlanta	Boston	Atlanta Mi.	Boston Mi.	Atlanta Cts.	Boston Cts.
New York, N. Y.	6,930,446	870	247	107	40	–	623	–	67
Chicago, Ill.	3,376,438	729	973	106	106	244	–	–	–
Philadelphia, Pa.	1,950,961	773	334	102	61	–	439	–	41
Detroit, Mich.	1,568,662	728	706	106	90	–	22	–	16
Cleveland, O.	900,429	714	654	105	84	–	60	–	21
St. Louis, Mo.	821,960	603	1174	97	120	571	–	23	–
Baltimore, Md.	804,874	681	431	98	68	–	250	–	30
Boston, Mass.	781,188	1097	0	116	0	–	1097	–	116
Pittsburgh, Pa.	669,817	773	663	109	88	–	110	–	21
Milwaukee, Wis.	578,249	812	950	110	106	138	–	–	4
Buffalo, N.Y.	573,076	895	475	116	75	–	420	–	41
Washington, DC.	486,869	643	457	98	71	–	186	–	27
New Orleans, La.	458,762	490	1575	87	145	1085	–	58	–
Cincinnati, Ohio	451,160	475	892	85	103	417	–	18	–
Newark, N.J.	442,337	853	247	107	57	–	606	–	50
Indianapolis, Ind.	364,161	559	933	94	103	374	–	9	–
Rochester, N. Y.	328,132	964	408	118	67	–	556	–	51
Jersey City, N.J.	316,715	860	247	107	57	–	613	–	50
Louisville, Ky.	307,745	449	1010	84	109	561	–	25	–
Toledo, Ohio	290,718	672	759	102	90	87	–	–	12
Columbus, Ohio	290,564	590	791	96	96	201	–	–	–
Atlanta, Ga.	270,356	0	1097	0	116	1097	–	116	–
Birmingham, Ala.	259,678	166	1220	53	127	1054	–	74	–
Akron, Ohio	255,040	716	683	105	88	–	33	–	17
Memphis, Tenn.	253,143	417	1390	80	134	973	–	54	–
Providence, RI	252,981	1070	44	116	29	–	1026	–	87
Syracuse, NY	209,326	1029	328	118	61	–	701	–	57
Dayton, Ohio	200,982	529	838	91	100	309	–	9	–
Worcester, Mass.	195,311	1062	44	116	29	–	1018	–	87
Richmond, Va.	182,929	542	573	87	79	31	–	–	8
TOTALS		20761	20143	2916	2499	7142	7760	386	803
AVERAGE		692	671	97	83	–	21	–	14

October 1, 1938

Comparison of TRANSPORTATION COSTS, in cents per 100 pounds via (AR) Standard All Rail Routes, and (RW) lowest rated routes via which any substantial amount of this traffic is handled (either Rail, Water, Rail and Water, or Rail-Water and Rail, whichever is lower) from Atlanta, Ga. and Charlotte, N. C., Representative Base Group Mill Points in Southern Territory and from Philadelphia, Pa. and Boston, Mass., Representative Base Group Mill Points in Eastern and New England Territory, on nished Cotton Fabrics in Original Piece to most important markets as represented by 25 largest cities of the United States.

To Principal Cities	Population (1930 Census)	Rates via Standard All Rail Routes				Rates via Lowest Rated Routes			
		Boston	Phila.	Charlotte	Atlanta	Boston	Philadelphia	Charlotte	Atlanta
New York, NY	6,930,446	40	37	90	107	40	37	76	92
Chicago, Ill.	3,376,438	106	101	106	106	91	91	106	106
Philadelphia	1,950,961	61	0	84	102	56	0	76	92
Detroit, Mich.	1,568,662	90	85	106	106	84	79	106	106
LosAngeles,Cal	1,238,048	298	298	298	274	126.5	126.5	174.35	169.35
Cleveland, O	900,428	84	74	97	105	80	69	97	105
St. Louis, Mo.	821,960	120	111	106	97	112	102	106	97
Baltimore, Md.	804,874	68	38	77	98	57	38	69	87
Boston, Mass.	781,188	0	61	99	116	0	56	81	98
Pittsburgh, Pa.	669,817	88	65	89	109	88	65	89	109
...n Francisco	634,394	298	298	298	274	105.75	105.75	153.6	148.6
Milwaukee, Wis.	578,249	106	105	117	110	93	96	117	110
Buffalo, N.Y.	573,076	75	70	99	116	75	70	99	116
Washington, D.C.	486,869	71	42	74	98	71	42	74	96
Minneapolis,Min.	464,356	158	151	165	156	130	125	165	156
New Orleans, La.	458,762	145	135	108	87	103	103	108	87
Cincinnati, O.	451,160	103	88	91	85	96	84	91	85
Newark, N. J.	442,337	57	37	90	107	57	37	79	96
Kansas City, Mo.	399,746	166	151	155	142	153	143	155	142
Seattle, Wash.	365,583	298	298	298	274	107.5	107.5	155.35	150.35
Indianapolis	364,161	103	89	100	94	98	89	100	94
Rochester, N.Y.	328,132	67	62	99	118	67	62	99	118
Jersey City, N.J.	316,715	57	37	90	107	57	37	76	92
Louisville, Ky.	307,745	109	97	90	84	103	92	90	84
Portland, Ore.	301,815	298	298	298	274	107.5	107.5	155.35	150.35
TOTALS		3066	2828	3324	3346	2158.25	1964.25	2697.65	2786.65
AVERAGES		123	113	133	134	86	79	108	111

Average rates from Southern Base Groups, Atlanta and Charlotte Exceed Average Rates from Eastern Base Group, Boston and Philadelphia by - -

16 cents per 100 lbs via Standard all rail routes

27 cents per 100 lbs via Lowest Rated routes