

U. S. DEPARTMENT OF LABOR  
Wage and Hour Division  
Washington

ADMINISTRATOR RECEIVES RECOMMENDATIONS OF MINIMUM WAGE RATES  
FOR HOSIERY INDUSTRY

Schedules Public Hearing for June 12 on Proposed 40¢ an Hour  
for Full-Fashioned and 32½¢ for Seamless Workers

Industry Committee No. 3, authorized under the Fair Labor Standards Act of 1938 to recommend minimum wage rates for the Hosiery Industry, today forwarded to Administrator Elmer F. Andrews, Wage and Hour Division, U. S. Department of Labor, its unanimous recommendations for a 40-cent-an-hour minimum wage in full-fashioned hosiery and 32½ cents in seamless hosiery.

The Administrator thereupon scheduled the public hearing required by the Act for June 12 at Washington. Should he approve the recommendation, he will issue a wage order giving these minimum wage rates the force of law in the manufacture of hosiery for interstate commerce. The report of the Committee to the Administrator was drafted under the direction of its chairman, George W. Taylor, Professor of Industry of the Wharton School of Finance and Commerce, University of Pennsylvania, who is impartial arbitrator of the Hosiery Industry and author of two books on the economics of the industry. Both the wage recommendations were voted unanimously by the Committee, comprised of fifteen members--five representatives of the public, five of the employees, and five of the employers.

The Committee's jurisdiction covered: "The manufacturing or processing of hosiery including, among other processes, the knitting, dyeing, clocking, and all phases of finishing of hosiery, but not including the manufacturing or processing of yarn or thread."

"The Committee believes that this unanimity constitutes strong evidence of the soundness of its conclusions," the report said. "In addition, it offers

a striking testimonial to the democratic process which enabled the members of the Committee, despite the fact that they represented highly diverse groups, to cooperate with one another in order that the policy enunciated in the Act of achieving a minimum hourly wage of 40 cents as rapidly as is economically feasible without substantially curtailing employment, might be effectively carried out."

In recommending different wage rates for the full-fashioned and seamless branches of the industry, the Hosiery Committee became the first committee to invoke the provisions of Section 8 (c) of the Act, permitting the establishment of classifications within an industry under certain prescribed conditions. The Committee pointed out that "although both the seamless and full-fashioned branches are engaged in the manufacture of hosiery, they differ so greatly in almost every other respect as actually to constitute two separate entities."

As for the 40-cents-an-hour minimum wage for the full-fashioned hosiery mills, the report stated that it would necessitate wage raises for 19.4 per cent of the workers and increase the total wage bill by only two per cent. It will not, the report emphasized, result in increasing the prices of women's silk hosiery. Practically the entire product of this branch of the industry, women's silk hosiery, the report stated, "is a highly profitable item to retailers", usually selling at a mark-up of 15 cents or more a pair. The full cost increase probably will not be passed on to the wholesale price, the report said. However, if it should be, this increase would amount only to four or five cents a dozen pairs and would probably not disturb the established prices of 59 cents, 69 cents and 79 cents a pair, at which the great volume of this hosiery is retailed.

The report stated that the principal problem in the industry was that of

advancing the minimum rate of seamless hosiery workers to 40 cents an hour, the goal of the Fair Labor Standards Act, and recommended that this should not be done in one step. The report emphasized that the problem in the seamless hosiery branch was not a sectional one. "Many Southern manufacturers," it said, "and indeed many Southern areas, provide comparatively high wages, while certain Northern manufacturers and Northern areas actually are in the lowest wage groupings. Seamless mills in North Carolina, for example, have shown higher average hourly earnings than have the (seamless) mills in Pennsylvania in every year since 1929 . . ."

"The Committee's study of the seamless branch of the hosiery industry revealed an entirely different situation than that of the full-fashioned branch," the report stated. "The average wage of employees of the seamless hosiery mills was, in September, 1938, 35.1 cents an hour as compared with an average of 65.8 cents an hour for those engaged in the full-fashioned mills. Slightly more than 73 per cent of all seamless employees would be directly affected by the establishment of a minimum wage of 40 cents an hour, and the total wage bill of the industry would be directly increased by close to 21 per cent. Confronted by these facts, the Committee believed that the immediate establishment of too high a minimum wage might result in an excessively rapid increase in prices, so diminishing consumption and thus curtailing employment.

"The Committee was keenly aware of its obligations, however, to recommend the highest minimum wage rate which will not substantially curtail employment. Although the establishment of a minimum wage rate of 32.5 cents an hour for seamless hosiery would directly affect the wages of 48.8 per cent of the workers in that branch of the industry, it would increase the total wage bill by only



7.3 per cent. The Committee is of the opinion that the industry can sustain without undue difficulty such an increase in labor costs at this time and that the establishment of a 32.5-cent minimum would not substantially curtail employment in the seamless branch of the hosiery industry."

Style changes constantly cause considerable fluctuation in the seamless branch, the report said: "As a result, despite the increase in total production, many manufacturers concentrating too heavily upon one or two products for which demand is waning, have suffered serious losses during the past few years. It appears to the Committee that some manufacturers have attempted to check the decline in consumer demand for their particular products by lowering prices with consequent reduction in wages. However, the Committee believes that such attempts have been largely unsuccessful since shifts in demand have been occasioned by use and style factors rather than by price. Such manufacturers have only succeeded in depressing the wage structure of the industry without any benefit accruing to the manufacturers. The Committee wishes to emphasize this point, in view of the possibility that such producers as are faced with declining demand may claim that any wage minimum, however reasonable for other firms, will curtail employment in their mills; yet employment declines in any event for production of unwanted goods, just as it expands for producers of goods meeting a favorable consumer reaction . . .

"The wage recommendation of this Committee (seamless hosiery) is for a minimum wage approximately the same as that put in effect during the NRA and which was absorbed by the industry without any curtailment of employment. The Committee believes that the NRA experience represents strong evidence in support of its conclusion that the present establishment of a 32.5-cent minimum wage would occasion no substantial curtailment of employment . . .

"Due notice was taken of the fact that the establishment of a 32.5-cent minimum will increase the manufacturing cost of some of the seamless mills by more than the average increase for this branch of the industry as a whole. The Committee took the extreme example of mills paying an average wage of only 25 cents an hour, represented by 10 per cent of the industry paying the lowest wages. Even in these cases a general rise in retail prices sufficient to cover the end labor cost to these mills would amount to only seven-tenths of one cent per pair on 10-cent items and to only 1.75 cents per pair on 25-cent items.

"The Committee has presented these calculations in order to dispose of any possible fear that a minimum of 32.5 cents in the seamless industry would lead to such a large rise in the retail prices as might curtail demand. The evidence before the Committee provides two good reasons to doubt that the recommended minimum would result in any general increases in the prices of seamless hosiery whatever. Further, there is the fact that the bulk of seamless hosiery usually sells in standardized price brackets. The spread between these brackets is ordinarily five cents a pair. It seems unlikely that a retailer would sell these products, except on clearance, at prices falling between customary brackets. It seems less likely that retailers will generally move the price of a given item to the next bracket and so jeopardize the volume of their sales, if they are faced with small increases in wholesale prices which might result from a 32.5-cent minimum wage."

Under the Fair Labor Standards Act the Administrator is empowered, if he approves the recommendations, to legalize them with a wage order. If he does not approve, he may refer the recommendations back to the same committee or he may dissolve the Committee and create another one to investigate the industry

and make recommendations to him. He cannot amend the recommendations.

Besides the chairman, the recommendations were signed by: Rosamond C. Cook, Professor of Home Economics, University of Cincinnati, Cincinnati, Ohio; John C. Evans, Professor of Economics, Albright College, Reading, Pennsylvania; Stanley B. Hunt, President, Textile Economic Bureau, New York, N. Y.; Capus Waynick, Editor, High Point Enterprise, High Point, North Carolina, Public Members. Emil Rieve, President, American Federation of Hosiery Workers, Philadelphia; Alfred Hoffman, Manager, Seamless Department AFHW, Philadelphia; William M. Leader, President, Philadelphia Branch One, AFHW, Philadelphia; Thomas Lehmann, Chairman, Seamless Division Branch #16, AFHW of Milwaukee; W. Cedric Stallings, Member, National Executive Board, AFHW, Durham, N. C., Employee Members. John H. Berry, Rome Hosiery Mills, Rome, Georgia; J. B. Glasner, Rockford Litten and Hosiery Company, Rockford, Illinois; R. O. Huffman, Morganton Full-Fashioned Hosiery Company, Morganton, N. C., and Drexel Knitting Mills Company, Drexel, North Carolina; William Meyer, Apex Hosiery Company, Philadelphia, and Schuylkill Valley Mills, Spring City, Pennsylvania; and John Wyckoff Kettler, Interwoven Stocking Company, New Brunswick, New Jersey, Employer Members.