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R-310

REPORT

AND

RECOMMENDATIONS

OF

INDUSTRY COMMITTEE NO. 3

FOR THE

ESTABLISHMENT OF MINIMUM WAGE RATES

IN THE

HOSIERY INDUSTRY

May 15, 1939.

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Appendix A (tables)

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On February 1, 1939, the Administrator of the Wage and Hour Division of the Department of Labor appointed Industry Committee No. 3 for the hosiery industry consisting of five persons representing the public, a like number of persons representing employees in the industry, and a like number of persons representing employers in the industry. 1/

1/ Administrative Order No. 15, 4 F.R. 517. George W. Taylor, Professor of Industry, Wharton School of Finance & Commerce, University of Pennsylvania, Philadelphia, Pennsylvania, was appointed Chairman of the Committee. Other public members appointed were 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 Economics Bureau, New York, New York; and Capus Waynick, Editor, High Point Enterprise, High Point, North Carolina.

Members appointed to represent employees in the industry were: Alfred Hoffmann, Manager, Seamless Department, American Federation of Hosiery Workers, Philadelphia, Pennsylvania; William M. Leader, President, Philadelphia Branch No. 1, American Federation of Hosiery Workers, Philadelphia, Pennsylvania; Thomas Lehman, Chairman, Seamless Division, Branch No. 16, American Federation of Hosiery Workers, Milwaukee, Wisconsin; Emil Rieve, President, American Federation of Hosiery Workers, Philadelphia, Pennsylvania; and W. Cedric Stallings, Member, National Executive Board, American Federation of Hosiery Workers, Durham, North Carolina.

Those designated to represent employers in the industry were: John M. Berry, President, Rome Hosiery Mills, Rome, Georgia; J.B. Glasner, Treasurer and General Manager, Rockford Mitten and Hosiery Company, Rockford, Illinois; R. O. Huffman, Treasurer, Morganton Full-Fashioned Hosiery Company and Garron Knitting Mills, Incorporated, Morganton, North Carolina; and President, Drexel Knitting Mills Company, Drexel, North Carolina; John Wyckoff Mettler, President, Interwoven Stocking Company, New Brunswick, New Jersey; and William Meyer, President, Apex Hosiery Company, Philadelphia, Pennsylvania, and President, Schuylkill Valley Hosiery Mills, Spring City, Pennsylvania.

The Committee was directed to investigate, in accordance with the provisions of the Fair Labor Standards Act of 1938 and rules and regulations promulgated thereunder, conditions in the hosiery industry and to recommend to the Administrator minimum wage rates for employees in such industry.

On February 23, 1939, the Committee met in Washington, D.C. to carry out the duties which had been assigned. The members of the Committee were deeply conscious of the importance of this assignment, not only to the industry with which they were directly concerned, but to the nation as a whole. They were hopeful of carrying out the duties and responsibilities which had been vested in the Committee in full accord with both the letter and spirit of the Act, and thus contribute to the successful functioning of democratic processes in remedying the ills of our modern industrial era. The members of the Committee believe that they have realized this hope.

At its first meeting, the Committee commenced its investigation of conditions in the hosiery industry. Economic data with respect to the industry were received from the Economic Section of the Wage and Hour Division and from the Bureau of Labor Statistics. The Committee then decided to hold another meeting at which all interested parties would be given an opportunity to appear and present evidence.

The second meeting of the Committee was held on March 28, 29, and 30, 1939, at Washington, D.C. Briefs were presented and testimony heard from representatives of the following interested parties:

National Association of Hosiery Manufacturers;
Southern Hosiery Manufacturers Association;
Full-Fashioned Hosiery Manufacturers of America, Inc;
American Federation of Hosiery Workers;
American Home Economics Association.

Further written material was also received from The Commercial Hosiery Dyers and Finishers Association; from the National Textile Processors Guild; and from other interested parties. Additional information which had been prepared by the Economic Section of the Wage and Hour Division was submitted.

Following the receipt of the above material, the Committee proceeded to a consideration in accordance with the provisions of the Act of the questions before it. After extended discussion and deliberation, it decided to classify the full-fashioned and seamless branches separately and, by unanimous votes, adopted resolutions recommending minimum wage rates of 40¢ an hour for the full-fashioned branch and 32½¢ an hour for the seamless branch of the hosiery industry. 1/

In the following paragraphs, the basic factors which governed the Committee in the adoption of these recommendations will be briefly stated. These factors and the findings of fact upon which the Committee's conclusions were based are hereinafter more fully discussed in the Analysis of the Evidence.

Section 8 (c) of the Act declares that the industry committee shall recommend such reasonable classifications as it determines to be necessary for the purpose of fixing for each classification within such industry the highest minimum wage rate (not in excess of 40 cents an hour) which (1) will not substantially curtail employment in such classification and (2) will not give a competitive advantage to any group in the industry. At the outset of its investigation, it became apparent to the Committee that the Hosiery industry consists of two distinct branches, full-fashioned and seamless, which are so dissimilar as almost to constitute separate industries, and that the general level of wages in the full-fashioned branch was considerably higher than in the seamless branch. Furthermore, the

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1/ Fourteen of the 15 committee members were present at this meeting.

investigation revealed that the establishment of separate classifications for the two branches of the industry would neither substantially curtail employment nor give a competitive advantage to any group in the industry. The Committee, concluded, therefore, in accordance with the provisions of the Act, to recommend the establishment of such classification.

Further, Section 8 (b) of the Act requires the Committee to 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" and Section 8 (c) states that the Committee "shall recommend for each classification in the industry the highest minimum wage rate which the Committee determines will not substantially curtail employment in such classification." Consequently, there is a mandate under the Act to set not merely a rate that will not substantially curtail employment, but the highest possible rate which will not have this effect.

The determination of a minimum wage of 40 cents an hour for employees in full-fashioned hosiery mills would directly affect only 19.4 percent of the workers in that branch of the industry and increase the total wage bill by only 2 percent. 1/ It is the conviction of the Committee that the establishment of such a rate would not substantially curtail employment in the full-fashioned branch of the hosiery industry.

The Committee's study of the seamless branch of the hosiery industry revealed an entirely different situation than that found in the "full-fashioned" branch. The average wage of employees of seamless hosiery

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1/For reasons hereinafter described, this calculation does not include estimate of possible increases to workers now receiving above 40 cents an hour; consequent to the establishment of a 40 cent minimum. This same qualification is equally applicable to the seamless branch as discussed in the following two paragraphs. (See pp. 30 & 40)

mills in September, 1938, was 35.1 cents an hour as compared with an average of 65.8 cents an hour for those engaged in full-fashioned mills.[1] Slightly more than 73 percent 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 percent.[2] 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 obligation, 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 percent of the workers in that branch of the industry, it would increase the total wage bill by only 7.3 percent.[3] 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.

Finally, before commencing its analysis of the evidence, the Committee wishes to emphasize that its recommendations were adopted by the unanimous vote of all members. The Committee believes that this unanimity constitutes strong evidence of the soundness of its conclusions. 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 coöperate 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,

1/ See p. 7
2/ See pp. 16 and 17
3/ See pp. 16 and 17

might be effectively carried out. The members of the Committee appreciate the opportunity they have had to contribute to the effectuation of this policy, and wish also to express their appreciation for the able and highly informative briefs and testimony presented by the various witnesses. It also wishes to express its appreciation to the Wage and Hour Division for the valuable assistance and cooperation extended by its staff in supplying information to the committee.

SCOPE OF THE DEFINITION

The hosiery industry was defined in Administrative Order No. 15 as follows:

> "The manufacturing or processing of hosiery including, among other processes, the knitting, dyeing, clocking, and all phases of finishing hosiery, but not including the manufacturing or processing of yarn or thread."

The jurisdiction of the Committee, extends, therefore, over the entire hosiery industry including all types and kinds of seamless and full-fashioned stockings, socks, anklets, and other hosiery produced in the United States whether made of silk, rayon, lisle, wool mixtures, or other yarns. The dyeing and finishing of hosiery, both in integrated mills and in other establishments, are included within this jurisdiction.

ANALYSIS OF THE EVIDENCE

1. CLASSIFICATION INTO SEAMLESS AND FULL-FASHIONED BRANCHES

An examination of the industry revealed that although both branches are engaged in the manufacture of hosiery, they differ so greatly in almost every other respect as actually to constitute two separate entities. Every brief submitted to the Committee from any labor or management organization within the hosiery industry recognized and dwelt upon the many fundamental distinctions existing between the two branches.

The full-fashioned branch consists of plants engaged almost exclusively in the manufacture of women's stockings which are made primarily of silk, while seamless mills produce men's, children's, and infants' socks and stockings, women's seamless hose, and a wide variety of sport hose. Unlike the full-fashioned article, seamless hose are made of many different raw materials, with cotton ranking first in importance, followed by rayon, various mixtures, and silk. 1/

In addition to contrasts in type of product and raw materials used, the two branches differ considerably in method of manufacture, geographical distribution, degree of union organization, size of establishment, and composition of the labor force. A survey by the Bureau of Labor Statistics revealed that only a small number of mills produce both the full-fashioned and the seamless commodity. 2/ Also a considerable proportion of full-fashioned production is finished or processed by outside establishments; while seamless hosiery is ordinarily finished within the manufacturing plant. Further, there is a great difference in the price structure. Volume sellers of seamless goods retail at from 10 to 25 cents a pair, while the volume items for the full-fashioned product range in price from 59 to 79 cents a pair. These contrasts are reflected in the prevailing wages paid. The Bureau of Labor Statistics survey revealed that in September 1938, earnings in seamless mills averaged 35.1 cents per hour as compared to an average of 65.8 cents in full-fashioned

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1/ Report on the Seamless Hosiery Industry, pp. 10-12. See also Report on the Full-Fashioned Hosiery Industry. These were prepared by the Economic Section, Wage and Hour Division, for Industry Committee No. 3 (Mimeographed) March 27, 1939, hereinafter referred to as Economic Section Reports.

2/ Bureau of Labor Statistics, Division of Wage and Hour Statistics, Earnings and Hours in the Full-Fashioned and Seamless Hosiery Industries, 1938, (Mimeographed) March 28, 1939, p.6, hereinafter referred to as the Bureau of Labor Statistics Survey. All current wage data, unless otherwise noted, were obtained from this report, made available to the Committee in preliminary form at its first meeting, February 23, 1939, and in revised form for the later meetings under date of March 28, 1939.

plants. 1/ Collective bargaining agreements negotiated between employers and trade unions recognize these differences and customarily establish lower minimum wage rates in the seamless than in the full-fashioned branch of the industry.

After due consideration of these factors, the Committee felt the conclusion inescapable that separate classifications be made for the two branches of the industry. It was evident that at the present time the full-fashioned branch could assume a higher minimum than could the seamless branch, without substantially curtailing employment. Conversely, the highest possible minimum for the seamless branch that would not so curtail employment is manifestly lower than for the full-fashioned branch. Were the same minimum applied to both branches, the Committee would be failing in its duty under the Act of recommending for each classification in the industry the highest minimum wage rate possible within the limits set by the Act.

Section 8 (c) specifies further that any classification may not give a competitive advantage to any group in the industry. The Committee finds that a lower minimum for seamless than for the full-fashioned branch will not offer a competitive advantage to either group of manufacturers. In fact, the products of the seamless and full-fashioned branches are on the whole so dissimilar that almost no competition exists between them. Only a small part of the product of either branch competes with products of the other branch. 2/

The Committee finds that the separate classification of full-fashioned and seamless hosiery is necessary for the purpose of fixing for each classification the highest minimum wage rate (not in excess of 40 cents an hour) which (1) will not substantially curtail employment in such classification and (2) will not give a competitive advantage to any group in the industry

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1/ Tables 5 and 26, pp.21 and 79.
2/ Transcript of Hearings, p. 96

The succeeding pages will, therefore, present the Committee's findings on the seamless branch, and will be followed by a separate analysis of the full-fashioned branch of the industry.

II. THE SEAMLESS BRANCH

A. Nature Of The Industry

Before analyzing the effects of any possible minimum upon the seamless branch, the Committee gave due consideration to the economic and competitive conditions now operating in the industry.

Until the present century, practically all the domestic hosiery manufactured was of the seamless type, and as late as 1919, the seamless product accounted for 91 percent of total domestic production. Due to the fact that women's full-fashioned hosiery has to a large extent supplemented women's seamless hosiery, total seamless production fell to 67 percent of the production of all types of hosiery made in 1938.1/ During the depression, the industry suffered some loss in demand production falling from 86.7 million dozen pairs in 1929 to 72.8 million in 1933. However, subsequent improvements brought production to over 86 million dozen pairs in 1937 and 1938, or almost equal to the 1929 level. 2/

The various types of seamless hosiery may be classified roughly according to the three consumer-use groupings, women's and misses', men's and boy's, and children's and infants' hose; or by the following more detailed breakdown:

1/ Economic Section Report, Appendix Table D. (See Appendix Table A below.)
2/ Ibid., p. 2

Men's half hose,
Women's seamless hose,
Boys' socks,
Boys' golf socks,
Infants' anklets,
Children's 5/8 and 7/8 lengths.
Other anklets and slack socks,
Misses' Ribs,
Infants' Ribs,
Cotton bundle goods,
Wool bundle goods,
Women's woolen goods,
Men's woolen goods.

In 1938, the seamless branch employed about 60,000 workers, or slightly over 40 percent of the industry total, 1/ and, as previously noted, at an average wage of 35.1 cents per hour. 2/

The industry is highly competitive in character, notably by reason of rapid shifts in consumer demand for different seamless products; recent marketing and price trends; a very severe condition of overcapacity; an increase in number of plants; and competition deriving from regional wage differentials, particularly as between different southern producing districts. The consequence has been high rate of plant mortality, especially in the South. These factors were given serious consideration by the Committee in determining the possible effects of any given minimum wage recommendations.

The Changing Character of Consumer Demand.

Between 1934 and 1938, total annual shipments of seamless hosiery rose from less than 72 million to over 86 million dozen pairs. A large portion of the numerous products manufactured by the seamless hosiery industry are highly styled and have recently been subject to sharp fluctuations in consumer demand. Therefore, considerable competition exists between producers of particular types of seamless hose, insofar as their products and equipment are interchangeable in use.

1/ Ibid., p.9
2/ Bureau of Labor Statistics Survey, Table 36, p.79

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 sonsumer 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 methods 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.

Competition in the seamless branch has been intensified by recent marketing tendencies. Information presented to the Committee revealed a growing trend towards selling direct to large chains and other large retailing agencies. These now constitute the main sales outlet for every type of seamless hosiery, while jobbers and wholesalers are of secondary importance. Sales direct to independent retailers are usually limited to manufacturers' branded lines, chiefly of men's half hose. 1/ These described tendencies have helped to create a buyer's market, with a resulting pressure on mill prices and labor rates. Consequently, a stabilizing force such as the wage minimum recommended by the Committee becomes imperative in order to help correct labor conditions found by Congress to be detrimental to the maintenance of the minimum standard of living necessary for health, efficiency, and general well-

1/ Economic Section Report, pp. 17-18

being of workers. It is clear that this must be achieved on an industry-wide basis to prevent employees from bearing an undue share of the burden of inherent competitive forces.

Capacity Utilization

One of the most important factors contributing to extreme competition has been the severe condition of over-capacity which has characterized the seamless branch for several years. An authoritative study of the situation was made in 1934, at which time a total of some 115,000 knitting machines other than auxiliary ribbers were in place. 1/ Little change is believed to have occurred since that date either in the character or number of machines. This equipment was estimated to give a potential annual capacity of about 170 million dozen pairs on a basis of two eight-hour shifts operating for 250 days during the year. 2/ However, shipments come to not quite 72 million dozen pairs in 1934 and to slightly over 86 million dozen pairs 3/ in 1938, indicating that the market absorbed only about 43 percent and 51 percent in those respective years of what could potentially have been produced. Clearly overcapacity continues to exist in the industry.

However, potential capacity is greater than "effective" capacity, namely that readily available for use. Thus many machines are often operated on only one shift; seasonal factors cause some machinery to be used only during rush periods, and finally large quantities stand idle because they have not been adjusted to make the products to which consumer demand has turned.

The Committee finds that the severe incidence of overcapacity intensifies competition, and occasions further downward pressure on wage levels,

1/ George W. Taylor and G. Allen Dash, The Knitting Equipment of the Seamless Hosiery Industry, University of Pennsylvania, 1934. Cited in Economic Section Report, P. 23.
2/ Ibid.
3/ National Association of Hosiery Manufacturers, Statistical Bulletin for Year 1938, issued February 6, 1939. Cited in Economic Section Report, Appendix Table H.

particularly among producers who fail to adapt equipment to the demands of the market. It finds that the minimum recommended will serve to mitigate this depressing influence on wages, which indirectly affects all employees in the industry.

Plant Turnover

A considerable incidence of plant mortality exists in an industry which is so fundamentally affected by shifts in consumer demand and by a serious condition of overcapacity.

In December, 1938, there were a total of 514 seamless knitting mills in the industry, about two-thirds of which were located in the South, 1/ accounting for about 75 percent of the employment. 2/ This represents a net increase of 29 mills over those in existence in January 1937, two years earlier. Although during this interval of optimism and high production, a total of 82 new plants were established, mostly small in size and concentrated in the South, 53 plants were closed down during the period, and 45 of those were from the South. 3/ Clearly a considerable plant turnover exists.

In view of the considerations previously described: the changing character of consumer demand, the market price situation, overcapacity, and the influx of small firms, the Committee concluded that factors other than wages contribute towards a severely competitive situation in the industry and a high rate of plant mortality among marginal firms. The Committee believes, however, that the recommended minimum will not unduly affect the present rate of plant turnover.

B. The Wage Structure

The 1938 average for seamless hosiery workers shows a decrease from averages of 38.3 cents and 38.9 cents prevailing in 1934 and 1935, the period of the N.R.A. code, as is shown in Table I. Also a reduction from the N.R.A. levels was evident by 1937.

1/ Principal producing states include: Pa., Conn., Mass., Vt., N.J., Wis., Ill., and Ind., classified as No. & So. Car., Tenn., Ga., Ala., Va., and Ky., classified as the South. See Appendix Table E.
2/ Bureau of Labor Statistics Survey, Tables, 39 and 40, pp. 84,85.
3/ Data from Nat'l. Ass'n. of Hosiery Mfgs., cited in Economic Section Report, Table 3, p. 4.

TABLE I

SEAMLESS HOSIERY INDUSTRY
AVERAGE HOURLY EARNINGS
SELECTED YEARS,
1929-1937

District	1929	1933	1934	1935	1937
		(Earnings in cents per hour)			
U. S. Total	30.8¢	18.8¢	38.3¢	38.9¢	36.1¢
North and West	36.6	23.7	38.9	40.4	38.5
Pennsylvania	35.2	21.4	39.8	40.2	37.6
Other North	36.3	24.7	38.8	40.6	40.5
West	39.0	26.9	40.1	40.6	38.0
South	28.2	17.6	37.6	38.3	34.5
North Carolina	31.7	21.6	40.8	40.7	38.3
Tennessee	25.7	14.8	35.5	35.5	34.4
Georgia	21.2	14.3	34.4	35.2	30.4
Other South	24.3	15.0	34.9	37.6	33.4

Source: Cited in Union Brief Table I: 1929-1935, data from: George W. Taylor and Lillian P. Goodman, Recent Changes in Hourly Earnings of Employees in the Hosiery Industry, Industrial Research Department, Wharton School of Finance and Commerce, Hosiery Series, No. 1, August 1936, 1937 data from: U. S. Department of Labor, Womens Bureau.

N. R. A. clearly brought average hourly wages to a higher standard than existed either in the preceding years noted or in those following. 1/ Average hourly earnings fell drastically from 30.8 cents in 1929 to only 18.8 cents in 1933. N.R.A. brought average hourly earnings from those extremely low levels to 40.4 cents per hour in the North and 38.3 cents in the South, which in that region involved an average increase of nearly 20 cents per hour within two year' time. 2/ However, average hourly earnings in 1938 were considerably higher, particularly in the South, than those prevailing in 1933. The wage recommendation of this Committee is for a minimum wage approximately the same as that put in effect during N.R.A., and which was absorbed by the industry without any curtailment of employment. The Committee believes that the N.R.A. 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.

C. Effect on Demand and Curtailment of Employment.

The Committee is of the opinion that a reasonable increase in the minimum wage for the seamless hosiery branch is required to end the disorganization of the industry occasioned by severe low-wage competition. This belief is based both on the recent history of wages in seamless mills during and subsequent to N.R.A., and on specific evidence as to the effect of various possible minimum wage rates.

The question as to what specific rates should be recommended depends, first of all, upon how high a level can be established without requiring such an increase in the prices of seamless hose as would substantially

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1/ The code set various occupational minima with a slight North-South differential, which ranged from $18.00 for a 40 hour week in the North and $16.25 in the South down to $13.00 in the North and $12.00 in the South for certain unskilled occupations, exclusive of learners in the first three months of training. The learner minimum for those three months was set at $8.00 in both areas. Cited in Transcript of Hearings, p. 62.

2/ These increases resulted in part from a reduction of the work week to 40 hours.

curtail the volume purchased by consumers and thus curtail substantially the volume of employment in this branch. The Committee has therefore traced the effect of wage increases upon wholesale and retail prices. But before this can be done, it is necessary to determine the effect of various possible minimum wage rates on the total wage bill and on manufacturing costs of this branch of the industry.

Effect on Wage Bill

Information made available to the Committee indicates that 38.3 per cent of the workers in the seamless branch received less than 30 cents an hour in September, 1938, and that another 10 per cent of these workers received less than 32.5 cents an hour. Further detail is shown in Table II. 1/

TABLE II

SEAMLESS HOSIERY INDUSTRY: PERCENTAGE OF EMPLOYEES RECEIVING LESS THAN SPECIFIED HOURLY WAGE

Hourly Wage of:	Per cent of Employees Receiving less than Specified Wage
27.5	30.1
30.0	38.3
32.5	48.8
35.0	58.8
35.5	66.9
40.0	73.4

Source: Bureau of Labor Statistics Survey, Table 38, p.82. Cited in Economic Section Report Table 14.

It must not be supposed that these data by themselves indicate directly the effect of any given minimum on the wage bill of the industry. The percentage of the total dollar payroll received by the low wage employees is much less than their relative proportion of the total number of employees.

1/ See Appendix Table F for the complete wage distribution.

Hence the increase in the wages of these workers, up to a given minimum, produces a comparatively small addition to the total payroll. To find the increase in the total wage bill of the seamless branch, it is necessary to compute the proportion of payrolls absorbed by each group of employees who earned similar amounts as well as the extent of the wage increase required by any given minimum for each of these groups. 1/

A minimum wage of 32.5 cents an hour would operate directly to increase the total wage bill of the seamless branch by 7.3 per cent, over and above the wage bill under the present statutory minimum of 25 cents, while a 40 cent minimum would increase the wage bill by 20.6 per cent. In the South, the direct additions to labor cost would be only slightly greater in each case. These increases are presented in Table III.

TABLE III

INCREASE IN THE INDUSTRY'S WAGE BILL RESULTING RAISING THE MINIMUM FROM 25 CENTS PER HOUR TO SPECIFIED MINIMA.
(In the United States as a Whole and in the South)

Minimum Wage rates	Per cent increase in Wage Bill	
(cents per hour)	United States	South
27.5	1.80%	2.34%
30.0	4.23	5.45
32.5	7.33	9.33
35.0	11.15	13.99
37.5	15.61	19.23
40.0	20.61	24.97

Source: Computed from Bureau of Labor Statistics Survey, Table 38, p.82 Cited in Economic Section Report Table 16.

1/ Presented in the Brief of the National Association of Hosiery Manufacturers, Tables I and II, and in the report of the Economic Section, p.26-27. See p.36 of the latter report for the method of computation. The very slight differences in the results shown by these two sources are due to the fact that the figures of the Association were computed as of September 1938, before the Act established a 25 cent minimum, while the figures of the Economic Section took account of the existing minimum.

Considerable testimony was also received by the Committee as to the effect of a minimum wage upon the wages of workers who are already earning as much or more than the minimum. To the extent that the wage differentials are restored after the minimum is established, some further increases in payrolls, above those just indicated, may be expected. However, the Committee believes that several factors, in addition to that of a minimum rate, will determine the extent of wage increases above the minimum. 1/ For these reasons, the Committee does not believe that accurate estimates of this so-called "indirect" or "telescoping" effect can be made at the present time. Upon the evidence presented, however, the committee is of the opinion that the amount of increases above the minimum which may occur in the immediate future will not be sufficiently large in comparison to the direct results of the minimum to disturb the conclusions reached on the basis of the figures given above. Accordingly, the calculations which follow will be confined to the result of raising the wages of those workers now receiving less than the recommended minimum to that minimum.

Effect on Manufacturing Cost

An increased wage bill will affect prices and the demand for seamless hosiery only to the extent that manufacturing costs are affected. Raw material costs, overhead, and other costs besides payrolls will not be changed by the establishment of a minimum wage for the seamless branch. Hence it is necessary to determine the ratio of labor cost to manufacturing cost in this branch of the industry.

Data on the ratio of labor cost to total manufacturing cost are not available for all types of hosiery products, and labor is known to be a relatively more important cost in the production of some types than in others.

1/ Transcript of Hearings, pp. 105-107

Generally, in the case of seamless hosiery, labor cost represents a higher proportion of total cost for cheaper products than for more expensive goods. This is evidenced by a study presented by the National Association of Hosiery Manufacturers, on four low priced volume sellers. It reveals the average ratio of direct labor cost to total manufacturing cost to be 33.3 percent for hose retailing at 10 cents per pair, 32.7 percent for those retailing at 15 cents, 29.6 percent for those retailing at 20 cents, and 30.7 percent for those retailing at 25 cents. 1/ These ratios are likely to be considerably less for goods retailing at more than 25 cents. 2/

Taking into consideration the maximum of 33-1/3 percent, which applies to the low-end 10 cent article, it may be seen that the effect of a given minimum upon manufacturing costs would be, at most, one-third of its effect upon labor costs. The Committee applied the highest ratio here given (33.3 percent) and the lowest (29.6 percent) to the labor cost increases shown on Table III for the industry as a whole. The results may be seen in the following table.

TABLE IV

SEAMLESS HOSIERY INDUSTRY: INCREASES IN MANUFACTURING COSTS RESULTING FROM THE ESTABLISHMENT OF SPECIFIED MINIMUM WAGE RATES

Minimum Hourly Wage Rate of:	Increases in manufacturing costs if labor represents	
	29.6% of total costs	33.3% of total costs
27.5 CENTS	0.53%	0.60%
30.0 "	1.25	1.41
32.5 "	2.17	2.44
35.0 "	3.30	3.71
37.5 "	4.62	5.20
40.0 "	6.10	6.86

Source: Cited in Economic Section Report, Table 20, p.43.

1/ Brief of National Association of Hosiery Manufacturers, Table IV
2/ Ibid., p. 11

It is therefore evident that at either ratio, a 30 cent minimum would increase total manufacturing costs by but slightly over 1 percent, and a 32.5 cent minimum by only slightly more than 2 percent. Even in the South, the 32.5 cent minimum would raise manufacturing costs by hardly more than 3 percent, using either ratio. The Committee believes that such increases in manufacturing costs can be absorbed without causing a substantial curtailment of employment.

Effect on Prices and Demand

If the manufacturers of seamless hosiery can absorb the cost of increased payrolls, without curtailing operations, no change in mill prices or retail prices will be necessary. Again, if the cost were assumed entirely by retailers, there would be no change in mill margins nor in retail prices. However, it is possible to illustrate the effect of a minimum wage on retail prices, in case the entire increased labor costs were ultimately shifted to consumers, as described below.

The ratio of payrolls to the average wholesale value of the product is somewhat smaller than the ratio of labor cost to manufacturing cost, because wholesale value includes selling expenses, overhead and manufacturing profit. For the seamless branch, the ratio of payrolls to value was found to average about 27.5 percent. 1/ Applying this ratio to the 7.3 percent increase in the wage bill, the Committee estimates that the seamless branch could cover the cost of raising wages to a minimum of 32.5 cents if mill prices rose by an average of just under 2 percent.

Prevailing average wholesale prices, f.o.b. mill, of the cheap, volume-sellers among seamless hose were submitted by the National Association of Hosiery Manufacturers as follows: 2/

1/ Economic Section Report, p. 43 and Table 21.
2/ National Association of Hosiery Manufacturers, Seamless Brief, Table IV

Retail Price per Pair	Wholesale Price Per Dozen
10 cents	\$0.783
15 cents	1.060
20 cents	1.405
25 cents	1.583

Assuming the average increase in the total wage bill of the industry is the amount of increased cost that must be shifted into retail prices, the 2 percent average increase in mill prices resulting from a 32.5 cent minimum would mean increases ranging from 1.6 cents per dozen pair on 10 cent items to 3.2 cents per dozen on 25 cent items.

The Committee is by no means convinced that retailers will necessarily pass on to consumers such moderate increases in wholesale prices as have been indicated. Should such increases be shifted without any absorption by retailers, allowance must be made for a percentage spread between mill price and retail price, ranging from 53 percent on 10 cent items to 90 percent on 25 cent items. 1/ Allowing for a retail spread of such magnitude, a 2 percent increase in wholesale price might lead to retail price additions ranging from 2.5 cents per dozen on 10 cent items (with 53 percent spread) to 6 cents per dozen on 25 cent items (with 90 percent spread). This would be equivalent to an average increase of two-tenths of a cent a pair on 10 cent socks and to one-half a cent on 25 cent sellers. 2/

1/ Ibid.
2/ Somewhat different estimates of possible price increases were presented to the Committee, based not on increased costs for seamless mills as a whole, but for a group of mills now paying the lowest wages and consequently the most seriously affected. Moreover, these estimates included certain indirect effects of various minima as well as the direct effect. Even these estimates indicated a retail price rise of only 1.4 cents a pair on 10 cent items to 3.1 cents for 25 cent items. Furthermore, the effect of a 32.5 cent minimum, according to this estimate differed by only one-tenth of a cent, on all items except the 20 cent retailer, from the estimated effect of the 30 cent statutory minimum, effective next October regardless of the recommendation of this Committee. (Transcript of Hearings, pp. 14-15.)

Such increases, carried all the way through from factory payroll to retail price without any absorption, would represent the burden on the ultimate consumer of the average increase in cost of raising the lower-paid seamless hosiery workers to a minimum of 32.5 cents an hour.

Due notice was taken of the fact that the establishment of a 32.5 cent minimum will increase the manufacturing costs of some of the seamless mills by move 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 per hour, representing the 10 per cent of the industry paying the lowest wages. Even in these cases, a general rise in retail prices sufficient to cover the added labor costs to those mills, and the amount to only seven tenths of 1 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 retail prices as might curtail demand and employment in the industry. Actually, the evidence before the Committee provides two good reasons to doubt whether the recommended minimum would result in any general increases in the prices of seamless hose whatever. First, there is the fact that the bulk of seamless hosiery usually sells in standardized price brackets. The spread between these brackets is ordinarily 5 cents a pair. It seems unlikely that a retailer would sell these products, except on clearance, at prices falling between the 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 the small increases in wholesale price which might result from a 32.5 cent minimum wage.

Secondly, as was mentioned in the earlier discussion of market and price factors, seamless hosiery manufacturers have been selling for many years on a buyer's market, so that the spread between wholesale and retail prices has permitted retail sales at a comparatively high profit, even for low-grade hosiery products. Statistics of the National Retail Dry Goods Association support this statement. Women's hosiery, seamless and full-fashioned, was in fact the most profitable of all items sold by department and specialty stores, due in part to the high profit ratio of 8.4 per cent of sales and in part to the volume of hosiery business. This percentage can be compared to a store wide average profit for all items of 1.6 per cent of sales or the main store average of 1.9 per cent of sales. Children's hosiery also showed a profit ratio considerably above average, 4 per cent of sales, while the low grade seamless product to be found in store basements, where profits are smallest, was twice the basement average for all items.1/

In view of these profits, it seems likely that retailers would be able to absorb, at least a part of the very moderate burden resulting from a 32.5 cent minimum wage and that they would not increase retail prices sufficiently to curtail the demand for seamless hosiery.

On the weight of the whole evidence before it, the Committee is of the opinion that no increase in retail prices sufficient to curtail consumer demand can arise as a result of a 32.5 cent minimum. Consequently, it finds that there would be no substantial curtailment of production and thereby employment from the establishment of such a minimum.

1/ See Economic Section Report, p. 19.

D. Effect of the Minimum upon Competitive Conditions

In considering the proper minimum wage to be recommended, the Committee has taken account of competitive conditions within the seamless division, as well as the effects of various minima on the seamless branch as a whole. A very moderate minimum of 32.5 cents an hour is recommended so that no large and sudden change in competitive conditions may result.

The effect of establishing any minimum wage under the Act will necessarily be greatest in the case of those mills paying the lowest hourly wage rates. Therefore, the Committee considered particularly the effect of its recommendation on the competitive position of the low-wage mills. No satisfactory consideration of competition within the seamless branch can proceed on a regional basis. Many southern manufacturers, 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 mills in Pennsylvania in every year since 1929, as has been indicated by Table I.

The most accurate method of determining the competitive effects of any given minimum wage would be to examine the resulting payroll increases in individual mills. Since the presentation of any such facts would reveal the internal affairs of some individual concerns, the evidence presented to the Committee was in the form of small groups of mills, each of which had very similar level of average earnings in September, 1938. The proportion of all the seamless mills studied in each of these wage groups is shown in Table V.

TABLE V

SEAMLESS HOSIERY BRANCH: PERCENT DISTRIBUTION OF INDIVIDUAL PLANTS, ACCORDING TO AVERAGE HOURLY EARNINGS, SEPTEMBER, 1938.

Plants with Average Hourly Earnings of:	Percent of Total Plants Simple %	Cumulative %
Under 25 cents	10.3	10.3
25 and under 27.5¢	8.2	18.5
27.5 " " 30.0¢	9.3	27.8
30.0 " " 32.5¢	9.3	37.1
32.5 " " 35.0¢	16.5	53.6
35.0 " " 37.5¢	4.1	57.7
37.5 " " 40.0¢	12.4	70.1
40.0 " " 42.5¢	5.2	75.3
42.5 " " 45.0¢	15.4	90.7
45.0 and over	9.3	100.0
Total	100.0	100.0

Source: Bureau of Labor Statistics Survey, computed from Table 32, P. 72.

This table reveals a considerable spread among the individual plants in the average hourly earnings. Thus, about 10 per cent of the mills paid an average of less than 25 cents per hour prior to the effective date of the Fair Labor Standards Act. These plants are now presumably paying an average of at least 25 cents. On the other hand, over 30 per cent of the seamless mills were averaging more than 40 cents per hour at that time.

Table VI reveals the effects of any given minimum upon the payrolls for plant classifications, and also the percentage of total workers employed in each. These data show very clearly the differences in wage bill increases resulting from any minimum as between mills now paying low average hourly earnings and those already providing relatively substantial wages.

Thus, the 30 cent minimum, which will be the statutory minimum in October, 1939, would occasion a 16.4 per cent increase in payrolls for

Table VI

SEAMLESS HOSIERY MILLS: INCREASES IN THE WAGE BILL DIRECTLY RESULTING FROM THE ESTABLISHMENT OF SPECIFIED MINIMUM WAGE RATES (27.5 CENTS TO 40 CENTS PER HOUR)

Mills Classified According to Average Hourly Earnings Paid (a)

Mills Paying Average Hourly Earnings of:	Percent Increases in the Wage Bill Directly Resulting from Specified Hourly Minima of:						Percentage of All Workers in Mills Indicated	
	27.5¢	30.0¢	32.5¢	35.0¢	37.5¢	40.0¢	Simple %	Cumulative %
	%	%	%	%	%	%		
25.0 cents (b)	7.8	16.4	25.6	34.9	44.4	54.1	8.1	8.1
25.0 & under 27.5¢	5.8	13.0	21.1	29.5	38.3	47.3	9.2	17.2
27.5 " " 30.0¢	4.1	9.4	15.7	22.7	30.2	38.0	7.8	25.0
30.0 " " 32.5¢	2.6	6.5	11.4	17.2	23.7	30.6	9.9	34.9
32.5 " " 35.0¢	1.5	3.9	7.4	12.0	17.4	23.4	17.4	52.3
35.0 " " 40.0¢	0.6	1.5	3.2	5.8	9.4	13.8	22.8	75.1
40.0 " " 45.0¢	0.4	0.9	1.7	3.1	5.0	7.6	14.3	89.4
45.0 cents & over	0.1	0.3	0.6	1.1	1.9	3.1	10.6	100.0
ALL MILLS (Average - 35.1 cents)	1.8%	4.2%	7.3%	11.2%	15.6%	20.6%	100.00	

Source: Bureau of Labor Statistics Survey, op. cit., computed from Table 44, p. 91 Data as of September, 1938. Cited in Economic Section Report, Table 19.

(a) All wage bill increases based on the statutory minimum of 25 cents per hour, effective since October 24, 1938.

(b) These mills, representing 10.3% of the total (see Table IV) were paying an average wage of less than 25 cents per hour in September, 1938. Therefore, it is assumed that they are paying but slightly in excess of that figure since the statutory minimum went into effect. The flat 25 cent average is used to give this lowest group of plants full differentiation from the other groups where the average wage was above 25 cents before the effective date of the Act.

plants now paying only about 25 cents. These represent about 10 per cent of total plants and employ only 8 per cent of the workers. At the opposite extreme, plants now averaging 45 cents per hour and over would have payrolls increased by only three-tenths of 1 per cent. These account for over 9 per cent of the plants, and for nearly 11 per cent of total employment. For the middle range of plants, those paying an average of between 35 and 40 cents per hour, payrolls would be raised by only 1.5 per cent.

The recommended minimum of 32.5 cents would not effect payrolls very differently than the 30 cent statutory minimum which otherwise will soon be in effect, except for the lowest wage plants in the industry . Under a 32.5 cent minimum, these low-wage mills would bear a payroll increase of 25.6 per cent, while those now averaging 45 cents or over would receive only six tenths of 1 per cent increase, Again, payrolls for the middle range of plants, which account for nearly 23 per cent of employment, would be raised by hardly more than 3 per cent.

A 40 cent minimum on the other hand, would occasion serious increases in payrolls for most plants in the seamless branch at the present time. It would raise the wage bill of the lowest wage mills by 54 per cent and for all but about 30 per cent of the plants by at least 13 per cent.

Nevertheless, it is evident that payroll increases considered alone exaggerate the effects of any possible minimum upon the industry. Raw materials as well as labor form a major manufacturing cost. Still less do payrolls represent the total value of product, for wholesale value includes all overhead cost and profits in addition to all manufacturing cost. Moreover, the Committee must take account of the possibility that an increased labor cost might not be borne by the manufacturer in any event, but rather by the retailer or ultimate consumer as described in an earlier section.

In regards to the position of the lowest-wage mills, several considerations must be borne in mind. The plants which may be faced with payroll increases averaging 25 percent employ only 8 percent of the workers in the seamless branch. A 25 percent increase in the wage bill would raise the total manufacturing costs of these plants by about 8 percent, if we assume that such mills have the highest labor cost ratio previously noted as characteristic of the industry (33.3 percent on 10 cent items). Should these low wage mills enjoy a smaller ratio of labor cost to total manufacturing cost, by reason of their lower scales of wages, the effect of a 32.5 cent minimum wage on the increase of their total cost might well be less extreme than would appear from Table VI. Insofar as some of these low-wage mills may have been earning profits above the average in consequence of their unusually low wage scales, the cost of meeting a 32.5 cent minimum could be more easily absorbed and the establishment of such a minimum would not place them in any serious competitive disadvantage with respect to other mills in the industry. Insofar as some of these low wage mills may have been relatively unprofitable, the Committee believes that improvements in efficiency can reduce or even eliminate the additional costs of the minimum wage. Instances were cited to the Committee of the installation of managerial and operating improvements which have offset wage increases in the past, so that profits were restored after wages had been raised. Finally the Committee has taken note of the fact that a major portion of the adjustment to result from a 32.5 cent minimum would be required in any case by the statutory minimum of 30 cents an hour, effective this year, and that only a remaining slight readjustment would be due to the proposed minimum.

While the Committee has seriously considered the competitive position of these plants which will be most affected, it is of the opinion that the establishment of a minimum rate of 32.5 cents an hour will neither curtail employment substantially nor unduly affect economic and competitive conditions in the seamless branch of the industry.

E. Further Classifications

Before concluding its investigation of the seamless branch, the Committee considered the advisability of classifications within such branch. After a careful analysis of the evidence before it, the Committee concluded that no further classifications should be made.

It was pointed out earlier in this report that many different types of seamless hosiery are produced. However, no request was made to the Committee for product classifications within the seamless branch. Furthermore, since most seamless mills produce more than one type of hosiery, such classifications would be burdensome to the employer and difficult to enforce. The Committee believes that there is no necessity for the establishment of product classifications within the seamless branch.

Nor did the Committee find a regional classification justifiable within the seamless branch. It carefully considered the evidence introduced before it with respect to transportation costs, living costs, and wage rates established by collective labor agreements, and found no basis for a regional classification on these grounds.

Nor was it evidenced that differences in production costs could support a regional classification. Testimony was received relating to this aspect, indicating that the South produced proportionately more of the cheaper grade of goods which require lower production costs than does the North, although both regions produce high as well as low grade commodities. 1/ The Committee gave special consideration throughout to producers of goods retailing at from 10 to 25 cents, and recommended the 32.5 cent minimum rather than a higher rate with those particular manufacturers in mind. This was done because the greatest volume of sales comes within this price range and because the bulk of the industry is located in the South. The previously described evidence on

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1/ Transcript of Hearings, pp. 18 and 22.

possible increases in manufacturing costs, wholesale prices, and retail prices applies directly to producers of such cheaper goods. It was also demonstrated that the 32.5 cent minimum would not affect such firms very differently than will the 30 cent minimum effective next October. Finally it was shown that no substantial curtailment of employment would occur either through disturbance of present competitive conditions or through loss of consumer demand. Therefore, the Committee finds no cause for classifying the South separately with a minimum lower than 32.5 cents, on the basis of the production cost factor.

Upon the basis of this evidence and of the other relevant factors specified in Section 8 (c) of the Act, the Committee is of the opinion that regional classifications are not justified.

F. Conclusion

In concluding its discussion of the seamless branch, the Committee wishes to emphasize that in arriving at its recommendation of 32.5 cents an hour, it has constantly borne in mind the mandate of the statute that it recommend for this classification, the seamless branch, the highest minimum wage rate which will not substantially curtail employment therein.

The seamless branch suffered severe loss of demand during the depression. In recent years, however, its subsequent recovery has brought production nearly to the 1929 level. Over 86 million dozen pairs of seamless hosiery were produced in 1938. About 60,000 workers are employed in the industry at an average wage of 35.1 cents an hour. The seamless branch is predominantly located in the South, that area accounting for approximately 66 percent of the mills and about 75 percent of the total employment.

The seamless branch is a highly competitive industry affected by rapid shifts in consumer demand, competition for orders from large buyers which has contributed to the creation of what is eventually a price market, and by a serious situation of overcapacity and frequently inefficient use of capacity. These factors have resulted in a high rate of plant mortality and severe downward pressure on wages. Consequently, the Committee is of the opinion that a minimum wage rate in excess of 32.5 cents should not be established at this time.

The Committee finds, however, that a minimum wage rate of 32.5 cents an hour can be borne by the seamless branch without undue difficulty and with no substantial curtailment of employment. The recommended minimum would add less than 2.5 percent to the total average manufacturing costs of the branch and only 3 percent to the average manufacturing costs of its southern section.

The evidence indicates that if this average increase in manufacturing costs is shifted to the ultimate consumer, or even if an increase sufficiently large to maintain the present margin of profits of the lowest 10 percent of the mills in the seamless branch is entirely shifted, the affect upon retail prices will be too small to curtail consumption or employment. Moreover, there appears to be little likelihood that the entire increase in manufacturing costs resulting from the establishment of a 32.5 cent minimum will be passed on to the consumer.

The Committee also considered the possible effects of a 32.5 cent minimum on economic and competitive conditions in the seamless branch. It believes that the establishment of such a minimum will not materially affect such conditions.

On the basis of a careful investigation of conditions industry, the Committee is convinced that in determining upon a 32.5 cent minimum for workers employed in the seamless branch of the hosiery industry, it is fulfilling its duty under the Act of recommending at this time the "highest minimum wage rate" which "will not substantially curtail employment".

III THE FULL-FASHIONED BRANCH

A. Nature of the Industry

Before undertaking an analysis of the effects of any possible minimum upon the full-fashioned branch, the Committee took into consideration the nature of the industry in the light of present economic and competitive conditions.

As was noted earlier, the full-fashioned industry is devoted almost exclusively to the manufacture of women's stockings, and about 95 percent of the quantity produced is made entirely or primarily of silk. 1/ The small production of men's full-fashioned hose accounts for less than 1 percent of the total. 2/

Full-fashioned hosiery, unlike the seamless article, is knit on extremely delicate machines in a flat piece which is gradually narrowed and shaped to fit the leg, and later seamed up the back to form the stocking. Knitting customarily precedes dyeing, whereas much of the seamless hose is knit of pre-dyed yarns. The finishing of the full-fashioned article therefore ordinarily involves more extensive as well as more careful operations than for seamless, and today is carried on either in integrated mills or by commercial dyers and finishers.

Commercial finishing is a comparatively new and relatively small service trade, arising from the recent tendency among a number of manufacturers to produce on a greige goods basis.

Because of its delicate product and the relatively complicated and expensive machinery used, the full-fashioned branch requires a more highly skilled labor force, a higher wage structure, and more labor per unit of output than does the seamless branch. Thus, of nearly 145,000 employees in the total hosiery industry in 1938, about 85,000 or 60 percent were employed

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1/ Economic Section Report on Full-Fashioned Hosiery Industry, p. 11.
2/ *Ibid.*, p. 3.

in the full-fashioned branch, despite the fact that the quantity produced was less than half the quantity of seamless production or approximately 42 million, as compared to 86 million dozen pairs. 1/ However, because of higher price ranges, the value of full-fashioned production is considerably greater than for seamless, and according to the latest Census data available amounted to 65 percent of the value of all hosiery manufactured. 2/

The relatively recent origin of the full-fashioned industry was indicated by the fact that production, as late as 1919, was only 7.6 million dozen pairs, less than one-fifth of the present output. 3/ Very rapid expansion took place between 1919 and 1929, a period of soaring production, profits and wages. The depression retarded further expansion of mills and equipment, although production remained relatively stable. Further, it caused fatalities and liquidations, and a drastic downward revision of wages and prices.

Beginning with 1934, new life has been injected into the industry, with a rise in production and shipments, new mill and machine installations, and a marked advance in wages under the N.R.A. code, particularly in the South. After N.R.A., relatively high wage standards were maintained, while production and shipments rose steadily each year above 1929 levels to an all-time peak in 1938 of about 42 million dozen pairs. 4/

This rapid development of the industry occasioned a net increase in number of plants of from 306 in 1929 to 350 in January 1937, and to 396 in December 1938. Most of these new plants were located in the South, and the proportion of employment in that area has risen markedly since 1929, and particu larly during the past few years.

1/ Ibid., p. 9 and Appendix Table B.
2/ U.S. Census of Manufactures, 1935, cited in Economic Section Report, Appendix Table A.
3/ Ibid., Appendix Table B.
4/ For the above discussion, see Economic Section Report, pp.1-3; and Union Brief, pp. 1-4

Although the North continuse to predominate, the South today accounts for about 34 percent of employment. 1/

In addition to this regional change, there have been internal locational shifts in both areas. Where formerly the industry was concentrated in larger centers, very recently a considerable number of new plants, for the most part small in size, have been established in rural sections of the two regions, and particularly in the South. 2/

Capacity Utilization.

Practically all full-fashioned knitting equipment consists of multiple-unit machines which simultaneously knit from 18 to 28 stockings. Technological developments have been rapid throughout the history of the industry and have contributed to early obsolescence of machinery, so that mills utilizing modern installations derive a considerable advantage over others.

Although the present incidence of idle capacity is not comparable to that in the seamless branch, due to a more extensive increase in demand and production than in machine capacity, it remains a problem In the depression year of 1932, the industry was operating at only 58 percent of capacity, 3/ while estimates for 1938 indicate that this rose to over 80 percent as a result of record output in that year. 4/

A more serious situation arises from the renewed operation of very obsolete equipment, especially among the small mills recently established in isolated regions. Some of these plants survive only by underselling established firms by means of low wage payments. 5/

The Committee finds that unused capacity and continued use of obsolete equipment help to create a highly competitive situation in the industry and endanger wage standards.

1/ Brief of Full-Fashioned Hosiery Manufacturers, Inc., pp. 8-9
2/ Economic Section Report, p.6, and Union Brief, P 5. (See Appendix Table G for present list of hosiery producing states and centers.) Western centers are classified with the North unless otherwise noted.
3/ Union Brief, pp. 2 and 9. (1114)
4/ Union Brief, p. 9; and Brief of Full-Fashioned Hosiery Manufacturers, p.14,
5/ Union Brief, pp. 5-7; Economic Section Report, p.20 Also Hearings, p.57

Marketing Factors.

Competition in the industry is made still more acute by marketing and price conditions. In recent years most hosiery sales have been direct to retail outlets, a considerable part of which has been to large chains, and by early 1939, sales direct to the chains amounted to about one-third of the total. 1/

The increasing importance of the chains is closely linked to the growth of the greige goods market and of the commercial dyeing and finishing subdivision of the industry, both of which contribute to the creation of a price market. Just as in the case of the seamless branch, increasing sales to the chains, which exercise indirect controls over quality and price, have tended to reduce mill margins.

Therefore, the Committee finds that prevailing market factors such as increased sales to large chains exercising indirect controls over quality and price; the growth of a greige goods market peculiarly susceptible to price changes and competing for sales with higher-priced goods; and the influence of new mills and of marginal mills combine to accentuate competition in the industry. Further, they often serve to make labor the determining factor between profit and loss operations with consequent pressure on wage levels, and thus accentuate the need for a stabilizing force such as the wage minimum now contemplated.

Plant Turnover.

Previous mention was made of the rapid net increase in number of mills, during the past two years. As a matter of fact, the new increase between January 1937 and December 1938 of 46 mills fails to reflect the entire situation. Actually 88 new mills were opened in that interval of expansion, but because of a high rate of plant mortality, 42 mills operating in January 1937 had completely closed down by the end of 1938. Fifty-six of the 88 new plants were opened in the South; while on the other hand, 39 or all but 3 of the mills closing down were located in the North. 2/

1/ Ibid.
2/ Economic Section Report, Table 2, p.5.

The Committee finds this high rate of plant turnover to be a natural economic consequence in a highly competitive industry endangered by the continued use of obsolete equipment and affected by current marketing factors. It believes, further, that economic and competitive conditions such as price competition resulting from greige selling; increased sales of unbranded goods; and growing chain store purchases; and the recent growth and high mortality of marginal firms -- all have direct bearing upon wages and upon the effects of any wage minimum to be recommended by this Committee.

B. The Wage Structure

The full-fashioned branch has always been a high wage industry as compared to the seamless branch. A large proportion of skilled workers are required to handle the expensive machinery and the extremely delicate product. For example, in 1938 nearly 64 per cent of the employees were classified by the U.S. Bureau of Labor Statistics as skilled; as compared with slightly over 23 per cent classified as semi-skilled; and less than 13 per cent classified as unskilled. 1/ At that time, the earnings of all workers averaged 65-8 cents per hour as compared to 35.1 cents for the seamless branch. Earnings for the large skilled group averaged 77.3 cents per hour; for the small semi-skilled group, 50.9 cents; and only for the still smaller unskilled group, which includes learners and apprentices, did earnings average less than 40 cents per hour. 2/ Some regional differential continues to exist in the industry. The North, accounting for 70 per cent of the workers, showed average earnings of 69.3 cents per hour as compared with 58.1 cents for the 30 per cent of the employees located in the South. 3/

The levels to which wages had fallen between 1929 and 1933, as a result of the depression and under the pressure of competition from low wage areas, are revealed in Table VII.

1/ BLS Survey, September 1938, cited in Brief of Full-fashioned Hosiery Manufacturers' Association, Inc., p. 10.
2/ Ibid., pp. 10-11
3/ Ibid.

VII

FULL-FASHIONED HOSIERY INDUSTRY: AVERAGE HOURLY EARNINGS BY PRODUCING DISTRICTS, ALL OCCUPATIONS COMBINED

1929 - 1935

Producing District	Average Hourly Earnings (cents per hour)			
	1929	1933	1934	1935
United States Total	67.0	38.0	62.4	66.5
North and West Total	69.9	39.9	65.3	69.5
Philadelphia	80.0	45.0	67.9	70.7
Reading a/	69.6	35.7	64.6	~~76.1~~ (71.8)
Other Pennsylvania	58.9	34.8	61.8	63.5
West	61.4	41.9	64.2	70.4
New York - New Jersey b/	82.8	41.4	71.2	76.6
New York - New Engl'd b/	80.8	38.6	54.0	50.5
South Total	37.6	30.4	51.1	53.0
North Carolina	38.3	32.5	53.2	54.7
Other South	34.9	27.1	48.1	50.8
Combined Districts c/	71.4	53.0	66.7	68.9

Source: G.W. Taylor and Lillian P. Goodman, Recent Changes in Hourly Earnings of Employees in the Hosiery Industry, cited in Union Brief, Table I.

a/ Sample insufficient to get comparable average. Bracketed figure estimated as proper.
b/ New York - New Jersey: includes only southern New York
New York - New England: includes only northern New York
c/ Companies with plants in more than one district.

The northern average dropped from about 70 cents to 40 cents per hour, and the North-South average hourly wage differential narrowed from 32.3 cents in 1929 to 9.5 cents in 1933.

The impact of the N.R.A. code on wage levels is evidenced by the sharp rise in hourly earnings during 1934 and 1935, particularly evident in the South. 1/ By 1935 the code had brought average wages for the country as a whole almost to the 1929 level. Wages in the North, however, remained somewhat below the 1929 average, while the southern average since 1934 has been appreciably higher than in 1929. The somewhat lower national average of 65.8 in 1938 reflected the greater proportion of southern employment over earlier years.

The Committee therefore is of the opinion that the N.R.A. minima effectively succeeded in bolstering wages and in raising the level of hourly earnings markedly above that of the depression years. It believes that the N.R.A. experience and the relative stability in wages following the termination of N.R.A. indicates the capacity of the full-fashioned branch to bear a comparatively high wage structure.

C. Retail Prices and Curtailment of Employment Effect on Wage Bill

A relatively small proportion of the workers in the full-fashioned branch are now receiving less than the highest minimum rate which the Act authorizes the Committee to recommend. Table VIII shows that fewer than one-fifth (19.4%) of these workers were earning less than 40 cents an hour in September, 1938. Only 5.6 per cent received less than 30 cents, the general statutory minimum effective next October.

1/ See Table VII. (The code set various occupational minima, with a slight North-South differential, which ranged from $27.50 for a 40-hour week in the North and $24.75 in the South down to $13.00 in the North and $12.00 in the South for certain unskilled occupations, exclusive of learners in their first three months of training. The learner minimum for those 3 months was set at $8.00 in both areas. Cited in Transcript of Hearings, p. 62)

Furthermore, one sixth of the workers received $1.00 or more per hour 1/.

TABLE VIII

FULL-FASHIONED HOSIERY INDUSTRY:
PERCENTAGE OF EMPLOYEES RECEIVING LESS THAN THE SPECIFIED
HOURLY EARNINGS, SEPTEMBER 1938.

Hourly earnings	Percent of Employees
27.5 cents	4.7
30.0 "	5.6
32.5 "	7.7
35.0 "	11.0
37.5 "	14.3
40.0 "	19.4

Source: Bureau of Labor Statistics' Survey: "Average Hourly Earnings in the Full-Fashioned and Seamless Hosiery Industries, 1938." Table 6, p.9, Cited in Economic Section Report, Table 11, p.24.

The fact that about one-fifth of the workers are earning less than 40 cents an hour does not indicate that a 40 cent minimum would have the effect of increasing payrolls by as much as one-fifth. This is true because the percentage of the total dollar payroll received by the low wage employees is much less than their relative proportion to the total number of workers. Hence the increase in the wages of these workers, up to a given minimum produces a comparatively small addition to the total payroll.

To find the increase in the total wage bill of the full-fashioned branch, it is necessary to compute the proportion of payrolls absorbed by each group of employees as well as the extent of the wage increase required by any given minimum for each of these groups. 2/

A minimum wage of 30 cents an hour would increase the total wage bill of the full-fashioned branch by three-tenths of one percent, over and above the wage bill under the present statutory minimum of 25 cents. The direct effect

1/ See Appendix Table H for complete wage distribution.
2/ Presented in the Brief of the National Association of Hosiery Manufacturers, Tables V and VI, and in the Report of the Economic Section. pp. 25-27, 34, See p. 26 of the latter report for the method of computation. The very slight differences in the results shown by these two sources are due to the fact that the figures of the Association were computed as of September, 1938, before the Act established a 25 cent minimum, while the figures of the Economic Section took account of the existing minimum.

of a 40 cent minimum would be an increase of less than 2.1 percent in the wage bill of this branch of the industry. Even in the South, the maximum direct addition to labor cost which could result from a recommendation of this Committee would be less than 4.5 percent. The effect of various possible minimum wage rates on the wage bills of the whole branch and on the wage bill in southern mills is shown in Table IX.

Table IX

PERCENT INCREASE IN WAGE BILL RESULTING DIRECTLY FROM RAISING THE MINIMUM WAGE FROM 25 CENTS PER HOUR TO VARIOUS SPECIFIED MINIMA

Minimum wage rates (in cents per hour)	Percent Increase in Wage Bill United States	South
27.5	0.15 %	0.36%
30.0	0.34	0.82
32.5	0.59	1.42
35.0	0.95	2.22
37.5	1.42	3.23
40.0	2.06	4.47

Source: Computed from U.S. Bureau of Labor Statistics, Earnings and Hours in Full-fashioned and Seamless Hosiery Industries, 1938, Table 13 p. 33 Cited in Report of the Economic Section, Tables 13 and 16 pp 26 and 34.

As was true in the case of seamless hosiery, considerable evidence was introduced as to the effect of a minimum wage upon workers earning more than such minimum. The Committee believes that the discussion of "indirect" or "telescoping" effects with respect to the establishment of a minimum wage in the seamless branch, contained on page 18, above, is equally applicable here. After serious consideration of the subject, the Committee is of the opinion that the amount of increases above the minimum which may occur in the immediate future as a result of the establishment of a 40 cent minimum will not be of sufficient importance in comparison to the direct results of such minimum as to disturb the conclusions reached on the basis of the figures given above. For this reason, the ensuing calculations will be limited to the results of raising to the recommended minimum the wages of those workers now receiving less than that minimum.

Effect on Total Manufacturing Costs

The Wage bill represents only one of the costs of manufacture. Generally, in the full-fashioned branch of the hosiery industry, the cost of labor is proportionately lower for the higher-priced products than for the cheaper products, due to the use of more expensive raw materials and the consequent higher ratio of raw material cost to total manufacturing cost.

The data presented to the Committee indicated that the ratio of direct labor cost to total manufacturing cost ranged from 34.8 percent on 69 cent items to 38.5 percent on 79 cent items. In general, labor cost ratios would be lower on hosiery retailing at more than 79 cents. 1/ Adopting the higher of these ratios, however, (38.5 percent), it is evident that a 40 cent minimum wage, by raising labor costs 2.1 percent 2/ would increase the manufacturing costs of full-fashioned mills on the average by less than eight-tenths of one percent. Detailed results for the various minimum wage rates, and for the two most extreme labor-cost ratios which were shown to the Committee, are presented in Table X.

TABLE X

FULL-FASHIONED BRANCH OF THE HOSIERY INDUSTRY:
INCREASES IN MANUFACTURING COSTS RESULTING FROM
THE ESTABLISHMENT OF VARIOUS MINIMUM WAGE RATES

Minimum Wage Rates (in cents per hour)	Percent Increase in Manufacturing Costs - if labor cost represents:	
	34.8% of Manufacturing cost	38.5% of manufacturing cost
27.5	0.05%	0.06%
30.0	0.12	0.13
32.5	0.20	0.23
35.0	0.33	0.36
37.5	0.49	0.55
40.0	0.72	0.79

Source: Report of the Economic Section, Table 16 (p.31)

Possible Effects on Retail Price and Demand

The Committee is convinced that the slight increase in manufacturing cost arising from a 40 cent minimum wage would not necessarily be reflected in higher prices to consumers. However, it is possible to illustrate the effect on retail prices, should the consumer bear the entire burden of increased payrolls.

1/ Branded goods ordinarily sell at not less than 79 cents
2/ Compare p. 40 above.

We have seen that a 40 cent minimum would increase the costs of manufacturing full-fashioned hose by an average of about eight-tenths of one percent. The corresponding increase in wholesale value would be even less because wholesale value also includes other expenses such as overhead and also profits. Assuming that the average increase in the total wage bill of the industry represents the amount which must be covered by a rise in prices, the industry could more than recoup the cost of raising hourly wages to 40 cents if it could raise average wholesale prices by eight-tenths of one percent. Existing average, wholesale prices, f.o.b. mill, were presented to the Committee for the three low-priced, volume sellers, as follows: 1/

Retail Price Per Pair	Wholesale Price Per Dozen
59 cents	$5.13
69 cents	5.46
79 cents	6.16

Using these figures, it can be seen that an increase of eight-tenths of one percent would raise wholesale prices of the items listed by from 4 to 6 cents per dozen or by not more than one-half cent per pair. If allowance is made for a considerable spread between wholesale and retail prices of 100 percent,2/ the increase in retail prices would not exceed one cent per pair.

The Committee is aware that the manufacturing costs of some concerns will rise by more than the average for the industry as a whole when a 40 cent minimum is established. Therefore, by following the procedure used previously in considering the effect of the recommendation for the seamless branch, the Committee also considered an extreme example for the full-fashioned branch, namely, mills paying between 45 and 50 cents an hour in September 1938. 3/

1/ Brief of the National Association of Hosiery Manufacturers, Table VIII.
2/ Testimony before the Committee indicates that the spread on full-fashioned volume sellers ranged from 38.1% for 59 cent items to 53.9% for 79 cent items (Ibid).
3/ (See Table XII, p. 46) In the plants having averages between 45 and 50 cent an hour, a 40 cent minimum would increase the wage bill directly by 6.1 percent. This would be equivalent to an increase in manufacturing cost of 2.3 percent (using a ratio of 38.5 percent) to an increase in retail prices of 3.4 percent (using a mark up of 54 percent) or less than 3 cents on a 79 cent item.

The increase in payrolls for this group under a 40 cent minimum would be greater than that for 90 percent of the full-fashioned industry, and a general rise in retail prices of 3 cents per pair would be sufficient to cover even such an increase in labor cost.

There is good reason to doubt whether a 40 cent minimum would result in any general increase in retail prices of full-fashioned hose. Rather, the slight additions in costs may well be absorbed successfully by manufacturers or by retailers, or partly by both groups. Especially to be noted is the fact that full-fashioned hosiery is a highly profitable item to retailers. In fact, women's hosiery, the bulk of which is full-fashioned, has been the most profitable of all sales items carried by department and specialty shops, because of volume of sales and the high profit ratio. Thus, in 1937, when the average retail profit on sales of all items amounted to 1.6 percent, the profit on women's hosiery averaged 8.4 percent of sales value. 1/ Furthermore, there is now a spread of as much as 10 cents per pair between the customary retail price brackets for full-fashioned hose. In view of the wide mark-up and high degree of profitability now prevailing, retailers would be extremely reluctant to translate a very small increase in wholesale prices into a 5 or 10 cent jump in retail price and thus jeopardize the volume of their hosiery sales. The Committee is of the opinion that no increase in retail prices sufficient to curtail consumer demand can arise as a result of a 40 cent minimum. Consequently, it finds that there would be no substantial curtailment of employment from the establishment of such a minimum arising from a change in total consumption of the product.

1/ National Retail Dry Goods Association, Controllers' Congress, 1937, Departmental Merchandising and Operating Results of Department Stores, June 1938, p. 27. Cited in Report of Economic Section pp. 16, 17.

D. Effect of Minimum Upon Competitive Conditions

In considering the proper minimum wage to be recommended, the Committee had due regard for competitive conditions within the full-fashioned branch of the industry.

For reasons previously described, active competition exists as between the various individual producers. The effect of establishing any minimum wage under the Act will necessarily be greatest in the case of those mills which now have the largest proportion of workers earning less than the proposed minimum. Therefore, the Committee took into account the effect of its minimum wage recommendations upon low-wage mills as well as its average effect upon the industry as a whole. The most realistic method of determining the competitive effects of a minimum wage is by individual mills or better in small groups of mills which have about the same wage structure. 1/ These data are presented in Tables XI and XII. Such an analysis is more revealing than any regional comparison because both the North and South have high-wage as well as relatively low-wage districts. 2/ Still greater variations exist between the wages now paid in particular mills within each region. 3/

TABLE XI

FULL-FASHIONED HOSIERY INDUSTRY: PER CENT DISTRIBUTION OF INDIVIDUAL PLANTS, ACCORDING TO AVERAGE HOURLY EARNINGS, SEPTEMBER 1938

Plants with average Hourly Earnings of:	Per cent of Total Plants Simple %	Cumulative %
Under 40 cents	5.7	5.7
40 & under 45¢	4.8	10.5
45 " " 50¢	7.6	18.1
50 " " 55¢	12.4	30.5
55 " " 60¢	10.5	41.0
60 " " 65¢	14.3	55.3
65 " " 70¢	10.5	65.8
70 " " 75¢	11.4	77.2
75 " " 80¢	8.5	85.7
80 " " 85¢	9.5	95.2
85 " over	4.8	100.0
TOTAL	100.0	100.0

Source: Bureau of Labor Statistics Survey, computed from Table 3, p.6.

1/ Selection of individual mills would reveal their internal affairs, and further, would be unrepresentative of other mills. By using small and homogeneous groups, these factors are taken into account.
2/ See Table VII, p. 37 above
3/ Bureau of Labor Statistics, Survey, Table 3, p. 6. (1114)

The wide spread of hourly earnings among different plants is revealed by the above table. It will be noted that the workers in only 5.7 per cent of the plants averaged less than 40 cents an hour while the general average in the upper 34.2 per cent of the plants was 70 cents or more per hour.

Table XII reveals the effects of various minima upon the wage bill for these plants and also the percentage of total workers employed in each plant classification.

These data clearly indicate the differences in wage bill increases resulting from a given minimum as between the low-wage mills and those already providing substantial average earnings. Thus in 5.7 per cent of the plants paying an average of less than 40 cents per hour, a 40-cent minimum would increase payrolls by 28 per cent. Such plants, however, employ only 2 per cent of the workers in the industry. Among the most important group of middle-range plants, showing average earnings between 60 and 65 cents per hour, a 40-cent minimum would increase payrolls by only 2.9 per cent. Such increase would occur in 14.3 per cent of the plants (Table XI) which employ more than 17.0 per cent of the workers. For the highest wage group of mills, averaging over 85 cents per hour, a 40-cent minimum would increase payrolls by only one-tenth of one per cent. These plants account for nearly 5 per cent of all workers, and consequently outrank the lowest wage group in employment provided.

TABLE XII

FULL-FASHIONED HOSIERY MILLS: INCREASES IN THE WAGE BILL DIRECTLY RESULTING FROM THE ESTABLISHMENT OF SPECIFIED MINIMUM WAGE RATES (27.5 CENTS TO 40 CENTS PER HOUR.)

Mills classified according to Average Hourly Earnings Paid (a)

Mills Paying Average Hourly Earnings of:	Per Cent Increases in the Wage Bill Directly Resulting from Specified Hourly Minima of:						Percentage of All Workers in Mills Indicated	
	27.5¢	30.0¢	32.5¢	35.0¢	37.5¢	40.0¢	Simple %	Cumulative %
	%	%	%	%	%	%		
Under 40 cents	3.4	7.4	12.0	17.0	22.4	28.0	2.0	2.0
40 & under 45¢	0.8	2.0	3.3	5.1	7.4	10.2	5.6	7.5
45 & under 50¢	0.4	0.9	1.6	2.8	4.3	6.1	4.1	11.6
50 & under 55¢	0.3	0.7	1.3	2.0	2.9	4.1	7.9	19.5
55 & under 60¢	0.1	0.3	0.5	0.9	1.6	2.6	9.0	28.6
60 & under 65¢	0.2	0.4	0.7	1.1	1.7	2.9	17.0	45.5
65 & under 70¢	0.1	0.2	0.3	0.5	0.8	1.3	13.1	58.7
70 & under 75¢	(b)	0.1	0.2	0.3	0.5	0.8	15.8	74.5
75 & under 80¢	(b)	(b)	(b)	0.1	0.1	0.2	11.1	85.6
80 & under 85¢	(b)	(b)	(b)	0.1	0.1	0.2	9.5	95.1
85 & over	(b)	(b)	(b)	0.1	0.1	0.1	4.9	100.0
ALL MILLS: Average = 65.8¢ per hour	0.2%	0.3%	0.6%	1.0%	1.4%	2.1%	100.0	100.0

Source: Bureau of Labor Statistics Survey, op. cit., computed from Table 13, p. 33. Cited in Economic Section Report, Table 15, p. 29.

(a) All wage bill computations based on the statutory minimum of 25 cents per hour, effective since October 24, 1938.

(b) Less than one-tenth of one per cent.

Insofar as some of these lowest wage mills may be earning large profits, by reason of their competitive advantage resulting from paying low wages, the increases in labor costs resulting from a 40 cent minimum may be absorbed successfully. This adjustment would bring such mills into line with prevailing wage conditions in the industry, without the risk of substantial curtailment of employment. In other cases among these lowest wage mills, their apparent handicap may be offset by improvements in managerial, operating or machine efficiency. Examples were cited to the Committee of mills where this has been successfully achieved in the past. 1/

However, as was noted earlier, resulting increases in payrolls are substantially less than increases in manufacturing costs, since the latter includes raw material cost and other costs as well.

In the mills paying the lowest wages, the ratio of labor costs to total costs may be smaller than the average for the entire full-fashioned branch. Therefore, the increases in payrolls to the lowest wage plants occasion a considerably smaller adjustment in manufacturing costs than has been indicated in Table XII.

The Committee has given serious consideration to the competitive position of all plants in the full-fashioned branch. It is of the opinion that the establishment of a minimum hourly rate of 40 cents will neither substantially curtail employment nor unduly affect economic and competitive conditions.

1/ Transcript of Hearing, p. 66 et seq.

E. Further Classification

As in the case of the seamless branch, the Committee gave due consideration to possibilities of various classifications in addition to the major and obviously necessary classification by branch.

It was immediately evident to the Committee that no further product classification within the full-fashioned branch could be made, since its production is confined almost exclusively to one article, women's silk stockings.

Nor is a regional classification justified. The Committee heard testimony with respect to transportation costs, living costs and wages established by collective bargaining agreements. After a consideration of this evidence and other relevant factors specified in Section 8(c) of the Act, the Committee believes that no regional classifications should be established.

F. Conclusion

As has been pointed out above, the full-fashioned branch of the hosiery industry differs from the seamless branch in many respects. It is engaged in the manufacture of a more delicate product, selling at substantially higher prices, and requires more complicated and expensive machinery, a much more skilled labor force, and more labor per unit of output. In 1938, production and shipments reached an all-time peak of 42 million dozen pairs, and the industry furnished employment to about 85,000 workers, at an average wage of nearly 66 cents per hour. Although this branch accounts for only about 33 percent of the quantity, it produces at least 65 percent of the value of total hosiery output, and provides 60 percent of total employment.

The full-fashioned branch has a relatively high wage structure. The establishment of a 40 cent minimum would raise the earlings of little more than

19 per cent of the workers, and an increase of only slightly more than two per cent in the total wage bill of the branch would be necessary to raise these workers to a 40 cent minimum.

While labor cost represents a higher ratio to manufacturing costs in the full-fashioned than in the seamless branch, the recommended minimum would add less than one per cent to the average manufacturing costs of the branch as a whole, and not more than 1.7 per cent to the manufacturing costs of its Southern section.

The evidence before the Committee revealed that if this average increase in manufacturing costs were passed on to the ultimate consumer, or even if an increase sufficiently large to maintain at least the present competitive position of 90 per cent or more of the mills were passed on completely, the effect upon retail prices would be so small that no curtailment of consumption or employment could arise as a result. The evidence further revealed that there was considerable doubt as to whether any large part of the increase in manufacturing costs resulting from the establishment of a 40 cent minimum would be shifted to the consumer.

The Committee in considering the question of a proper minimum for the full-fashioned branch gave consideration not only to the possible effects of a 40 cent minimum on the industry as a whole, but in addition, its effect upon economic and competitive conditions in the industry. The Committee believes that the establishment of such a minimum would not seriously disturb such conditions.

Upon the basis of a careful investigation of conditions in the industry, the Committee is of the opinion that the establishment of a minimum hourly wage of 40 cents an hour for workers employed in the full-fashioned branch of the hosiery industry will neither substantially curtail employment in such branch, nor unduly affect economic and competitive conditions.

RECOMMENDATION

Upon the basis of its investigation of conditions in the hosiery industry and of the foregoing analysis of the evidence, and pursuant to Section 8 of the Fair Labor Standards Act of 1938, the Committee makes the following recommendations:

1. The hosiery industry, as defined in Administrative Order No. 15, shall be classified into two branches:

   (a) The manufacturing and processing of full-fashioned hosiery including, among other processes, the knitting, dyeing, clocking and all phases of finishing full-fashioned hosiery, but not including the manufacture or processing of yarn or thread;

   (b) The manufacturing or processing of seamless hosiery including, among other processes, the knitting, dyeing, clocking and all phases of finishing seamless hosiery, but not including the manufacture or processing of yarn or thread.

2. The minimum wage rate to be paid all employees in the full-fashioned branch of the hosiery industry, as defined in paragraph 1 (a) above, shall be 40 cents an hour.

3. The minimum wage rate to be paid all employees in the seamless branch of the hosiery industry, as defined in paragraph 1 (b) above, shall be 32½ cents an hour.

APPENDIX A

Tables A, B, C, D, E, F, G and H

APPENDIX TABLE A

PRODUCTION OF HOSIERY IN THE UNITED STATES, BY TYPE, FOR SELECTED YEARS, 1919 - 1938 a/

(Million of Dozen Pairs)

Year	All Types	Full Fashioned Total	Full Fashioned Women's	Full Fashioned Men's	Seamless Total	Seamless Women's	Seamless Men's	Seamless Other b/
1919	84.6	7.6	c/	c/	77.0	c/	c/	c/
1929	118.5	31.8	31.1	0.7	86.7	20.1	44.1	22.5
1931	103.9	29.5	28.8	0.7	74.4	13.9	39.7	20.8
1933	105.0	32.2	31.5	0.7	72.8	14.1	37.5	21.2 d/
1935	111.5	35.5	35.3	0.2	76.0	11.0	34.1	30.9
1936	122.6	36.7	36.5	0.2	85.9	12.8	37.0	36.1
1937	126.7	40.2	40.0	0.2	86.5	13.1	35.6	37.8
1938	128.3	42.0	42.0	c/	86.3f/	13.6g/	35.3	37.4

a/ Sources: 1929, 1931 and 1933: Bureau of the Census, Biennial Knit Goods Bulletins, cited in The United States Hosiery Industry, Evelina K. Southworth, Prepared for the Tripartite Textile Conference, pp. 32, 45. 1935, 1936 and 1937: National Association of Hosiery Manufacturers, Supplements to Statistical Bulletin, January 1936, 1937 and 1938. 1938: National Association of Hosiery Manufacturers, Special News Letter, February 15, 1939. Cited in Economic Section Report, Appendix Table B.

b/ Consists of boys', misses', children's and infants' hosiery.

c/ Not available.

d/ Principally seamless. Includes a small amount of full-fashioned hosiery production.

e/ Negligible quantity. Included under men's seamless.

f/ Does not include men's half wool socks or women's wool hose. Includes men's full-fashioned half socks.

g/ Does not include wool.

APPENDIX TABLE B

INDEXES OF HOSIERY PRODUCTION IN THE UNITED STATES, BY TYPE, FOR SELECTED YEARS, 1919 - 1938 a/

1929 = 100

Year	All Types	Full Fashioned			Seamless			
		Total	Women's	Men's	Total	Women's	Men's	Other
1919	71.4	23.8	b/	b/	88.9	b/	b/	b/
1929	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1931	86.3	92.6	92.5	97.5	85.9	69.1	90.1	92.5
1933	88.9	101.4	101.6	91.9	84.0	69.8	85.1	94.6
1935	94.0	111.5	113.4	28.8	87.8	54.6	77.4	137.7
1936	103.3	115.4	117.3	32.4	99.1	63.8	84.0	160.6
1937	106.7	126.5	128.7	30.5	99.7	64.8	80.7	168.3
1938	108.3	131.9	134.9	0.0	99.6	67.7	80.2	166.3

Source: Economic Section Report, Appendix Table C.

a/ Calculated from the quantity figures shown in Table B. See Table B, footnotes for minor qualifications on particular figures. (Table B refers to Appendix Table B cited in Economic Sect. Report, March 27, 1939).

b/ Not available.

APPENDIX TABLE C.

VALUE OF HOSIERY PRODUCTION IN THE UNITED STATES
SELECTED YEARS, 1919 - 1935

	(Millions of Dollars)			Index (1929 = 100)			Percent of Total		
Year	All Types	Full Fash-ioned	Seam-less	All Types	Full Fash-ioned	Seam-less	All Types	Full Fash-ioned	Seam-less
1919	$308.7	$ 66.6	$242.1	59.8	21.3	118.4	100%	22%	78%
1929	516.4	311.8	204.6	100.0	100.0	100.0	100	60	40
1931	326.5	211.7	114.8	63.2	67.9	56.1	100	65	35
1933	261.8	163.5	98.3	50.7	52.4	48.1	100	62	38
1935	310.8	200.7	110.1	60.2	64.4	53.8	100	65	35

Source: Census of Manufactures, cited in Economic Sect. Report, Appendix Table A.

APPENDIX TABLE D

PERCENTAGE DISTRIBUTION OF HOSIERY PRODUCTION IN THE UNITED STATES BY TYPE, FOR SELECTED YEARS, 1919 - 1938 a/

	Total Production			Full-Fashioned			Seamless			
Year	Total	Full Fashioned	Seam-less	Total	Women's	Men's	Total	Women's	Men's	Other
1919	100%	9%	91%	100%	b/	b/	100%	b/	b/	b/
1929	100	27	73	100	98%	2%	100	23%	51%	26%
1931	100	28	72	100	98	2	100	19	53	28
1933	100	31	69	100	98	2	100	19	52	29
1935	100	32	68	100	99	1	100	14	45	41
1936	100	30	70	100	99	1	100	15	43	42
1937	100	32	68	100	99	1	100	15	41	44
1938	100	33	67	100	100	0	100	16	41	43

a/ Calculated from the quantity figures shown in Table B. (Appendix Table B in Full-Fashioned Report, March 27, 1939.) See footnotes, Table B for minor qualifications as to particular figures. Cited in Economic Sec. Report, Appendix Table D.

b/ Not available.

APPENDIX TABLE E

PRINCIPAL LOCATIONS OF SEAMLESS HOSIERY PLANTS

North

Pennsylvania:
- Reading
- High Spire
- Williamstown
- Lititz
- Middletown
- Mohnton
- Adamstown
- Bloomsburg
- East Stroudsburg
- Norristown
- Lansdale
- Pottstown
- Philadelphia

Connecticut:
- Winsted

Massachusetts:
- Lowell

Vermont:
- Bennington

New Jersey:
- New Brunswick

West

Wisconsin
- Fond du Lac
- Ripon

Illinois:
- Rockford
- Kankakee
- Chicago

Indiana:
- Gary

South

Virginia
- Danville
- Portsmouth

North Carolina:
- Winston-Salem
- Mt. Airy
- High Point
- Thomasville
- Lexington
- Asheboro
- Burlington
- Durham
- How River
- Gibsonville
- Graham
- Hickory
- Taylorsville
- Ellerbe
- Statesville
- Concord
- Carthage
- East Flat Rock
- Midland
- Glen Alpine
- Spruce Pine
- Marion

Georgia
- McDonough
- Fitzgerald
- Columbus
- Atlanta
- Rossville
- Griffin
- Union Point

Alabama:
- Fort Payne

Tennessee:
- Chattanooga
- Rockwook
- Oneida
- Harriman
- Sweetwater
- Morristown
- Nashville
- Englewood
- Meridian

Kentucky:
- Princeton

Source: Bureau of Labor Statistics, Division of Wage and Hour Statistics, Survey of Hosiery Industry, September, 1938, Work Materials. Cited in Economic Section Report, Appendix Table F.

APPENDIX TABLE F

THE SEAMLESS HOSIERY BRANCH: PERCENTAGE DISTRIBUTION OF WORKERS ACCORDING TO AVERAGE HOURLY EARNINGS FOR THE UNITED STATES; IN THE NORTH; AND IN THE SOUTH, SEPTEMBER 1938.

Average Hourly Earnings	United States	North	South
Under 25.0 cents	20.5	4.6	25.6
25.0 & under 27.5 cents	9.6	5.5	11.0
27.5 " " 30.0 "	8.2	5.6	9.0
30.0 " " 32.5 "	10.5	6.8	11.8
32.5 " " 35.0 "	9.7	13.4	8.4
35.0 " " 37.5 "	8.4	11.3	7.4
37.5 " " 40.0 "	6.5	9.6	5.5
40.0 " " 42.5 "	5.6	7.9	4.9
42.5 " " 47.5 "	7.3	11.4	6.0
47.5 " " 52.5 "	4.4	7.2	3.5
52.5 " " 57.5 "	2.8	4.9	2.0
57.5 " " 62.5 "	1.8	3.7	1.2
62.5 " " 67.5 "	1.5	2.3	1.2
67.5 " " 72.5 "	1.2	2.5	.7
72.5 " " 77.5 "	.8	1.5	.6
77.5 " " 82.5 "	.4	.5	.4
82.5 " " 87.5 "	.1	.4	.1
87.5 " " 92.5 "	.3	.5	.3
92.5 " " 100.0 "	.2	.2	.2
Over 100.0 cents	.2	.2	.2
Total	100.0	100.0	100.0

Source: Bureau of Labor Statistics, Earnings and Hours in Full-Fashioned and Seamless Hosiery Industries, 1938, Tables 38, 39 and 40, pp. 82, 84 and 85.

APPENDIX TABLE G

PRINCIPAL LOCATIONS OF FULL FASHIONED HOSIERY MILLS, 1938

North

Pennsylvania:
- Reading
- Sinking Spring
- Mohnton
- Temple
- Ephrata
- Green Lane
- Norristown
- Quakertown
- Philadelphia

Massachusetts:
- Boston
- Northampton

New York:
- New York City
- Hornell

New Jersey:
- Lambertville
- Merchantville
- Boonton
- Dover
- Paterson

West

Wisconsin:
- Milwaukee

Minnesota:
- Minneapolis

Illinois:
- Rockford
- Chester

California:
- Los Angeles

Indiana:
- Indianapolis

Iowa:
- Des Moines

South

North Carolina:
- Greensboro
- Burlington
- High Point
- Charlotte

Virginia:
- Pulaski

Georgia:
- Fitzgerald
- Columbus

Alabama:
- Decatur

Mississippi:
- Corinth

Tennessee:
- Chattanooga
- Shelbyville

Kentucky:
- Paducah

Source: Bureau of Labor Statistics, Division of Wage and Hour Statistics, Sample Survey of Hosiery Industry, September, 1938. Cited in Economic Sect. Report, March 27, 1939, Appendix Table F.

APPENDIX TABLE H

THE FULL-FASHIONED HOSIERY BRANCH: PERCENTAGE DISTRIBUTION OF WORKERS ACCORDING TO AVERAGE HOURLY EARNINGS FOR THE UNITED STATES; IN THE NORTH; AND IN THE SOUTH, SEPTEMBER 1938.

Average Hourly Earnings	United States	North	South
Under 25.0 cents	3.1	1.5	6.8
25.0 & under 27.5¢	1.6	.9	3.2
27.5 " " 30.0	.9	.6	1.7
30.0 " " 32.5	2.1	1.0	4.7
32.5 " " 35.0	3.3	2.8	4.7
35.0 " " 37.5	3.3	2.3	5.7
37.5 " " 40.0	5.1	5.3	4.6
40.0 " " 42.5	4.6	4.4	5.2
42.5 " " 47.5	7.6	7.2	8.4
47.5 " " 52.5	8.4	8.2	8.7
52.5 " " 57.5	8.5	8.5	8.0
57.5 " " 62.5	7.5	8.1	6.0
62.5 " " 67.5	6.6	7.4	4.7
67.5 " " 72.5	5.1	5.9	3.2
72.5 " " 77.5	4.0	4.5	2.8
77.5 " " 82.5	3.1	3.6	1.9
82.5 " " 87.5	2.5	2.9	1.8
87.5 " " 92.5	2.6	2.9	1.9
92.5 " " 100.0	3.8	4.1	3.0
Over 100.0 cents	16.3	17.9	13.0
Total	100.0	100.0	100.0

Source: Bureau of Labor Statistics, Earnings and Hours in Full-Fashioned and Seamless Hosiery Industries, 1938, Tables 7, 8, and 9, pp. 23, 25, and 26.