

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

ADDRESS SCHEDULED FOR DELIVERY BY MAJOR A. L. FLETCHER
ASSISTANT ADMINISTRATOR, WAGE AND HOUR DIVISION, U.S. DEPARTMENT OF LABOR,
Before the
COUNCIL OF SOUTHERN WOMEN AT THE NATIONAL DEMOCRATIC WOMEN'S CLUB,
WASHINGTON, D. C., JUNE 28, 1939.

The very nice invitation which I received to come here today contained the sentence, "We want you to tell us just what the effect is upon the South of the application of the Wage and Hour law."

Also, I was told that if I wanted to talk for 45 minutes I could begin before everybody finished eating.

Well, I think I can fulfill the assignment in much less than 45 minutes. I could just about do it in one sentence. The Wage and Hour law has had, and is having, a very excellent effect upon the South, thank you.

If you prefer to ask somebody else about the effects of the Fair Labor Standards Act, the answer you get probably will depend upon a number of circumstances. For example, if you question some poor fellow who has had a raise in pay because of it, he will tell you that it is a mighty fine thing, and I imagine his wife and children will also. The grocer and the clothing merchant with whom he spends his money are not complaining. But if you ask certain prominent industrialists they'll tell you that the South is being ruined, or at least that it is going to be ruined day after tomorrow. They can't put their finger on any particularly deleterious effects that so far have ensued, but they are great worriers by nature.

During the last few months we have brought a fairly large number of suits in the courts to punish, or to put an end to, violations of the law. And I want to call your attention to a very significant fact, which is that a large number of actions to obtain the wage and hour benefits for Southern working men and women haven't been filed in the Southern courts at all, but in such cities as New York and Philadelphia. We filed them there because that was where the operators were incorporated, or where they lived and maintained their headquarters. These are some of the people who have been wailing that the Wage and Hour Act is ruining the South. They aren't interested in building up the South, in making it a happier place in which to live; they're interested in exploiting the South.

Recently I spoke on the work of the Wage and Hour Division at a meeting in Richmond. I was preceded on the program by a gentleman from Miami who told about the excellent work of the Better Business Bureau in that city. And I remarked then that if it was racketeering the meeting was interested in I could talk on the subject until the cows come home. But the racketeers I had in mind were not the people who try to sell blue sky as a gilt-edged, sure-thing investment, or the fellows who offer dresses worth \$5 at the extra special bargain price of \$6.99. I had in mind the far more dangerous racketeers who want to live by cutting the throats of their business competitors and depressing living standards all over the South. For more than seventy years, it seems to me, the South has been afflicted with more than its fair share of rackets and racketeers.

It was easy enough after the late unpleasantness for certain people to go down into our part of the country and buy up depreciated

properties at bargain prices. It was equally easy for them to amass handsome profits from their absentee ownership without assuming any of those responsibilities which ownership rightfully owes to the community.

Many a time during my years of association with the North Carolina Department of Labor I have heard some Southern business man say, "This is an ideal location for a textile mill. There is ample power, labor is plentiful, the raw materials are close at hand. But you aren't going to catch me leading with my chin. No, sir, not me! Down the road a ways there is a fellow who says he will beat any price I am able to quote even if he has to close his plant and work in the sheds to do it. What can you do with a man like that?"

Well, of course, in those days, you just couldn't do anything with a man like that. But you can now. Wherever he may be, the fair-minded employer is sure at last that his competitor, if he is in interstate commerce, is going to be required to meet certain decent standards of pay and hours of work. And that's one effect of Wage-Hour legislation upon the South.

Let me give you a few concrete illustrations. Three or four months ago we were told that a textile manufacturing concern was conducting its business in disregard of the law. We made an investigation which turned up some interesting facts. We learned that this plant had moved to the South from a Northern State a few years before. Wages paid were several dollars lower than the prevailing rate. When it became known that we were investigating the concern an employers' trade association wrote to us and said of these employers:

"They are a glaring example of the wilful, deliberate use of low wages as a medium for gaining a competitive market advantage. You have our

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earnest, best wishes for successful prosecution of this case."

While the law sets up stiff penalties, including a possible fine of \$10,000 for the first offense and a prison term as well as a fine for subsequent violations, the Wage and Hour Division, of course, has been much more interested in obtaining for communities the benefits that accrue from increased payrolls and fair trade practices than in inflicting punishments. In this case we asked for an injunction to put an end to the defiance of the law. It was granted and shortly thereafter the firm began the restitution to its workers of the wages it had filched from their pockets and changed its working schedules and pay rates to conform to the Act. Families whose way of living depends upon the earnings of husbands and sons and daughters employed in this mill found that they could buy more to eat and wear, and that improvement, I think, is going to be permanent. Other textile mill operators who had stood helplessly by while this shoestring competitor snatched away orders from under their very noses were given the relief from unfair competition to which they were entitled. That's another effect of Wage and Hour legislation upon the South.

Several weeks ago an employee in a shirt and pants factory wrote us: "My average is \$2.50 a week and I worked eight hours every day this week and it is not a living price for people at all and I would like for you to look after it."

We did look after it. Investigators who went to the plant found it difficult to get at the facts because the payroll records were a hopeless mess. Some of them were scribbled on old pieces of wrapping paper or on the backs of envelopes and frequently "in the rush", as the manager put it, they weren't kept at all. So we questioned the employees. They told us that every Monday afternoon they were required, regardless of how long they had

worked the week before, to sign slips showing only the number of hours that would make their piece-work earnings exactly equal to the minimum rate per hour. When they protested they were threatened with dismissal. One worker who refused to sign a false statement was discharged and the others were told they would get the same medicine if they dared to discuss their hours of work or earnings with anyone. It seems incredible that any employer in this day and age should imagine he could get away with such practices, especially since we invite aggrieved workers to complain to us, even anonymously, and the law protects them in their right to complain. But those were the facts.

In this community we found another interesting fact. The local welfare agency was aroused because, of course, when workers do not make enough to live on they have to call on the county for support. We learned of one woman who had worked 36 hours and been forced to sign a statement saying that she had worked only four hours. She got just one dollar for her week's work. Another put in 44 hours and had been forced to sign a statement that she had worked only 11 hours. Still another, who had to walk several miles to get to the plant, worked eight hours and was given 50 cents. All of which meant, of course, that the people of this community were being taxed to keep alive the workers so that their employers could continue to cut the throats of their competitors and debase the labor market. Ironically enough, the responsible competitors of those employers, who paid their own workers fair wages, had to help at the tax collector's window to subsidize the very people who were doing their best to ruin them. We stopped that practice, and you can chalk that up as another effect of wage-hour legislation upon the South.

Then there was the case of a lumber operator in Virginia. This man bought his supplies from a lot of surrounding sawmills. Not only did he advise the mill owners that they didn't have to comply with the law, but he

paid them so little for their lumber that they couldn't have paid the legal minimum wages even if they had wanted to. Now this lumber operator finds two and a half million board feet of lumber--"hot goods"--tied up by injunction. That lumber has been conservatively valued at \$50,000. He can't ship it in interstate commerce and it looks as though he were going to be stuck with most of it. How much cheaper it would have been for him to comply with the law in the first place!

Now, such instances as I have cited should not be allowed to obscure the fact that the great majority of Southern business men are complying with the law voluntarily and wholeheartedly, and many of them tell us that they are convinced that the Fair Labor Standards Act offers new hope to the entire South. The squawks come from the minority.

You read last October about the thousands of workers who had been thrown out of their jobs by the Act. No doubt you felt pretty badly about it, as those who were responsible for circulating the stories intended you should. But we checked up and found that most of the layoffs were seasonal. They occurred every year at the same time. In other instances factories had been closed temporarily while the machinery was being overhauled, another annual practise. Their employees would have been laid off temporarily, law or no law.

Instead of being less employment, there is more employment. Monthly indices issued by the Secretary of Labor show that employment increased each of the first four months of this year over the corresponding months of last year, when there was no Fair Labor Standards Act, in textiles, wearing apparel, boots and shoes, furniture, millwork and sawmills, in all of which the South is heavily interested. What's more, payrolls also increased. Maybe

you think the added wage costs were passed on to the consumer. Not so, for the price indices decreased. Now, mind you, I am not saying that all this was due to the Fair Labor Standards Act. But certainly the converse was not true--that Wage and Hour legislation made for unemployment, shrank pay-rolls and raised prices.

B. C. Forbes, writer on economic subjects, recently visited Atlanta and recorded his observations there in the Washington Times-Herald under the caption, "More Cheer Away From Wall Street." A rather appropriate title, because you get a lot of gloom from Wall Street which, of course, is a deep canyon into which the sun never seems to shine.

"Last quarter (that's January, February and March of this year) 33 manufacturing plants and other new concerns were established (in Atlanta) by out-of-town companies," Mr. Forbes says. "Also, 26 additional resident representatives of nationally-known enterprises located in Atlanta to serve this region. This represents advance over the first quarter of last year."

Mr. Forbes quotes Ivan Allen, chairman of the Atlanta Chamber of Commerce Industrial Bureau, who said:

"The interest and activity being shown in Atlanta at this time by executives of prospective industries indicate that this year will see the establishment of more new industries and other types of concerns than either of the past two years. I am enthusiastic about the outlook."

And Mr. Forbes goes on. "Lately, the city's home-owned plants have been multiplying. Bank clearings in 1938 reached \$2,670,765,000." And then he adds. "The South may or may not be the Nation's 'Economic Problem No. 1.' If it is, a lot of the businessmen one meets don't seem to think so."

If Mr. Forbes found anybody in Atlanta complaining that the Fair Labor

Standards Act is ruining the South, he didn't attach enough importance to the complaint to mention it. On the contrary he found Atlanta getting along very nicely, and I think other important Southern cities have the same cheerful story to tell.

But after all, we don't have to wade through statistics to arrive at the kernel of common sense about decent wages which is apparent to all of us. You know as well as the experts do that a low wage economy inflicts intolerable hardships upon all, workers, employers and public alike. Go into any community notorious for low wages and what do you find? You find the streets in bad condition and poorly lighted, ramshackle and unpainted houses, poor schools, no playgrounds for the children, homes without running water and lighted by coal oil lamps, and the merchants will tell you that business is bad.

But go into a community famed for paying high wages, and you will find the streets well paved and lighted, a high level of community health, good schools, playgrounds and parks, neat, well kept homes, and the merchants will tell you that business is good. That's an almost invariable rule.

A few people have been worrying so much about the cost of higher wages that they have lost sight of the benefits of higher wages. Thousands of men and women throughout the South today are getting more money than they ever got before last October. They constitute an army of new consumers--new in the sense that they are now able to buy many things they couldn't afford before. Here is a great potential market for shoes, and food, and radios, and better housing. For a long time we had been sending the cream of our wealth out to other sections of the country instead of keeping it at home to promote the well-being of our own friends and neighbors. But is it always going to be

necessary to look elsewhere for our customers while so many of our own people are in need? Haven't we, perhaps, been overlooking our one best bet--the development of a bigger consumer market for Southern Products in the South?

Lyle W. Motlow of Memphis is vice president of a large lumber company that has branches throughout the South. Each of these branches pays the prevailing wage for its own community. Mr. Motlow opposed the enactment of the Fair Labor Standards Act, and he may still be against it for all I know. But at any rate, after the law had been in effect for a few months, he contributed a significant statement to the Southern Lumberman.

"We have noticed one very interesting fact," he wrote, "in that we always sell a much larger per cent of lumber, flooring, cedar lining, etc., in the section where we pay 32 cents minimum than we do in other sections having the lower prevailing wage rate, and this convinces us that there is a real possibility that with uniformly higher wages all over the South we will have a much greater market right here at home for our lumber and lumber products."

And he might have added, a better market also for our farm produce, for textiles and clothing, for all those other good things that make life more civilized and decent and more comfortable for everybody.

Now, I am not trying to tell you that the Fair Labor Standards Act is a patent cure-all, that it is going to solve all the problems to which flesh is heir. Of course it won't. But we do say that it is a step in the right direction, and that its successful operation will mark a measurable advance toward the goals we all desire to reach.

Providence was kind to us when the South was made. No other area offers so pleasant a range of climate and so fortunate a diversity of soils. Our forests are America's greatest single source of naval stores and second-growth

saw-timer. Several hundred minerals--some of them rarely to be found elsewhere--are at hand. A fifth of the country's soft coal deposits, over two-thirds of the natural gas and nearly two-thirds of the Nation's crude oil invite us to build a greater South and a finer culture.

Our one appalling lack is that of capital equipment. We still need factories, plants, tools, machinery--the facilities necessary if we are to capitalize on our opportunities.

We have been short-sighted. Like the dog that, crossing the stream, dropped the meat to seize what he thought was the bigger piece reflected in the water, we have spurned the substance to grasp the shadow. Faced with the need of capital, we have gone, hat in hand, to the northern markets begging for it, while all the time vast resources of our own lay neglected close at hand.

I know one Southern bank in which \$35,000,000 in deposits is lying idle at this very moment. And I mean cash, not bonds or other securities. In other banks throughout the South are many millions more. And while the spiders spin their webs over this untold wealth, we continue to export the profits from Southern industry to investors who live elsewhere. It is almost literally true that about all the fruits of industry we have been able to retain in the South were what was paid out for raw materials and for wages--and not enough was paid for either.

For generations we have given bountifully of our abundance and in return have received less than sufficient for our needs. Our steel has gone to build skyscrapers for other cities, our lumber to build comfortable homes for other people. I think we are agreed that we must use more of our resources for own benefit, and the Fair Labor Standards Act is at least one important device that will help us to do that. Its enactment was one of the best things that have happened to the South in seventy years.