

REPORT  
AND  
RECOMMENDATIONS  
OF  
INDUSTRY COMMITTEE NUMBER 7  
FOR THE  
ESTABLISHMENT OF A MINIMUM WAGE RATE  
IN THE  
KNITTED OUTERWEAR INDUSTRY

OCTOBER 26, 1939

REPORT AND RECOMMENDATIONS

On September 18, 1939, the Administrator of the Wage and Hour Division, U. S. Department of Labor, appointed Industry Committee Number 7 for the knitted outerwear industry, consisting of six members representing the public, and a like number of members representing the employers and the employees in the industry respectively.<sup>1/</sup> The

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<sup>1/</sup> Administrative Order No. 29. The following persons comprise the Committee:

For the Public:

Charles Ray, Chairman, American Tissue Mills, Holyoke, Massachusetts. Former Chairman, Connecticut Minimum Wage Board for the Laundry Industry, Goodyear, Connecticut. (Also member of the Apparel Industry Committee.)

Paul F. Brissenden, Professor of Economics, Columbia University, New York City.

Jonathan Daniels, Editor, News and Observer, Raleigh, North Carolina. (Also member of the Apparel Industry Committee, and Knitted Underwear and Commercial Knitting Industry Committee.)

Harröld English, Chairman of California State Planning Board, Los Angeles, California. (Also member of the Apparel Industry Committee.)

Fred Lazarus, Jr., Vice President and Treasurer, F. & R. Lazarus Co. Department Store, Columbus, Ohio. (Also member of the Textile Industry Committee.)

John C. Evans, Professor of Economics, Albright College, Reading, Pennsylvania. (Also member of the Hosiery Industry Committee, and Knitted Underwear and Commercial Knitting Industry Committee.)

For the Employees:

David Dubinsky, President, International Ladies' Garment Workers' Union, New York City. (Also member of the Apparel Industry Committee, and Knitted Underwear and Commercial Knitting Industry Committee.)

Jacob Halpern, International Ladies' Garment Workers' Union, Boston, Massachusetts.

Abraham Katovsky, International Ladies' Garment Workers' Union, Cleveland, Ohio.

Jennie Matyas, International Ladies' Garment Workers' Union, San Francisco, California.

Louis Nelson, Manager, Knitgoods Workers' Union, Local 155, International Ladies' Garment Workers' Union, Brooklyn, New York.

Samuel Otto, International Ladies' Garment Workers' Union, Philadelphia, Pennsylvania.

For the Employers:

Ingram Bergman, President and Treasurer, Bergman Knitting Mills, Philadelphia, Pennsylvania.

I. B. Davies, Secretary and Treasurer, Bradley Knitting Company, Delavan, Wisconsin.

John Springthorpe, Pine State Knitwear Mills, Mount Airy, North Carolina.

Louis Sternberg, President, Sternberg Knitting Company, New York City.

E. W. Stewart, President, Pacific Knitting Mills, Los Angeles, California.

Roger W. Whitman, President, American Hosiery Company, New Britain, Connecticut

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

The Committee met on October 25 and 26, 1939, to carry out the duties which had been assigned. 1/ It previously had been given opportunity to study a survey of earnings and hours in the industry prepared by the U. S. Bureau of Labor Statistics; 2/ together with a report prepared by the Economic Section of the Wage and Hour Division on economic and competitive conditions, effects of various possible minimum wages on wage bills and operating costs, and transportation costs in the industry, and a study of living costs in the various sections of the United States. 3/

Further, during the course of its meetings on October 25 and 26, 1939, briefs were presented and testimony heard from representatives of the National Knitted Outerwear Association and of the International Ladies Garment Workers' Union.

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1/ Mr. Jonathan Daniels was unavoidably absent from those meetings.

2/ U. S. Department of Labor, Bureau of Labor Statistics, Division of Wage and Hour Statistics, Earnings and Hours in the Knitted Underwear, Outerwear, Cloth, and Gloves and Mittens Industries, August and September 1938.

3/ U. S. Department of Labor, Wage and Hour Division, Economics Section, Report on the Knitted Outerwear Industry.

After careful consideration of all available evidence, including the testimony, the briefs presented, and information drawn from the intimate knowledge of the industry shared by employer and employee members, the Committee determined, in accordance with the provisions of Section 8 of the Fair Labor Standards Act, that, having due regard to economic and competitive conditions, 35 cents is the highest minimum wage rate which will not substantially curtail employment in the Knitted Outerwear Industry as defined in Administrative Order No. 29. It, therefore, submits the following recommendation:

Wages at a rate not less than 35 cents an hour shall be paid by every employer to each of his employees in the Knitted Outerwear Industry as defined in Administrative Order No. 29, who is engaged in commerce or in the production of goods for commerce. 1/

The Committee also adopted the following resolutions:

RESOLVED That, owing to the peculiar conditions inherent in this industry, the Administrator be advised that strict enforcement of the Fair Labor Standards Act and of such wage order as may result from this Committee's recommendation is essential to the economic well-being of this industry and of its employees and to the protection of the employers thereof from unfair competition;

RESOLVED Further That it be suggested to the Administrator that some labeling device might be effective in assisting the enforcement of a minimum wage in the industry, and that regulations might be promulgated respecting contracting in the industry which would protect the minimum wage recommended;

RESOLVED Further That it be brought to the attention of the Administrator that the first of January or the first of July would be the least troublesome dates on which to make effective a wage order adopting the Committee's recommendation.

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1/ Mr. John Springthorpe, dissenting.

The basic factors which governed the Committee in the adoption of this recommendation will be briefly stated in a subsequent section on analysis of the evidence.

SCOPE OF THE DEFINITION

The knitted outerwear industry was defined in Administrative Order Number 29 as follows:

"The knitting from any yarn or mixture of yarns and the further manufacturing, dyeing or other finishing of knitted garments, knitted garment sections or knitted garment accessories for use as external apparel or covering which are partially or completely manufactured in the same establishment as that where the knitting process is performed; provided that the manufacturing, dyeing or other finishing of the following shall not be included:

"(a) Knitted fabric, as distinguished from garment sections or garments, for sale as such.

"(b) Fulled suitings, coatings, topcoatings, and overcoatings.

"(c) Garments or garment accessories made from purchased fabric.

"(d) Gloves or mittens.

"(e) Hosiery.

"(f) Knitted garments or garment accessories for use as underwear, sleeping wear, or negligees.

"(g) Flocco-lined garments made from knitted fabric containing cotton only or containing any mixture of cotton and not more than 25 percent, by weight, of wool or animal fiber other than silk.

"(h) Knitted shirts of cotton or any synthetic fiber or any mixture of such fibers which have been knit on machinery of 10-cut or finer; provided that this exception shall not be construed to exclude from the knitted outerwear industry the manufacturing, dyeing or other finishing of knitted shirts made in the same establishment as that where the knitting process is performed, if such shirts are made wholly or in part of fibers other than those specified in this clause, or if such shirts of any fiber are knit on machinery coarser than 10-cut."

The Committee believes that this definition is appropriate for the purpose of establishing a minimum wage and that the application of its recommendation to the industry as defined will not place any member of the industry at a competitive disadvantage.

#### ANALYSIS OF THE EVIDENCE

##### 1. Effects of the Wage Recommendation on Employment in the Industry as a Whole.

Average earnings were found to be 45.8 cents per hour in August and September, 1938 before the application of either the previous 25 cent statutory minimum or the present 30 cent statutory minimum. Somewhat less than one-third of the factory workers are now earning various amounts less than the minimum which the Committee recommends; and based on the twelve month average employment of approximately 23,000 factory worker, reported by the U. S. Bureau of Labor Statistics, about

7,500 factory workers would be affected directly by the 35 cent minimum wage. A substantial number of homeworkers may also be affected, varying from time to time in accordance with the number employed.

It was determined that adoption of the recommendation would mean a direct increase in the industry's total wage bill of approximately 4.5 percent above that existing during the period of a 25 cent statutory minimum and of 2.9 percent above the total wage bill necessary to meet the present 30 cent statutory minimum. The figures given in this section do not apply with respect to homeworkers for the reason that insufficient wage data is available with respect to homeworkers. It may be noted, however, that the increases in the wage bill with respect to homeworkers cannot be greater than 16  $\frac{2}{3}$  percent (5 cents per hour above the statutory minimum of 30 cents.)

The corresponding direct increases in operating costs are substantially smaller than the increases in the wage bill, since labor costs were found to average about one-fourth of total operating costs for the industry as a whole. In consequence, the direct percentage increases in operating costs resulting from the recommended 35-cent minimum amount to less than 2 percent regardless of whether the addition is based on the recent 25-cent or on the present 30-cent statutory minimum.

These increases represent only the direct effects necessary to raise the wages of those workers now receiving less than 35 cents per hour to that level, and do not take account of indirect increases which might be paid to workers now receiving above that rate in order to

maintain occupational differentials. Although such indirect increases were found not to be subject to forecast in advance, a careful examination of the industry's experience with the 30 cent minimum under the President's Re-Employment Agreement in 1933, the 35 cent minimum under the N. R. A. Code, and the 25 cent statutory rate which became effective on October 24, 1938 indicate that indirect increases occur only gradually and partially, and do not appear to add materially to the direct increases cited.

Study of the industry revealed further that the proposed minimum would have no noticeable effect on the prices paid by consumers for knitted outerwear. The industry is continually subject to changes in raw material costs which are far more extensive than the labor cost additions now contemplated. In this connection, it is to be noted that raw material costs average about twice the amount of labor costs. Normally, the industry compensates for moderate increases in yarn costs by slight alterations in the yarn content of the finished garment or by other quality alterations, rather than by raising prices. The same type of adjustment can be expected with regard to the slight labor cost increases required by this recommendation. Further, there are numerous possibilities of compensatory adjustments in overhead and other costs without alteration of quality specifications.

If, on the other hand, the exact labor cost additions resulting from a 35 cent minimum were translated into higher wholesale prices and in turn into higher retail prices, the increases would amount to less than the increases in operating costs noted above or less than two percent, whether the calculation be based on the 25 cent or on the 30 cent



statutory minimum.

The Committee therefore believes that no material increases in retail prices which cannot be absorbed are to be anticipated as a result of the proposed minimum (although there may be a somewhat greater increase in the price of articles produced by homeworkers than by factory workers) and therefore that no reduction in consumer demand will occur. Even were such increases to occur, the additions would be so slight as to have a negligible influence on consumer demand. Since demand is the basic factor determining the amount of production and thereby employment in the industry as a whole, the Committee is convinced that no substantial curtailment of employment could occur because demand would be affected little, if at all.

2. Effect of the Minimum on Competitive Conditions.

Had the Committee confined its examination to the industry as a whole, treating the labor and operating costs of the industry as for a single plant and disregarding differences between individual mills, it is possible that a rate higher than 35 cents could have been recommended. However, in accordance with its mandate under Section 8 (b) of the Act, due consideration was given to economic and competitive conditions both within the industry and in relation to other industries which compete with knitted outerwear for consumer preference.

It was found that the average wages paid by individual plants under the 25 cent statutory minimum varied from under 30 cents per hour <sup>1/</sup> to well over 65 cents per hour, and that since the effective date of the

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<sup>1/</sup> These mills represent only 3.8 percent of the total.

present 30 cent statutory minimum, the plant averages range from slightly over 30 cents 2/ to considerably over 65 cents per hour. 3/ The average increases in the wage bill resulting from the proposed rate to the lowest wage group of plants (3.8 percent of the total) would be 28 percent above the wages under the previous 25 cent minimum or 10 percent above the more recent level of wages under the 30 cent minimum. Under the recommended minimum of 35 cents the highest wage group of plants would be required to increase their wage bills by less than one-twentieth of one percent. Corresponding contrasts are to be found in the increases in operating costs, as between the lowest wage group and the highest wage group of plants.

Despite these contrasts, the Committee is convinced that the recommended wage would invoke no serious hardship even on the plants paying the lowest average wages in the industry, since their operating costs would be increased by less than one percent above those prevailing under the 30-cent minimum. In the event that these mills may be the least efficient in the industry, managerial improvements and adjustments of other costs may provide complete compensation; whereas should they be relatively efficient mills, it is evident that their profits have been above normal by reason of exceptionally low wage payments.

For these reasons, the Committee finds that the recommendation would not noticeably disturb existing competitive conditions within the industry

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2/ These mills represent 9.5 percent of the total and include the 3.8 percent cited above.

3/ These mills represent over 16 percent of the total

### 3. Classifications Within the Industry

The Committee finds no evidence of separate or relatively homogeneous branches in the industry, since production is ordinarily diversified among two or more of the major product classifications manufactured; nor could a differential be established between regular manufacturers and contractors without conferring a competitive advantage upon the favored group. The Committee also determined that no special treatment should be accorded to homeworkers.

A careful consideration of relevant factors including transportation, production, and living costs, as well as wages paid under union agreements and voluntary maintenance of union standards, resulted in the conclusion that no regional classification was warranted under the terms of the Act.

### CONCLUSION

After investigating the industry in accordance with the provisions of the Fair Labor Standards Act of 1938, the Committee has concluded that 35 cents per hour is the highest minimum which will not substantially curtail employment in the Knitted Outerwear Industry and recommends to the Administrator that this wage be established as the minimum wage for the entire industry without any classification.

Respectfully submitted:

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| (signed) | Charles Ray         | Jennie Matyas    |
|          | Paul F. Brissenden  | Ingram Bergman   |
|          | Fred Lazarus, Jr.   | I. B. Davies     |
|          | John C. Evans       | Louis Sternberg  |
|          | Harrold English     | E. W. Stewart    |
|          | David Dubinsky      | Roger W. Whitman |
|          | Louis Nelson        |                  |
|          | Samuel Otto         |                  |
|          | Jacob Halpern       |                  |
|          | Abraham W. Katovsky |                  |