

For Release  
Wednesday, November 22, 1939

R-511

REPORT  
AND  
RECOMMENDATIONS  
OF  
INDUSTRY COMMITTEE NUMBER 6  
FOR THE  
ESTABLISHMENT OF MINIMUM WAGE RATES  
IN THE  
SHOE MANUFACTURING AND ALLIED INDUSTRIES

November 1939

(2442)

REPORT AND RECOMMENDATIONS

By Administrative Order No. 18, dated March 16, 1939, Industry Committee No. 6 <sup>1/</sup> was formed for the purpose of recommending minimum wage rates for the shoe manufacturing and allied industries covering all employees of those industries who, within the meaning of the Fair

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1/ Industry Committee No. 6 was composed of the following members:

, For the Public:

Francis J. Haas, Chairman, Washington, D. C.  
R. W. Brown, Jefferson City, Missouri  
Wilbur L. Cross, New Haven, Connecticut  
Edgar M. Hoover, Jr., Ann Arbor, Michigan  
Miss Elizabeth S. Magee, Cleveland, Ohio  
Miss Elizabeth Morrissy, Baltimore, Maryland  
John J. Murray, Boston, Massachusetts  
Thomas L. Norton, Buffalo, New York  
Tipton R. Snavely, Charlottesville, Virginia

For the Employees:

Frank W. Anderson, Chicago, Illinois  
Daniel K. Collins, Brockton, Massachusetts  
C. Frank Farrell, New York City, New York  
Powers Hapgood, Indianapolis, Indiana  
Michael F. Lynch, Haverhill, Massachusetts  
John J. Mara, Boston, Massachusetts  
J. W. McGonigal, Moberly, Missouri  
Henry A. Schwarzott, St. Louis, Missouri  
Mrs. Mae Young, Lynn, Massachusetts

For the Employers:

Stuart H. Armstrong, Worcester, Massachusetts  
Nathan Fein, Reading, Pennsylvania  
Irving S. Florsheim, Chicago, Illinois  
Morgan Grossman, New York, New York  
H. E. Jenkins, St. Louis, Missouri  
Charles F. Johnson, Endicott, New York  
George Noland, Nashville, Tennessee  
Henry O. Rondeau, Farmington, New Hampshire  
John E. Lucey, Middleboro, Massachusetts

Labor Standards Act of 1938, are "engaged in commerce or in the production of goods for commerce," with the exception of employees exempted by virtue of the provisions of Section 13(a) and Section 14. Administrative Order No. 18 defines the industries in the following manner:

- " (a) The manufacture or partial manufacture of footwear from any material and by any process except knitting, vulcanizing of the entire article or vulcanizing (as distinct from cementing) of the sole to the upper.

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1/ Cont'd.

John E. Lucey replaced James F. Malley, Dover, N. H., compelled to withdraw because of ill health; Administrative Order No. 27, June 19, 1939.

George Noland's resignation, tendered on August 9, 1939, was accepted by the Administrator on August 18, 1939.

That in the appointment of these representatives the Administrator gave due regard to the geographical regions in which the industries are carried on, as required in Section 5(b) of the Act, is attested by the combined data for the boot and shoe and cut stock and findings industries in the following table:

Percentage of Total

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<u>Geographical Region</u>	<u>Committee Members</u>	<u>Establishments</u>	<u>Wage Earners</u>	<u>Value of Products</u>
New England	33	50	39	38
Middle Atlantic	19	26	23	23
East North Central	18	13	20	20
West North Central	15	6	13	13
South Atlantic	11	2	2	2
East and West South Central	4	1	2	3
Mountain and Pacific	-	2	1	1
Total	100	100	100	100

Source: Census of Manufactures, 1935; latest authentic data available at time of appointment of committee.

" (b) The manufacture or partial manufacture of the following types of footwear, subject to the limitations of paragraph (a) but without prejudice to the generality of that paragraph,

Athletic shoes	Moceasins
Boots	Puttees, except spiral
Boot tops	puttees
Burial shoes	Sandals
Custom-made boots or shoes	Shoes completely rebuilt in a shoe factory
	Slippers

" (c) The manufacture from leather or from any shoe-upper material of all cut stock and findings for footwear, including bows, ornaments, and trimmings.

" (d) The manufacture of the following types of cut stock and findings for footwear from any material except from rubber or composition of rubber, molded to shape:

Outsoles	Lifts	Shanks	Stripping
Midsoles	Rands	Boxtoes	Sock linings
Insoles	Toplifts	Counters	Heel pads
Taps	Bases	Stays	

" (e) The manufacture of heels of any material except molded rubber, but not including the manufacture of wood-heel blocks.

" (f) The manufacture of cut upper parts for footwear, including linings, vamps, and quarters.

" (g) The manufacture of pasted shoe stock.

" (h) The manufacture of boot and shoe patterns. "

In accordance with this Administrative Order and pursuant to the provisions of the Fair Labor Standards Act of 1938 and rules and regulations promulgated in connection with it, your Committee has investigated conditions in the shoe manufacturing and allied industries and has determined after a study of economic and competitive conditions

that a minimum wage of 35 cents an hour may be established in these industries without substantially curtailing employment.

The Committee originally convened on April 4, 1939, organized, decided to hold a public hearing, and adjourned the following day. The public hearing was held on May 25 to 27, inclusive, when an opportunity was given to all interested persons <sup>2/</sup> to appear and

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<sup>2/</sup> The following trade associations and labor unions were officially notified of the public hearing of Industry Committee No. 6, in addition to the formal notification by publication in the Federal Register: Athletic Goods Manufacturers' Association, Chicago, Illinois; Eastern Shoe Manufacturers' Association, Lynn, Mass.; Machine Cut Shoe Findings Association, Haverhill, Mass.; National Association of Shoe Findings Manufacturers, Morris Plains, N. J.; National Association of Slipper Manufacturers, New York; National Association of Stay Manufacturers, Boston, Mass.; National Association of Wood Heel Manufacturers, Haverhill, Mass.; National Boot and Shoe Manufacturers Association, New York, N. Y.; National Leather & Shoe Finders' Association, St. Louis, Mo.; National Shoe Pattern Manufacturers' Association, Boston, Mass.; New England Shoe & Leather Association, Boston, Mass.; Shoe Manufacturers' Board of Trade of New York; St. Louis Shoe Manufacturers' Association; Brockton Shoe Manufacturers' Association, Brockton, Mass.; Auburn Shoe Manufacturers' Association, Auburn, Me.; Boot and Shoe Manufacturers' Association of Philadelphia; Rochester Shoe Manufacturers' Board of Trade, Rochester, N. Y.; Haverhill Shoe Manufacturers' Board of Trade, Haverhill, Mass.; Stitchdown Shoe Manufacturers' Association, Brooklyn, N. Y.; Fibre Shoe Counter Manufacturers' Association, Merrimac, Mass.; Wood Heel Manufacturers' Board of Trade, Brooklyn, N. Y.; Tanners Council of America, Inc., New York; Boot and Shoe Workers Union (A.F.L.), Boston, Mass.; Brotherhood of Shoe and Allied Craftsmen (Independent), Brockton, Mass.; Cambridge Shoe Workers' League (Independent), Boston, Mass.; and United Shoe Workers of America (C.I.O.), Washington, D. C.

During the sessions of the hearing, May 25-27, inclusive, more than forty United States Senators and Representatives made personal appearances or submitted written statements. About fifteen individual shoe manufacturers spoke or presented briefs, and communications from over twenty other shoe manufacturers were received and made a part of the record. Nine representatives of manufacturers' associations, seven or eight for labor organizations, and about six for chambers of commerce and merchants' associations spoke or read briefs. Some few additional statements were received later.

present evidence. It also received and evaluated, among other material, economic data with respect to competitive conditions as affected by production, living, and transportation costs and with regard to wages established voluntarily and by collective labor agreements in these industries.

The Committee reconvened on August 1 and, after having received additional economic data, further considered the evidence previously presented to it. On August 3, 1939, by a unanimous vote of the 25 members present, <sup>1/</sup> it recommended 35 cents an hour for all employees in the shoe manufacturing and allied industries as the highest minimum wage which will not substantially curtail employment in these industries.

Although wages in the shoe manufacturing and allied industries are relatively low as compared with those in other industries, the Committee found that labor costs will not be affected by the establishment of the recommended minimum wage to such an extent as to cause substantial curtailment of employment or serious dislocations in the industries as they are now carried on.

Evidence Presented to the Committee

Detailed information with respect to current wage rates and the estimated effect of various wage minima on costs and prices, as well

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<sup>1/</sup> Wilbur L. Cross was absent during the meeting August 1 to 3. George Noland, toward the end of the morning session on August 3, indicated his intention to resign from the Committee as a protest against any action being taken by the Committee at that time. His letter of resignation was received by the Chairman during the final session, and forwarded to the Administrator, after it was decided that Mr. Noland's action would have no effect on the validity of the proceedings.

as information relating to general economic conditions in the industries, was reviewed. Later in this report an analysis of these data is made, with major attention centered on the effect of the recommended minimum. In addition, the Committee heard testimony of representatives of the industries from different sections of the country who expressed varying opinions in regard to raising the minimum above the statutory rate.

### Findings of the Committee

#### General Aspects of the Industries

The manufacture of boots and shoes was one of the first industries to be developed in the United States, and the boot and shoe cut stock and findings industry naturally paralleled this development.<sup>1/</sup> From a few factories in Massachusetts, these industries have grown and expanded until in 1937<sup>2/</sup> 1,080 shoe-making establishments, employing more than 215,000 wage earners and 12,000 clerical, supervisory, and technical salaried workers, and 470 cut stock and findings plants, employing close to 19,000 wage earners and 1,500 clerical, supervisory, and technical salaried workers, were operating in some 350 communities scattered over 33 states, mostly east of the Mississippi River.<sup>3/</sup> Although employment in boot and shoe factories in 1937 averaged about

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<sup>1/</sup> "Report of the Shoe Manufacturing and Allied Industries," prepared by the Wage and Hour Division's Economic Section for Industry Committee No. 6, dated July 26, 1939, Part I, page 7. (Note: This Report is hereinafter referred to simply as Ec. I.)

<sup>2/</sup> Census of Manufactures, 1937; latest authentic data available.

<sup>3/</sup> Ec. I., table 1, page 13, and table 2, page 14; and page 27.

200 wage earners per establishment and employment in cut stock and findings plants averaged 40 per establishment <sup>1/</sup>, both industries included establishments which employed less than five wage earners and some which employed from 1,000 to 2,500. <sup>2/</sup> In both industries during the last ten years, there has been a definite tendency toward greater concentration of wage earners in plants with a medium number of workers, at the expense of the smallest and largest plants. <sup>3/</sup> The trend of establishments and wage earners away from the older, traditional producing states and from the larger cities to the smaller communities has continued. <sup>4/</sup>

Wages during 1937 <sup>5/</sup> in the boot and shoe industry totaled approximately \$191,300,000 and salaries amounted to \$29,100,000. <sup>6/</sup> In the cut stock and findings industry wages aggregated about \$17,900,000 and salaries were \$4,400,000. <sup>7/</sup> Cost of materials, supplies, containers, fuel, purchased electric energy, and contract work in the manufacture of boots and shoes was \$416,300,000, <sup>6/</sup> and in the production of cut stock and findings these items came to \$96,000,000. <sup>7/</sup> The value of products of the boot and shoe industry was \$768,300,000, with a value of \$352,000,000 added by the process of manufacture. <sup>6/</sup> Value of products in the cut stock and findings industry was \$132,700,000, with \$36,700,000 added by manufacture. <sup>7/</sup>

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- <sup>1/</sup> Ec. I, table 3, page 16, and table 4, page 17.  
<sup>2/</sup> Ec. I, table 5, pages 20 and 21  
<sup>3/</sup> Ec. I, page 26.  
<sup>4/</sup> Ec. I, page 42.  
<sup>5/</sup> Census of Manufactures, 1937; latest authentic data available.  
<sup>6/</sup> Ec. I, table 1, page 13.  
<sup>7/</sup> Ec. I, table 2, page 14.



During 1937 the industry produced 425,000,000 pairs of boots, shoes, slippers, and miscellaneous footwear, other than rubber, and in 1938 approximately 400,000,000 pairs were manufactured. <sup>1/</sup>

The number of boot and shoe factories and cut stock and findings establishments decreased by approximately 20 per cent from 1929 to 1937. The average number of boot and shoe wage earners increased almost 5 per cent during the same period, whereas a decline of somewhat more than 5 per cent was recorded in the average number of wage earners engaged in the manufacture of cut stock and findings. The average number of wage earners in both industries, however, was at its second highest annual mark in 1937. <sup>2/</sup> The record average monthly wage-earner employment in the boot and shoe industry was 234,261, in March 1937, and in the cut stock and findings industry it was 22,136, in September 1929. <sup>2/</sup> A net decline in total annual wage payments occurred between 1929 and 1937, amounting to 14 per cent in the boot and shoe industry and slightly over 16 per cent in the cut stock and findings industry. Value of boot and shoe products dropped 20 per cent and cut stock and findings output decreased 31 per cent in value. Pair production, however, gained almost 15 per cent during the eight-year period, reaching an all-time peak in 1937. <sup>3/</sup>

That the manufacture of boots and shoes is an important industry is indicated by its rank among other manufacturing industries in the

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<sup>1/</sup> Ec. I, table 1, page 13, and page 11.

<sup>2/</sup> Ec. I, pages 52 and 53.

<sup>3/</sup> All data in this paragraph from Ec. I, tables 1 and 2, pages 13 and 14, except as noted.

United States. In 1937 it stood seventh in average number of wage earners, fifteenth in number of salaried workers employed, eleventh in wages paid, seventeenth in salary payments, seventeenth in cost of materials and supplies, eighteenth in value of products, and sixteenth in value added by manufacture. During the previous census year it had ranked even nearer the top. <sup>1/</sup>

Although the manufacture of shoes today is substantially mechanized, the operators are not mere machine tenders, and many of the operations are still hand processes, requiring speed as well as skill. <sup>2/</sup> Shoe-making has two main characteristics, however, which distinguish it from other highly mechanized industries. <sup>3/</sup> First, the machinery and equipment are in general of the smaller, lighter type rather than heavy fixed or large units, resulting in great flexibility and easy adaptability to either large or small producing establishments. Second, the greater part of the machinery used in the production of shoes is owned and leased by a few corporations to the manufacturer on a rental and royalty basis at relatively uniform rates throughout the nation. One result of this characteristic is that a comparatively small amount of capital is required to start a shoe factory. Another result is the large number of small plants in keen competition in the production and sale of shoes and other footwear.

Employment in the boot and shoe and cut stock and findings industries fluctuates rather widely during the year, with the top usually occurring in February or March and a lesser peak in late summer, and the

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<sup>1/</sup> Based on Census of Manufactures data; "Preliminary Report on the Shoe Manufacturing and Allied Industries," Economic Section, Wage and Hour Division, April 4, 1939, page 6.

<sup>2/</sup> Ibid.

<sup>3/</sup> Ec. I, page 50.

low point around November. <sup>1/</sup> During recent years employment in these industries shows variations between the lowest and highest months of the year ranging from about 7 per cent to 21 per cent. <sup>2/</sup> The monthly fluctuations of production are, of course, even greater than those in employment. During the past five years the smallest percentage ratio of the minimum monthly output to the maximum, the greatest difference between the extreme months of a given year, was about 46 per cent, and the largest percentage relationship, or least difference, was 73 per cent. <sup>3/</sup> Hours worked per week also fluctuate more from month to month than the number of workers. In the boot and shoe industry during the past four years, weekly hours of work in the low month of the year were from about 13 per cent to almost 36 per cent below the peak month. <sup>4/</sup>

The growing style consciousness among shoe consumers and the increasing complexity of detail in footwear in recent years, particularly in women's shoes, have tended to decelerate the earlier increase in labor productivity in the industry. <sup>5/</sup> The style factor increases the cost of shoes beginning with the manufacturer and accumulating at each step until the consumer is reached. The retailer benefits from a variety of styles and the consumer gets an increasingly better, more attractive shoe as a result of the competition among the manufacturers to produce popular style effects. <sup>6/</sup> The demand for shoes varies little

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<sup>1/</sup> Ec. I, pages 56 and 57.  
<sup>2/</sup> Ec. I, pages 56 and 57.  
<sup>3/</sup> Ec. I, page 67.  
<sup>4/</sup> Ec. I, page 58.  
<sup>5/</sup> Ec. I, pages 54 and 55, and 94 and 95.  
<sup>6/</sup> Ec. I, pages 89 and 89A.

from year to year in the aggregate, but there is at present a trend toward more frequent purchase of less expensive shoes by the average consumer. <sup>1/</sup>

The shoe manufacturing and allied industries embrace practically all types of business structure, but it is believed that the majority of the firms are partnerships. A number of large corporations exist in these industries, but there has never been an outstanding movement toward intra-industry combinations. Some vertical combinations of functions are to be found, among which the shoe manufacturer-tanner, the manufacturer-retailer, and the chain store-manufacturer are the most important factors. A few shoe-making concerns have integrated to the point of producing a large part of their leather requirements, cutting soles and other stock, and manufacturing heels, counters, box-toes, and other parts and supplies. <sup>2/</sup>

Manufacturers of boots, shoes, slippers, and other footwear sell about 54 per cent of their merchandise directly to retailers, including chain stores, 23 per cent to their own wholesale branches, 16 per cent to independent wholesalers and jobbers, 4 per cent to their own retail stores, and the remainder to industrial and other large users and household consumers, with a continuation of the trend toward more direct manufacturer distribution. <sup>3/</sup> Producers of cut stock and findings distribute about 52 per cent of their sales directly to industrial and other large users, 17 per cent to other plants in the same organization, almost 13 per cent to their own wholesale branches, about 10 per cent to independent wholesalers and jobbers, nearly 7 per cent to retailers, including chain stores,

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<sup>1/</sup> Ec. I, page 95.  
<sup>2/</sup> Ec. I, page 69.  
<sup>3/</sup> Ec. I, table 35, page 70

and the remainder represents sales not allocated to the usual channels.<sup>1/</sup>

About 60 per cent of the retail sales of shoes and other footwear are transacted by shoe stores.<sup>2/</sup> Chain shoe stores are selling a steadily increasing percentage of the shoe-store total, more than 50 per cent today. Department stores account for about 17 per cent of total net sales of footwear at retail, clothing and furnishing stores for 6 per cent, country general stores for 4 per cent, and mail-order houses, general merchandise, dry goods, variety, and "army and navy" stores for most of the remainder.<sup>3/</sup>

In addition to the type of machinery used in the manufacture of footwear and the system of leasing shoe-making machinery, factors conducive to the setting up of a shoe factory with a small amount of capital are the nature of the work and its suitability to the employment of girls and women on many of the operations, the trend in the industry toward low-wage areas, and the inducements which are frequently offered by communities to attract new shoe factories.<sup>4/</sup>

In view of the wide variety of types and styles of shoes, each requiring special machines at some stage of their manufacture, it is necessary for the producers to have sufficient machines and equipment ready to process the different kinds of footwear.<sup>5/</sup> Taking this, together with the sharp fluctuations in demand, into consideration, it is believed that there is little excess productive capacity in the industries as a whole.<sup>6/</sup>

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<sup>1/</sup> Ec. I, table 39, page 74.  
<sup>2/</sup> Ec. I, page 76.  
<sup>3/</sup> Ec. I, page 82.  
<sup>4/</sup> Ec. I, page 96.  
<sup>5/</sup> Ec. I, page 97.  
<sup>6/</sup> Ec. I, page 98.

### Wage Structure of the Industries

Information examined by the Committee indicates that in the boot and shoe industry during the first quarter of 1939 more than four-fifths of the wage earners were paid wholly on a piece-rate basis and one-sixth at straight time-rates. 1/ Approximately 98 per cent of the average hourly earnings 2/ of individuals ranged from 25.0 to 99.9 cents, inclusive, with extremes down to less than 17.5 cents and up to more than \$1.50. 3/ Hourly earnings classified by plant averages extended from 26.6 to 90.0 cents, with seven-tenths of the plants falling between 34.9 and 55.0 cents. 4/ Hourly earnings of shoe workers in all plants averaged 48.9 cents, with 26.0 per cent receiving less than 35.0 cents an hour.

In union plants, constituting approximately one-third of the establishments and one-third of the workers, the average was 54.0 cents, 7.6 cents above the average of 46.4 cents in non-union plants. 6/ Actual weekly hours of all wage earners averaged 39.4, the same for both men and women, the latter accounting for 45 per cent of the total number

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1/ "Earnings and Hours in Shoe and Allied Industries During First Quarter of 1939," U.S. Department of Labor, Bureau of Labor Statistics, August 1939, Bulletin No. 670, page 10. (Note: The data in this Bulletin are practically identical in every respect to the information furnished to members of the Committee in the bulky, mimeographed Bureau of Labor Statistics Report, "Earnings and Hours in the Boot and Shoe, Boot and Shoe Cut Stock and Findings, and Shoe Pattern Industries, During First Quarter of 1939," August 1, 1939. Bulletin No. 670 is used herein solely for convenience and is referred to simply by number.)

2/ Data on hourly earnings are based only on work at regular rates, thus excluding earnings due to extra rates paid for overtime.

3/ No. 670, table 3, page 13.

4/ No. 670, page 10, and table 2, pages 11 and 12.

5/ No. 670, table 4, page 14, and table 3, page 13.

6/ No. 670, page 26, and table 10, page 26.

of wage earners. 1/ Average weekly earnings 2/ of all wage earners were \$19.33, \$22.59 for males and \$15.37 for females. 3/

The piece-rates for the various operations in the industry are determined to a large extent by the retail selling price of the shoes produced. 4/ In areas where labor is well organized the piece-rates are usually determined by rating committees composed of representatives of the employers and of the unions, and an impartial chairman. 5/ In unorganized establishments the employers set up the rates, and the fairness of the ratings depends on the labor policy of the individual firm. 6/ Only a few of the union agreements specify minimum hourly wages, for the least skilled jobs and for learners, but most of them provide for a 5-day, 40-hour week, with time and one-half for overtime, and equal division of work during slack periods. 7/

In the cut stock and findings industry during the initial three months of 1939 more than five-ninths of the wage earners were compensated wholly on a time-rate basis and two-fifths at straight piece-rates. 8/ About 99 per cent of the average hourly earnings of individuals ranged

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1/ No. 670, page 51 and page 13.

2/ Data on weekly earnings include earnings due to extra rates paid for overtime.

3/ No. 670, page 53, and table 26, page 51.

4/ Economic Section Preliminary Report, April 4, 1939, page 7.

5/ Ibid.

6/ Ibid.

7/ Ec. Part I, pages 61 and 62.

8/ No. 670, page 59.

from 25.0 to 99.9 cents, inclusive, with extremes of 17.5 cents and over \$1.50. 1/ Hourly earnings classified by plant averages ranged from 28.7 to 75.2 cents, with more than three-fifths of the plants coming between 34.9 and 55.0 cents. 2/ Hourly earnings of cut stock and findings workers in all plants averaged 48.7 cents, 22.5 per cent receiving under 35.0 cents an hour.

In union plants, representing approximately one-tenth of the establishments and one-eighth of the wage earners, the average was 56.3 cents, 8.7 cents above the average of 47.6 cents in non-union plants. 4/ Actual weekly hours of all wage earners averaged 38.5, 39.7 for men and 36.4 for women, the latter constituting 36 per cent of the total. 5/ Average weekly earnings of all wage earners were \$18.79, \$21.91 for males and \$13.31 for females. 6/

In the shoe pattern industry during the first quarter of 1939 all wage earners were paid on a straight time-rate basis. 7/ Exactly 60 per cent of the average hourly earnings of individuals ranged from 25.0 to 99.9 cents, inclusive, with the entire remainder in the group from \$1.00 to \$1.50 and over. 8/ Hourly earnings classified by plant averages ranged from 55.2 cents to \$1.014, with exactly three-fourths of the plants

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- 1/ No. 670, table 32, page 61.  
2/ No. 670, page 59, and table 31, page 60.  
3/ No. 670, table 30, page 59, and table 32, page 61.  
4/ No. 670, page 70, and table 37, page 70.  
5/ No. 670, page 78 and page 61.  
6/ No. 670, page 80, and table 42, page 78.  
7/ No. 670, page 84.  
8/ No. 670, table 45, page 84.



falling between 72.4 and 95.0 cents. 1/ Hourly earnings of shoe pattern workers in all plants averaged 81.5 cents, 9.4 per cent receiving less than 35.0 cents an hour. 2/

Actual weekly hours averaged 40.0 for all wage earners, practically none being women. 3/ Average weekly earnings of all wage earners were \$32.93. 4/

The average hourly earnings of wage earners in the shoe manufacturing and allied industries during the first quarter of 1939 5/, together with the percentage of the national total number of wage earners and value of products for 1937 6/, are given in the following table by region and by state:

<u>Region and State</u>	<u>Boots and Shoes</u>	
	<u>Average Hourly Earnings</u> <u>7/</u>	<u>Percentage of Total Wage Earners</u> <u>Value of Products</u>
United States	\$0.489	100.0 100.0
New England States	.491	36.6 34.0
Connecticut	.408	.4 .4
Maine	.470	6.3 5.5
Massachusetts	.495	21.7 19.8
New Hampshire	.506	8.2 8.3
Middle Atlantic States	.525	23.9 23.8
Maryland	.379	1.2 1.1
New Jersey	.552	1.1 1.0
New York	.580	15.6 16.4
Pennsylvania	.427	6.0 5.3

1/ No. 670, page 84, and table 46, page 85.

2/ No. 670, page 84, and table 45, page 84.

3/ No. 670, page 86.

4/ No. 670, page 86.

5/ Latest authentic data available.

6/ Census of Manufactures, 1937; latest authentic data available

7/ No. 670, table 6, page 17.

Middle Western States	<u>.476</u>	<u>33.5</u>	<u>36.3</u>
California	.604	.4	.4
Illinois	.454	7.7	8.5
Indiana	.424	.9	1.0
Michigan	.478	.5	.7
Minnesota <u>a/</u>	.478	.3 (f)	.5 (h)
Missouri	.461	12.1	13.4
Ohio	.494	6.9	6.4
Wisconsin	.516	4.7	5.4
Southern States	<u>.427</u>	<u>3.4</u>	<u>3.8</u>
Georgia	.418	.7	.6
Tennessee <u>b/</u>	.429	2.7 (g)	3.2 (g)
Virginia	.427	*	*

Cut Stock and Findings

<u>Region and State</u>	<u>Average Hourly Earnings</u> <u>1/</u>	<u>Percentage of Total</u>	
		<u>Wage Earners</u>	<u>Value of Products</u>
United States	<u>\$0.487</u>	<u>100.0</u>	<u>100.0</u>
New England States	<u>.506</u>	<u>52.1</u>	<u>49.8</u>
Maine	.453	1.6	.7
Massachusetts <u>c/</u>	.521	41.5 (i)	38.7 (e)
New Hampshire	.435	9.0	10.4
Other States	<u>.466</u>	<u>45.0</u>	<u>44.6</u>
Illinois	.429	4.3	3.6
Missouri	.406	19.2	19.6
New York	.463	9.2	5.2
Ohio <u>b/</u>	.410	2.9 (j)	1.1 (j)
Pennsylvania	.532	7.8	14.0
Wisconsin & Michigan	.556	1.6 (k)	1.1 (k)

Shoe Patterns

<u>Region and State</u>	<u>Average Hourly Earnings</u> <u>2/</u>	<u>Percentage of Total</u>	
		<u>Wage Earners</u>	<u>Value of Products</u>
United States	<u>\$0.815</u>	*	*
Massachusetts <u>d/</u>	.866	*	*
New York & Pennsylvania	.744	*	*
Middle Western States <u>e/</u>	.802	*	*

(Note: Foot-note references to above table shown on page 18)

- a/ Includes 1 plant in Iowa.
  - b/ Includes 2 plants in Kentucky.
  - c/ Includes 1 plant in Connecticut.
  - d/ Includes 1 plant in Maine.
  - e/ Includes 2 plants in Missouri and 1 each in Illinois, Ohio and Wisconsin.
  - (f) Minnesota only; data for Iowa not available.
  - (g) Tennessee and Kentucky.
  - (h) Minnesota and Iowa.
  - (i) Massachusetts and Connecticut.
  - (j) Ohio only; data for Kentucky not available.
  - (k) Wisconsin only; data for Michigan not available.
  - (l) Massachusetts only; data for Connecticut not available.
- (\*) Data not available.

(Note: Regional totals are additions of percentages of wage earners and value of products only for individual states listed, unless otherwise noted.)

In the New England States (with approximately 37 per cent of the industry's total national employment 1/) 26.5 per cent of the boot and shoe wage earners received less than 35.0 cents an hour during the initial three months of 1939 2/. In the Middle Atlantic States (with 23 per cent of the wage earners in the industry) 22.1 per cent received less than the recommended minimum. 3/ In the Middle Western States (with 34 per cent of the wage earners) 26.3 per cent received under 35.0 cents. 4/ In the Southern States (with 6 per cent of the wage earners) 36.1 per cent were paid below 35.0 cents. 5/

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1/ Census of Manufactures, 1937; latest authentic data available.  
2/ No. 670, table 7, page 13.  
3/ Ibid.  
4/ Ibid.  
5/ Ibid.

In New England (with about 54 per cent of the industry's total national employment) 17.3 per cent of the cut stock and findings wage earners received under 35.0 cents an hour during the first quarter of 1939. In Other States (with 46 per cent of the wage earners in the industry) 28.4 per cent averaged less than the recommended 35.0-cent minimum.

The Committee's recommendation of a 35.0-cent minimum hourly wage rate, on the basis of Census of Manufacturers data for 1937, would affect an estimated 56,014 boot and shoe wage earners and 4,220 cut stock and findings wage earners, a total of 60,234, or 25.7 per cent of the wage earners in the two industries.<sup>1/</sup> The 56,000 boot and shoe wage earners affected are distributed by geographical regions approximately as follows: New England 21,200, Middle Atlantic 10,800, Middle Western 19,200 and Southern 4,800.<sup>2/</sup> The 4,200 cut stock and findings wage earners are divided: 1,750 in New England and 2,450 in Other States.<sup>3/</sup>

#### Effect of 35.0-Cent Minimum on Wage Bill

On the basis of the most recently available wage data <sup>4/</sup>, and

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<sup>1/</sup> "Report on the Shoe Manufacturing and Allied Industries," prepared by the Wage and Hour Division's Economic Section for Industry Committee No. 6, dated July 26, 1939, Part II, table 5, page 4. (Note: This Report is hereinafter simply referred to as Ec. II.)

<sup>2/</sup> Ec. II, table 29, page 41.

<sup>3/</sup> Ec. II, table 31, page 42.

<sup>4/</sup> Bureau of Labor Statistics Bulletin No. 670

assuming no change in wages now above 35.0 cents, the rise of the minimum hourly rate from 25.0 to 35.0 cents would increase the boot and shoe industry's direct wage bill about 3.10 per cent, the cut stock and findings industry's wage bill 2.46 per cent, and the shoe pattern industry's wage bill .57 per cent.<sup>1/</sup> Even though these increases would not be substantial, the Committee was impressed by the fact that after the statutory 30.0-cent minimum becomes effective on October 24, 1939, the further direct increases resulting from the establishment of a 35.0-cent minimum hourly wage rate would be even less, namely 2.05 per cent for boots and shoes, 1.66 per cent for cut stock and findings, and .42 per cent for shoe patterns.<sup>2/</sup>

On the basis of the most recently available, reliable data <sup>3/</sup>, a 35.0-cent minimum hourly wage rate would directly increase the wage bill of boot and shoe manufacturers in the New England States an estimated 3.25 per cent, in the Middle Atlantic States 2.45 per cent, in the Middle Western States 3.09 per cent, and in the Southern States 4.98 per cent. <sup>4/</sup> A 35.0-cent minimum would directly increase the wage bill of cut stock and findings establishments in New England 1.40 per cent and in Other States 3.77 per cent. <sup>5/</sup>

After the 30.0-cent statutory minimum becomes effective October 24, however, the direct increases for boot and shoe manufacturers would amount to no more than 2.14 per cent in New England, 1.63 per cent in the Middle Atlantic States, 2.05 per cent in the Middle Western States,

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<sup>1/</sup> Ec. II, table 6, page 6.  
<sup>2/</sup> Ibid.  
<sup>3/</sup> Bureau of Labor Statistics Bulletin No. 670.  
<sup>4/</sup> Ec. II, table 33, page 44.  
<sup>5/</sup> Ec. II table 35, page 45.

and 3.32 per cent in the Southern States 1/, and the direct increases for cut stock and findings manufacturers would not exceed 1.06 per cent in New England and 2.42 per cent in Other States. 2/

The effect of establishing any minimum wage under the Fair Labor Standards Act of 1938 will necessarily be greatest in the plants paying the lowest hourly wage rates. The Committee was careful, therefore, to consider the effect of its recommendation on the competitive position of the plants with the lowest average hourly wages. It noted that these plants are not confined to any one area, but on the contrary are scattered over thirteen of the twenty-one states included in the survey and located in each of the regions. 3/

In the manufacture of boots and shoes, the branch of the shoe manufacturing and allied industries which is confronted with the largest percentage increase in its wage bill 4/, establishments employing 90.4 per cent of the total number of wage earners have average hourly earnings of 37.5 cents and over 5/The direct increase in the wage bill of these establishments as a result of the recommended minimum will in no case exceed 7.05 per cent. 6/ A direct increase of more than 5.46 per cent may be expected only in those plants with average hourly earnings of 37.5 and under 40.0 cents 7/, which employ 7.4 per cent of all the boot

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- 1/ Ec. II, table 33, page 44.  
2/ Ec. II, table 35, page 45.  
3/ No. 670, pages 16 and 65.  
4/ Ec. II, table 6, page 6.  
5/ Ec. II, table 9, page 17.  
6/ Ec. II, table 14, page 22.  
7/ Ibid.

and shoe wage earners. 1/

On the other hand, establishments employing only 9.6 per cent of the industry's wage earners 1/ will be required by the establishment of a 35-cent minimum hourly wage rate to increase their wage bill by more than 7.05 per cent. 2/ A direct increase as large as 26.37 per cent may be expected only in those plants with average hourly earnings under 30.0 cents 2/, employing 1.1 per cent of the wage earners 1/, and as great as 19.52 per cent only in those having average earnings of 30.0 and under 32.5 2/ cents an hour, which employ 1.9 per cent of the wage-earner total. 1/

All the foregoing estimates cover only those increases in the wage bill involved in raising to 35.0 cents the pay of the employees now earning less than that figure. No reliable estimate can be made as to probable accompanying increases in wages now above 35.0 cents, since they would depend upon general business conditions, the state of the market, management policies, and labor's bargaining strength. 3/ The Committee believes it reasonable to assume, however, that the tendency to raise higher-bracket wages along with lowest-bracket wages will be strongest in the highly-organized parts of the industries, where the proportion of employees now receiving less than 35.0 cents is relatively small; while in the poorly-organized parts of the industries, where a larger proportion of employees would be directly affected by the new minimum, the tendency to extend the raise to the upper brackets would be much weaker; and that in any event such indirect increase in the wage bill will be too small to affect the above estimates substantially.

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1/ Ec. II, table 9, page 17.  
2/ Ec. II, table 14, page 22.  
3/ Ec. II, page 7

In the Committee's opinion, therefore, the total increase in labor costs would not be such as to burden unduly any substantial portion of the industry.

Effect of 35.0-Cent Minimum on Manufacturer's Selling Price

Labor cost constitutes only one portion of total operating cost or manufacturer's selling price. The percentage increase in the manufacturer's selling price resulting from any given wage minimum will be smaller, therefore, than the corresponding percentage increase in labor cost alone. 1/ The influence of a wage bill increase on the manufacturer's selling price depends on the ratio of labor cost to his selling price. It is generally agreed that in the boot and shoe industry this ratio varies from 25 to 33 per cent 2/; for the cut stock and findings industry during 1937 it was 13.5 per cent 2/; and for the shoe pattern industry in the same year the ratio of labor cost to value of product or manufacturer's selling price was 45.0 per cent. 2/

On this basis, it is found that the direct effect of the recommended minimum of 35.0 cents an hour alone, if added, would be to raise the boot and shoe manufacturer's selling price .78 to 1.02 per cent, the cut stock and findings producer's sales price .33 per cent, and the shoe pattern maker's selling price .26 per cent. 3/ Once the statutory 30.0-cent minimum becomes effective, the further direct increases in the manufacturer's selling price which may follow the establishment of the recommended 35.0-cent minimum would be still smaller, namely, .52 to .67 per cent for boots and shoes, .22 per cent for cut stock and findings, and .19 per cent for shoe patterns. 3/

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1/ Ec. II, page 24  
2/ Ec. II, page 8.  
3/ Ec. II, table 7, page 9.



It is estimated from the most recent authentic data 1/ that the effect of a 35.0-cent minimum hourly wage rate, if added, would be to increase the New England boot and shoe manufacturer's sales price from .81 to 1.07 per cent, with a 25 and a 33 per cent labor cost ratio to manufacturer's selling price, respectively, .61 to .81 per cent in the Middle Atlantic States, .77 to 1.02 per cent in the Middle Western States, and 1.25 to 1.64 per cent in the Southern States. 2/ The direct effect of the recommended minimum, if added, would be to increase the selling price of New England cut stock and findings makers .19 per cent, and .51 per cent in Other States. 3/

Once the statutory 30.0-cent minimum becomes effective, however, the increases directly resulting from the establishment of the Committee's recommendation would be equivalent to only .53 to .70 per cent for boot and shoe manufacturers in New England, .40 to .54 per cent in the Middle Atlantic States, .51 to .68 per cent in the Middle Western States, and .83 to 1.09 per cent in the Southern States 4/, and the increases for cut stock and findings manufacturers would be no greater than .14 per cent in New England and .33 per cent in Other States. 3/

Effect of 35-Cent Minimum on Retail Prices and Consumer Demand

The Committee believes that the shoe manufacturer may be able to make adjustments in his other cost factors to counteract the augmented labor cost 5/, that the manufacturer of boots and shoes may be compelled to absorb at least a portion of the increase in the sales price of cut

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1/ Bureau of Labor Statistics Bulletin No. 670.  
2/ Ec. II, table 33, page 44.  
3/ Ec. II, table 36, page 46.  
4/ Ec. II, table 34, page 44.  
5/ Ec. II, page 11.

stock and findings and shoe patterns 1/, and that an increase in the shoe manufacturer's selling price may be absorbed in the distributing channels. 2/

A 35.0-cent minimum, including the full effect of the resultant increase in the selling price of cut stock, findings, and patterns, would increase the selling price of the shoe manufacturer with a labor cost percentage of 33 only 1.20 per cent 3/, and the percentage increase, after application of the customary 40 per cent retail mark-on, in the retailer's price would be the same. 4/ This is the maximum increase which might be reflected in prices to the shoe consumer as a direct result of an increase to a 35.0-cent minimum hourly wage rate in the shoe manufacturing and allied industries. The effect of stepping up on October 24 the wage earners receiving less than 30.0 cents an hour 5/, however, would be to reduce the increase in the shoe manufacturer's selling price flowing from a 35.0-cent minimum in the shoe manufacturing and allied industries to about .80 per cent 6/, on the basis of a 33 per cent labor cost ratio.

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1/ Ec. II, page 9.

2/ Ec. II, page 11.

3/ Calculated from data given in Table 7, Page 9, Ec. I; 1.02 per cent increase in boot and shoe manufacturer's selling price, plus .17 per cent for cut stock and findings (one-half of .33 per cent increase in manufacturer's selling price, on the generous assumption that the shoe manufacturer purchases all his findings and stock cut and ready for use, and that these materials represent 50 per cent of his selling price), plus .01 per cent for shoe patterns.

4/ Ec. II, page 10.

5/ Based on the most recently available reliable data, contained in Bulletin No. 670.

6/ Ec. II, table 7, page 9.

The probability of advanced retail shoe prices depends upon the rigidity or flexibility of such prices. 1/ Moreover, it appears that purchasing power, living standards, employment, population, and other factors have greater influence on the demand for shoes than retail prices. 2/ If the price to the consumer should, however, mirror the entire increase in labor cost, it is not believed that it would be sufficient to affect the total amount of consumer purchases. 3/

Classifications and Effective Date

The Committee gave due consideration to the possibility of various classifications, including classifications by product and by size of community, but determined from the relevant factors, including those specified in Section 8(c) of the Act, that none should be established.

In reaching this determination the Committee concluded that the cost of transportation on raw materials and finished products of the industries is a small proportion of the total delivered cost of shoes within the United States, 4/, and that the difference in transportation costs between areas is a negligible factor and does not affect competitive conditions in the industries. 5/ It is further believed that differences in the cost of living between communities within the same region are much greater than differences between the regions, 6/ that differences

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1/ Ec. II, page 10.

2/ Ec. II, page 12.

3/ Ibid.

4/ "Report on Competitive Conditions as Affected by Transportation Costs in the Shoe Manufacturing Industry," prepared by the Wage and Hour Division's Economic Section for Industry Committee No. 6, Dated July 26, 1939, page 20.

5/ Ibid.

6/ "Cost of Living," prepared by the Wage and Hour Division's Economic Section, dated May 31, 1939, page 5.

in the cost of living between communities within the same population group are in some cases larger than differences between the groups, <sup>1/</sup> and that there is no information on comparative living costs as between large and small towns which would justify establishing a differential minimum.

The Committee also carefully considered the important problem of the effective date of the Administrator's wage order for the shoe manufacturing and allied industries, and determined from the pertinent evidence to suggest to the Administrator that it should coincide with the beginning of a shoe season, and not fall within the season.

The consensus of the employer members was that it would work a hardship on the manufacturers if any change in the minimum wage rate were made effective during the shoe season because of the consequent necessity of refiguring labor costs after lines had been priced. It was asserted that the seasons, regardless of the kind of footwear manufactured or method of construction employed, generally begin during May and October and vary only a few weeks among shoe manufacturers throughout the nation. In the New York area, for example, it was stated that union contracts provide that changes shall be made at the beginning of each season and specify the dates of May 15 and October 15. <sup>2/</sup> After a lengthy discussion the committee unanimously voted that in the event its recommendation is approved, the Administrator be requested to make the recommended minimum wage effective at the beginning of the first season following promulgation thereof.

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<sup>1/</sup> Ibid., page 9.

<sup>2/</sup> Stenographic Report of Executive Sessions of Industry Committee No. 6, August 1, 2, and 3, 1939, pages 128 through 151.

### Conclusions

After taking into consideration all the relevant factors, the Committee has concluded that 35 cents an hour is the highest minimum wage for the shoe manufacturing and allied industries which will not substantially curtail employment in these industries or cause any serious dislocation in them. While the proposed minimum wage rate would increase labor costs for the industries to some extent and total operating costs to a lesser extent, there is small likelihood that retail prices would be affected. It is the hope and expectation of the Committee that the proposed minimum wage rate recommended by it will provide stability and a measure of protection for the great bulk of shoe-manufacturing plants against the type of low-wage competition which is injurious to these industries and workers and the entire community.

The Committee does not believe that the slight increase in the wage bill of any portion of the shoe manufacturing and allied industries, which may result from the establishment of a 35.0-cent minimum hourly wage rate, will cause any appreciable dislocation of employment or migration of industries from one area to another or from small communities to large cities. It is recognized by the Committee that during the past two or more decades there has been a trend in these industries toward relocation in smaller communities and in lower wage areas, which it is believed will be discouraged by the establishment of a 35.0-cent minimum. The Committee is of the opinion, however, that

the effect of the recommended minimum will not be felt sufficiently to reverse this trend, but rather that it will tend to stabilize the industries and thereby improve economic and competitive conditions.

RECOMMENDATION

Upon ~~the~~ basis of its investigation of conditions in ~~the~~ shoe manufacturing and allied industries, and pursuant to Section 8 of the Fair Labor Standards Act of 1938, the Committee, 25 members of the total membership of 27 present, unanimously voted the following recommendations:

"RESOLVED: That 35 cents be recommended to the Administrator as the minimum wage for the shoe manufacturing and allied industries as defined in Administrative Order No. 18 and that no classifications be established, and further

"RESOLVED: That the Administrator be advised that in the event he desires to approve such recommendation, he make it effective at the beginning of the next shoe season following the promulgation of such order."

Approved, Industry Committee No. 6

November , 1939

Supplemental statements which are being submitted by some members of the Committee will be on file with the Wage and Hour Division and will be available upon request.