II. Selection of Membership of Industry Committee No. 5.

Pursuant to Section 5(b) of the Act there was appointed by Administrative Order No. 17, dated March 7, 1939, five persons representing the public, five representing employers in the industry and five representing employees in the industry. The persons appointed to the Committee are as follows:

Public representatives: Karl de Schweinitz, Director, Pennsylvania School of Social Work, Philadelphia, Pennsylvania (Mr. de Schweinitz agreed to act as Chairman of the Committee); Stanley Marcus, Neiman Marcus Company, Dallas, Texas; Miss Rosamond Lamb, President, Massachusetts Consumers League, Boston, Massachusetts; Mrs. Elizabeth Brandeis Raushenbush, University of Wisconsin, Madison, Wisconsin; and Arthur R. Wilson, Manager, Carson-Pirie Scott Department Store, Chicago, Illinois.

Employer representatives: Walter K. Marks, Walter K. Marks, Inc., New York City; L. D. Thompson, American Hat Company, Atlanta, Georgia; George Sherman, Sherman Hat Company, St. Louis, Missouri; Joseph Pearl, Empire Hat works, Chicago, Illinois; and Harry A. Baum, H. A. Baum Corporation, Jersey City, New Jersey.

Employee representatives: Max Zaritsky, President, United Hatters, Cap and Millinery Works International Union, New York City; Nathaniel Spector,[6/] Vice President, United Hatters, Cap and Millinery Workers International Union, and Manager Millinery Workers Union, Local No. 24, New York City; Max Goldman, Vice-President, International Union, and Manager of New York Millinery Blockers, Local 42, New York City; Joseph Myles, President, Millinery Workers Union, Local 56, St. Louis, Missouri; and Miss Stella Nelson, Chicago, Illinois.

No evidence was offered to show that the Committee was not selected in accordance with the requirements of the Act. At the oral argument, however, it was claimed that there was no employer representative of the "non-metropolitan markets" on the Industry Committee. Although it is my view that the question of the selection of the Committee is not before me, the evidence relating to the geographical locations[7/] in which the millinery

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6/ On May 27, 1939, the Administrator appointed Nathaniel Spector to the Committee in the place of Mr. Alex Rose who had resigned.

7/ See Industry Committee Exhibit 1, p. 15, Firms in Business at least 11 months of 1937 and in 1938.

industry is concentrated clearly shows that each group of the Committee was appointed with due regard to the geographical regions in which the industry is carried on. I therefore find that the selection of the Committee was made in accordance with the provisions of Section 5(b) of the Act.

7/ (Continued).

Production area	Firms in business at least 11 mos. of 1937 and in 1938: Number	Employees 1/ Average Number	Percent	Net sales 2/ Amount	Percent
Total	659	20,455	100.0	$80,712,086	100.0
New York City	404	9,942	48.6	44,973,429	55.7
Up-State N. Y. and Connecticut	8	520	2.5	2,891,521	3.6
Northern New Jersey	23	926	4.5	3,537,237	4.4
Phila. and Trenton	10	558	2.7	2,073,381	2.6
Massachusetts	25	1,564	7.6	4,690.708	5.8
So. Atlantic area	9	797	3.9	2,856,659	3.5
Texas	22	561	2.7	2,236,297	2.8
Illinois	66	2,915	14.3	9,173,593	11.4
Cleveland, Detroit & Milwaukee	11	522	2.6	1,253,989	1.6
Missouri	29	1,099	5.4	3,458,596	4.3
Los Angeles	37	718	3.5	2,545,246	3.2
San Francisco	15	333	1.6	1,021,430	1.3

1/ Where records of employees for 52 weeks were available, average number for year was used; where records not available, employers reported "usual number". Maximum number employed in any one week and total number given some employment during year far exceed this figure. See tables XII and XV.

2/ Figure represents sales after discounts, allowances, and returns are deducted. Where records not available, firms' oral statements of sales were used.

III. Effect of the Recommended Minimum on Employment in the Industry.

The objective of the Act, and particularly Section 8 thereof, is to reach "as rapidly as is economically feasible without substantially curtailing employment . . . a universal minimum wage of 40 cents an hour in each industry . . ."[8/] The Committee's report concluded that the adoption of the 40 cent minimum will not, having due regard to economic and competitive conditions, substantially curtail employment in the industry. The Committee therefore recommended a 40 cent minimum wage, the highest possible under the terms of the Act.[9/] In support of its recommendation, the Committee, through experts, introduced evidence at the hearing before Mr. Sifton relating to the wage structure of the industry and to increases in labor costs, operating costs, and selling prices which it was estimated would result from the proposed minimum wage rate. This evidence, according to its report, the Committee considered to be of basic importance in estimating the effect of the recommended minimum on employment in the industry. This evidence will be analyzed along with other evidence for and against the recommendation of the Industry Committee.

A. Aggregate Employment in the Industry as a Whole.

Increased wages may affect employment in an industry

8/ Fair Labor Standards Act, Section 8(a).

9/ See Administrator's Exhibit 6.

by increasing operating costs[10/] and prices, thus adversely affecting consumption of the industry's product. Labor cost is only one component of operating cost, but the ratio of labor cost to operating cost is a significant factor in determining the effect of wage increases on existing prices.

In order to ascertain the existing wage structure of the industry, the Women's Bureau of the Department of Labor and the Bureau of Labor Statistics studied a sample of approximately 55 percent of the total number of employees in the industry for the purpose of showing the distribution of hourly earnings for the week beginning March 28, 1938.[11/]

10/ In the evidence presented to the Committee and received at the hearing, operating costs were divided into manufacturing costs, selling costs, office, shipping and administrative costs, exclusive of employers' withdrawals, financial expenses, and depreciation. In most accounting statements Old Age and Unemployment taxes are classified as financial expenses. However, for the purpose of measuring the possible effect of the increase in operating costs resulting from the establishment of given minimum wage rates, Old Age and Unemployment Insurance were considered a part of labor costs as these taxes are directly related to labor costs and vary with the amount of wages paid. Industry Committee Exhibit 3, p. 5, based on Women's Bureau Bulletin No. 169, Conditions in the Millinery Industry of the U.S., Industry Committee Exhibit 1, Table XXX, p. 88. Industry Committee Exhibit 1 shows 29.9 percent for labor costs, 0.4 percent for Old Age Insurance, and 0.7 percent for Unemployment Insurance. The latter two items are included with labor costs in the computations. Industry Committee Exhibit 3, p. 56.

11/ See Section on adequacy of wage data, *infra*.

The Economic Section of the Wage and Hour Division prepared certain studies for the Committee from the surveys made by the Women's Bureau and the Bureau of Labor Statistics and counsel for the Committee placed them in evidence at the hearing before Mr. Sifton.12/ These studies indicate that the 40 cent minimum may be expected to increase the total wage bill in the industry approximately 1.51 percent.13/ Labor costs represent an average of 31 percent of the industry operating cost.14/ Thus a 40 cent minumum would result in an increase in industry operating cost of only 0.47 percent.15/

12/ Industry Committee Exhibits 2, 3 and 4.

13/ Industry Committee Exhibit 3, pp. 2-4. The average hourly rate of pay in the industry is 81.2 cents. If the 1.51 percent increase resulting from an adoption of the minimum is applied to the average hourly wage rate of 81.2 cents, the increase in the average hourly rate of pay will be approximately 1.2 cents. The estimated average hourly rate of pay was computed on the basis of the 25 cent minimum. The 30 cent minimum, which became effective on October 24, 1939, will reduce the amount of the increase in average pay resulting from the application of the 40 cent minimum. (R., p. 672, *et seq.* Industry Committee Exhibit 9. R., p. 676, *et seq.*)

14/ See Industry Committee Exhibit 1, p. 88. No significant variation was indicated in the proportion of labor costs as between large and small millinery establishments. Industry Committee 3, p. 57. It is estimated that because much of the raw material used in the industry is imported, the European war will increase the cost of materials and reduce the ratio of wage costs to operating costs. R., pp. 910-911.

15/ See Industry Committee Exhibit 3, p. 6.