is capable of being absorbed in the several ways described in the treatment of the industry as a whole.[33] The high profit in the Texas area affords an adequate means of absorbing the increased operating cost. With the net profit of 8.46 percent, the Texas area showed the highest net profit of any area.[34] The increased wage rate and operating costs will not materially affect the differential in wages that exists between the Texas and other areas.[35]

Under the circumstances, I find that the 40 cent minimum wage will not result in substantial curtailment of employment even among the firms in the Texas area and that such unemployment as does result, if any, will affect an insignificant portion

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33/ See Section A, supra. No representative of the Texas area appeared at the hearing in opposition to the recommended minimum. Mr. Westmoreland, however, stated for the first time at the oral argument that he also represented the Dallas Millinery Council.

34/ Industry Committee Exhibit 1, Table XLII, p. 112. The average for all areas is 4.9 percent.

35/ The differential in favor of Texas against all areas would be 46.8 percent under the 40 cent minimum and 53.4 percent under the 25 cent minimum. The favorable differential computed on the basis of the 25 cent minimum ranges from 61.2 against New York City, to 18 percent against the South Atlantic area. Under the 40 cent minimum, the differential favorable to Texas would range from 55.4 percent against New York City to 12.2 percent against the South Atlantic area. See Industry Committee Exhibit 9.
Of course, the variance in differential as between the different areas would be somewhat reduced by the 30 cent minimum now in effect.
Mr. Zaritsky contended that the wage differentials existing in favor of the Southern areas were unjustified by differences in transportation or living costs. This is borne out by the record, as appears infra.

of the total number of persons employed in the millinery industry and will not cause substantial dislocation of employment in the industry.

The South Atlantic and Massachusetts areas of the millinery industry also have relatively low average wage rates. 36/ The South Atlantic area accounts for 1.4 percent of the firms, 3.9 percent of the employees, and 3.5 percent of the net sales. The Massachusetts 37/ area accounts for 3.8 percent of the firms, 7.6 percent of the employees, and 5.8 percent of the net sales. The average hourly wage for the South Atlantic area, computed on the basis of the 25 cent minimum, is 46.1 cents and for Massachusetts 49.5 cents. It is estimated that the increase from the 25 cent to a 40 cent minimum would raise the average wage in the South Atlantic area 8.21 percent to 49.9 cents, and in the Massachusetts area 4.88 percent to 51.9 cents. 38/ Wage differentials favorable

36/ The Massachusetts area was not represented at the hearing. Mr. L. D. Thompson, of Atlanta, Georgia, appeared in behalf of himself and the Southern Millinery Manufacturers Association in opposition to the recommended minimum, urging that the South Atlantic area be granted a minimum wage rate below that adopted for most other areas. See R., pps. 429 - 565.

37/ Industry Committee Exhibit 2, p. 14.

38/ Industry Committee Exhibit 9. Mr. Thompson testified that the 40 cent minimum would increase labor costs in his own firm by only 2.75 percent. See R., p. 435. On the basis of his figures, a 40 cent minimum will increase the cost of his hats slightly less than one cent per hat. See R., pps. 429, 435. 455-459.

to the Massachusetts and South Atlantic areas would continue to exist under a 40 cent minimum.[39] The operating cost in the South Atlantic area would be increased from 1.69 percent to 1.93 percent and in Massachusetts from 1.01 percent to 1.53 percent depending upon the price of the hat produced.[40] The increase in operating cost, after due allowance is made for all possible increases which might result from the indirect effect of the proposed minimum on wages in excess of 40 cents, is capable of being absorbed in the several ways described in the treatment of the industry as a whole.[41] No curtailment of employment can be anticipated from the slight increase in operating costs resulting from the establishment of a 40 cent minimum in these areas.[42] Upon all the evidence, I find that the 40 cent minimum wage will

39/ The differential in favor of Massachusetts under the 25 cent minimum was 39 percent and under the 40 cent minimum would be 37 percent for all areas. The differential in favor of the South Atlantic area under the 25 cent minimum was 43.2 percent and under the 40 cent minimum would be 39.4 percent for all areas.

40/ The increase in the operating cost under the 30 cent minimum will be slightly less. See Industry Committee Exhibit 3, Table XVI, p. 26a.

41/ See Section III, A, *supra*.

42/ Mr. Thompson testified that hats which he wholesales at $12.00 a dozen, retail for $2.95 apiece. R., p. 466. There was evidence that this unusual markup was made possible by the superior quality of the raw materials used. R., p.463, et seq. Thus, a far greater increase in operating costs could be absorbed out of profits or by slight changes in hat construction which could not possibly have an adverse effect upon consumption.

not result in a substantial curtailment of employment among the firms in the South Atlantic or Massachusetts areas, and that such unemployment as does result, if any, will affect an insignificant portion of the total number of persons employed in the millinery industry and will not cause substantial dislocation of employment in the industry.

Viewing, therefore, all the evidence adduced at the hearing relating to the effect which the 40 cent minimum will have on the millinery industry and the low wage firms therein, I find that no substantial dislocation of employment in the millinery industry will result and that, having due regard to economic and competitive conditions, a 40 cent minimum wage will not substantially curtail employment in the millinery industry or in any definable group of plants or regions or areas in the industry.

C. Experience under the National Industrial Recovery Act.

Although conditions during the N.R.A. period and the present are not completely comparable,[43] the experience of the millinery industry under the national minimum wage regulations of the N.R. A. is indicative of the probable effect which the proposed minimum wage will

43/ Prior to the adoption of the N.R.A. code, during the first six months of 1933, the average hourly earnings of the Industry were 36.2 cents as compared to approximately 81 cents now. See James C. Worthy, The Millinery Industry, N.R.A., Industries Studies Section, March 1936, Halpern Exhibit 1, page 111; Industry Committee Exhibit 3, p.11.

have upon the industry. Under the N.R.A. the average hourly earnings increased 71.3 percent between the first part of 1933 and the first part of 1935. 44/ The recommended minimum of 40 cents would increase the present wage bill only 1.51 percent. 45/ The N.R.A. code established minima for "productive" workers in excess of the maximum wage rate that can be established under the Fair Labor Standards Act. 46/ In addition, it established maximum weekly hours originally at $37\frac{1}{2}$ cents and subsequently at 35, and fixed maximum daily hours as well. For "non-productive" workers a minimum of $14.00 per week for areas A and B, and $13.00 per week for areas C and D was established. 47/ A tolerance of 25 percent was originally provided for "productive" workers which was subsequently increased ten percent in some areas. 48/

44/ *Ibid.*, p.112.

45/ Industry Exhibit 3, p.4.

46/ See Industry Committee Exhibit 7(a). The minima under the original code ranges from $1.19 per hour for blockers in the highest wage area to $.45 for milliners in the low wage area. Under the amended code the corresponding range was from $1.18 to $.49.

47/ For description of these areas, see Industry Committee Exhibit 7(a). Small groups of workers in areas C and D received as low as 28.9 cents per hour. Others range up to 37.1 cents per hour. These variations were due to the fact that some groups of workers were allowed to work more than 35 hours per week, the basic standard under the amended code.

48/ The tolerance meant that 25 percent of the workers in any craft could be paid less than the rate applicable to that class, but not less than the basic rate set for other than craft workers. In Worthy's report, *supra*, it is stated:

"We are of the opinion that this so-called tolerance should be done away with just as soon as the proper apprentice system shall have been provided for the industry."

With the advent of the N.R.A. the millinery industry payrolls increased 17.2 percent,[49/] the value of product increased 11.4 percent, the volume of sales increased 4.2 percent[50/] and employment increased 5.7 percent.[51/]

I find that under the N.R.A. a more drastic readjustment of the wage structure than that contemplated by the 40 cent minimum here was beneficially absorbed by the industry. On the basis of the N.R.A. experience and all the evidence, I conclude that the adoption of a 40 cent minimum would not substantially curtail employment in the millinery industry.

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Viewing, therefore, all the evidence adduced at the hearing relating to the effect which the proposed minimum will have upon the industry and upon the low wage firms and areas in the industry, especially the evidence offered by those who opposed the Committee's recommendation at the hearing, I find that no substantial dislocation of employment in the industry will result from a 40 cent minimum wage rate and that, having due regard to economic and competitive conditions, the proposed minimum will not substantially curtail employment in the millinery industry or in any definable group of plants or regions within the industry.

49/ Industry Committee Exhibit 7(c). The N.R.A. Code became effective in December, 1933 and the comparisons were made for the first ten months in 1934 as compared with the same period in 1933.

50/ Industry Committee Exhibit 7(d).

51/ Industry Committee Exhibit 7(f).