

U. S. DEPARTMENT OF LABOR  
WAGE AND HOUR DIVISION  
Washington, D. C.

HEARING ON PULP AND PRIMARY PAPER INDUSTRY MAY 20

A public hearing on the 40-cents-an-hour minimum wage recommendation of the Pulp and Primary Paper Industry committee (Industry Committee No. 11) under the Fair Labor Standards Act will be held beginning at 10 a.m., May 20, at 939 D Street, N. W., Washington, Administrator Philip B. Fleming of the Wage and Hour Division, U. S. Department of Labor, announced today.

The hearing will be before Henry T. Hunt, Principal Hearings Examiner of the Division. Should the recommended minimum wage be approved by the Administrator, it would increase the hourly wage rate of 8,425 workers of the industry which employs approximately 129,000 wage earners.

The report was signed by John A. Lapp, Chairman, and nine members of the committee. A minority report signed by six members of the committee was also forwarded to Colonel Fleming.

"Although some portions of the industry would bear a greater wage bill increase than others," the majority report said, "a 40-cent minimum would not result in a very large increase in the wage bill of any substantial group of mill...

"The direct effect of raising wages of all workers to 40 cents an hour would be to increase the wage bill of mills which are primarily engaged in making wrapping paper by 0.70 per cent, and the corresponding increases in pulp, writing paper and paperboard mills would amount to 0.60 per cent, 0.53 per cent, and 0.47 per cent, respectively."

The minority report dissented from the recommendation of the majority as one which would result "in the actual liquidation of a number of these small establishments, and the practical economic liquidation of the communities now supported by those mills."

A second dissenting statement was signed by Arthur D. Hill, public member from Boston, who stated that he had "no question that the great bulk of the industry could now carry the 40-cent minimum rate of wages, but I think the public interest could best be served by allowing an interval of time sufficiently great to permit the smaller mills to adjust themselves to the change."

Henry A. Grady, public member from New Bern, North Carolina, made an addendum to his report in which he stated that he was "signing the majority report, although I voted against the resolution adopting a minimum wage of 40 cents an hour. It was my opinion at the time, and still is, that an arbitrary increase from 30 to 40 cents is too drastic."

Those who signed the report recommending the 40 cents minimum, in addition to the chairman, were: Wayne Lyman Morse of Eugene, Oregon; William John Wilgus of Washington, D. C.; and Mrs. Elizabeth Brandeis Raushenbush of Madison, Wisconsin, public members; H. W. Sullivan of Washington, D. C.; Frank P. Barry of Albany, New York; Charles O. Dunton of Rumford, Maine; Maxwell Loomis of Port Townsend, Washington; Paul Phillips of Mobile, Alabama; and Ray Thomason of Richmond, Virginia, employee members.

Those who signed the minority report against the 40-cent minimum wage were: A. R. Heron of San Francisco, California; Stuart E. Kay of New York, New York; W. J. Alford, Jr., of Ridgefield Park, New Jersey; L. J. Parant of Woodland, Maine; Dwight L. Stocker, Plainwell, Michigan; and Alan G. Goldsmith of Chillicothe, Ohio, employer members.

The Committee reported that "labor and production costs will not be affected by the establishment of the recommended minimum to an extent which will substantially curtail employment or cause material dislocation in the industry as now carried on".

"The direct effect on mills in the different regions would be," the report said, "in the case of pulp and paper mills, to increase the average wage bill by 2.35 per cent in the Southern region and by 0.98 per cent in the East Central region; and in the case of paperboard mills, to increase the average wage bill by 2.12 per cent in the Southern region and by 1.85 per cent in the East Central region. In all other regions, the effects would be smaller than those just stated."

"The average ratio of labor cost to the total cost of production," the report said, "is estimated to be 23 per cent, with ratios rising to 30 per cent in some classes of plants. Using the higher labor cost of 30 per cent, the direct effect of a 40-cent minimum may be estimated to require an average increase in production cost of  $14/100$  of one per cent.

"This increase in cost would amount to an average of less than 10 cents per ton on the products of the industry whose average value in 1937 was \$69.15 a ton. In the various classes of paper products, the average increases in cost would range from  $23/100$  of a cent in the case of newsprint valued at \$38.00 per ton to 53 cents a ton on absorbent paper, valued in 1937 at \$160.15 a ton."

The committee cited fluctuations in the price of paper in the past. "Price of book paper," the report said, "dropped from \$5.75 to \$4.40 per 100 pounds between 1929 and 1932, a drop of \$37.00 a ton, and then rose to \$5.52 per 100 pounds in 1939, a change of \$22.40 per ton. Newsprint prices fell from \$62.00 per ton in 1929 to \$40.00 in 1934, a drop of \$22.00, and then rose to \$50.00 in 1939, an increase of \$10.00 per ton."

"The minority members of the committee," their report said, "are unwilling to assume the responsibility for the inevitable liquidation of numerous small enterprises now supporting small communities. Six and one-half per cent of the wage earners in the primary manufacturing plants, according to the official

statistics before the committee, are receiving less than 40 cents an hour. However, the actual employees involved in this six and one-half per cent are unfortunately concentrated generally in the smaller communities, and this situation presents a formidable expense problem in such mills.

"In the converting plants, 19 per cent, or 24,000 employees, are in a similar status.

"It is our opinion, emphasized in our discussions in the committee hearing, that the sudden imposition of the maximum possible rate will result in the actual liquidation of a number of these small establishments, and the practical economic liquidation of the communities now supported by those mills."

The direct additional cost of a 40-cent minimum was not the major element in making the decision, the minority report said. "Actual experience when the Wage and Hour law went into effect, as reflected in statements and exhibits considered by the committee," the report stated, "indicates beyond a doubt that the whole wage structure will be materially affected."

The definition of the Pulp and Primary Paper Industry, as set forth in Administrative Order No. 41, issued February 16, 1940, is as follows:

"For the purpose of this order the term 'pulp and primary paper industry' means the manufacture of pulp, for any purpose, from fibrous material capable of yielding cellulose fibre and the manufacture of paper and of board from such pulp and from such fibrous material or either of them with or without addition of any non-cellulose fibre, colorant or filler.

"The term 'manufacture' as used in this order means all operations involved in the production of pulp, paper, and board, starting with the unloading of raw materials at the mill site and ending with the delivery of the finished paper or board to carriers for sale as such or to converting departments within the same mill or company. It includes finishing operations normally performed in the paper or board mill, such as packing, trimming, cutting to size, sorting, plating, sizing, supercalendering, and other processing, but does not include any treating, processing or refabrication of finished paper or board to produce converted paper or board products."

Any person wishing to appear at the hearing on May 20, either supporting or opposing the recommendation of Industry Committee No. 11, may appear, either in his own behalf or on behalf of any other person; providing that not later than May 15, any such person shall file with the Administrator at Washington a notice of his intent to appear which shall contain the name and address of the person appearing; if such person is appearing in a representative capacity, the name and address of the person or persons whom he is representing; whether such person proposes to appear for or against the recommendation of the committee; and the approximate length of time requested for his presentation.

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