

U. S. DEPARTMENT OF LABOR
WAGE AND HOUR DIVISION
Washington

FLEMING APOLOGIZES TO SLOAN

Administrator Learns General Motors' Chairman
Is Not For Waiving Overtime Penalty Now

Admitting his error in describing Alfred P. Sloan, Jr., Chairman of General Motors, as an advocate of an immediate waiver of the overtime penalty, Colonel Philip B. Fleming apologized to the motor manufacturer today in a speech before the Catholic Conference on Industrial Problems at the Walt Whitman Hotel, Camden, New Jersey.

Colonel Fleming departed from the theme of his talk to say, "Now, I have a duty to discharge and I wish to do it here and publicly.

"Earlier in the winter Mr. Alfred P. Sloan, Jr., Chairman of General Motors, made an address in which he said that, 'Even considering the number of men to be placed under arms, a general shortage of labor resources does not appear likely in the near future.' He continued, 'Output can be increased 20 percent by working six days a week in place of five. It seems that this should be the first step, if the point is reached when the slack of unemployment has been taken up and the increasing speed of industry has been utilized to the fullest possible extent.'

"I agreed with Mr. Sloan on that. 'When the slack of unemployment has been taken up' we will not be able to put on added shifts of men; if the defense emergency continues then to be acute, we will have to work some of the present shifts longer. But then Mr. Sloan added, 'The penalty for overtime should be cancelled during the emergency to encourage a longer workweek.'

"That last sentence disturbed me, and I wrote to Mr. Sloan in the hope that he would clarify his position as to whether he believed the overtime penalty should be cancelled now or possibly later. He wrote me: 'Now if we increase the workweek (to 48 hours) and pay a penalty, the result is to increase wages about 8 per cent.

We get nothing for this 8 per cent because efficiency, manifestly, is not increased, therefore the result is a step toward inflation. That, in part, is why I think the penalty should be waived during the emergency period. Frankly, I do not believe in "something for nothing." I am quite out of tune with the general thinking of the moment on this subject.'

"I understood that to mean that Mr. Sloan was in favor of lengthening the straight-time workweek at the present time. In a radio talk which I delivered on January 8 I put that construction upon his statement and gave reasons why I considered his position both inconsistent and unsound.

"Mr. Sloan has since informed me that I misunderstood him.

"What I advocate,' he says, 'is a full utilization of all our idle resources. I believe we should take up the slack of unemployment by employing the unemployed and increasing the hours of work per week to 40. When that point is reached I then think we should waive the overtime premium and expand the work hours per week, as a part of the emergency, to 48 hours. . .'

"I am glad that Mr. Sloan is not one of those advocating repeal of the statute requiring time and a half for overtime at this point where the 40-hour week is doing so much to make employment follow the upward curve of production. Naturally I am gratified to find that he and I are in substantial agreement after all. Consequently I owe him an apology for having misunderstood his attitude toward the Wage and Hour Law, which I make here publicly and ungrudgingly."

Colonel Fleming took the occasion to dispute a statement contained in a recent pamphlet by Harold G. Moulton, President of Brookings Institution, that "Overtime rates of pay, especially in war industries, was another very important source of increasing wage costs" during the World War.

"I thumbed through the pamphlet," Colonel Fleming said, "to see if there wasn't somewhere a footnote or something to explain the source of that statement, but I didn't find any. Thinking that the doctor had overlooked it, we called up

and talked to his secretary. She said she would ask him the source of the statement, and presently she returned to the phone and said, 'Dr. Moulton says there isn't any source, but it's a fact.'

"My information does not check with Dr. Moulton's deduction. In any event, the suggestion that overtime rates of pay in 1917 and '18 were a very important source of increasing wage costs leading to inflation is not applicable to the present situation. During the World War employers were operating primarily on a cost-plus basis with a consequent lack of regard for economy. Overtime work was offered to workers in order to lure them away from other employers regardless of the cost, since the employers did not have to meet the cost. . .

"Dr. Moulton is opposed to the payment of time and a half for work beyond the 40-hour week, which he says means 52 hours of pay for 48 hours of work -- 'representing an 8.5 per cent increase in cost' with no increase in efficiency. But I do not know by what reasoning he has decided that labor must work 48 hours a week. The purpose of the overtime provision in the Wage and Hour Law was not merely to give those workers already employed more money in their pay envelopes, or to increase employers' labor costs, but to spread the work. The overtime provision acts as a penalty to encourage the employer to hold down the individual's workweek and hire additional workers. He can operate two shifts instead of one, three or four shifts instead of two. What is desirable is not overtime for men, but more hours of production from machines.

"When Dr. Moulton writes that, 'in the key war industries we are using existing manufacturing capacity to the full,' I am sure that he is in very serious error. No plant which is not working three or four shifts is working at capacity, and there are thousands of plants still operating only one shift."

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