

Inactive

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

INDUSTRIAL CARPENTBAGGERS A MENACE, GENERAL FLEMING TELLS
MISSISSIPPI BANKERS

Inviting industry to exploit low wage labor markets is disastrous, General Philip B. Fleming, Administrator of the Wage and Hour Division, U. S. Department of Labor, told Mississippi Bankers today at their convention in Biloxi.

"Small rural communities," said General Fleming, "which once served as trading centers for fruitful agricultural communities, find themselves hard pressed when agriculture declines. They are especially prone to turn to industrialization as the solution to their problem. But it is easy to forget that the new factory building in itself solves nothing. It has no beneficent significance unless the people who work in it are going to be better off than they were before. Otherwise the town is importing, along with the factory, congestion, slum conditions, new problems of community sanitation, and new problems of financing health, police and fire protection.

"Almost every town has some advantage to offer to at least one type of industry. One has excellent railroad facilities; another is on navigable water; another is near the source of certain necessary raw materials; another possesses advantages of climate or proximity to the mass market. Some towns can offer a combination of several attractions, all legitimate. But if the only, or principal, attraction offered is 'an abundant supply of cheap docile labor,' look out! For if the manufacturer has been coaxed in merely to exploit the poor you are compounding human misery and making worse the conditions you are trying to cure.

"Very frequently the invitation to the manufacturer carries with it some sort of direct subsidy. Sometimes the local Chamber of Commerce places at his disposal a factory building rent free. Sometimes the town itself bonds its people to raise the funds to put up the factory building. Sometimes the town furnishes free light, free power, and free heat.

"In one New England city an enterprising Chamber of Commerce bought for taxes a factory building that had been abandoned by a rubber concern. Then it induced a 'runaway' shoe manufacturer to set up shop in the building under a contract which assured him free rent for ten years, free heat, free sewage privileges, and then threw in the free services of a night watchman for good measure. The watchman worked from 6 p.m. to 6 a.m. every night including Sundays, or a total of 84 hours a week, for which he was paid by the Chamber of Commerce the munificent sum of \$10 a week. Naturally, on that wage, he couldn't keep up the payments on his home and lost it. Labor in the factory was paid \$2 or \$3 a week, and after an investigation by the Wage and Hour Division the employer was forced to pay them in restitution the difference between what they had received and what they should have received under the law. But when it came to the nightwatchman, the Division billed his employer--the Chamber of Commerce--for \$650, the back wages due him. That gave the boys in the Chamber several sleepless nights during which they reached the conclusion that perhaps their enterprise in attracting a sweatshop industry wasn't much of a service to the town after all.

"From our files I could cite numerous instances to show that the offering of something for nothing in an effort to attract sweatshop industries seldom works out to the advantage of the town that pays the subsidy. The steady, reliable, dependable manufacturer isn't looking for something for nothing. He is perfectly willing to pay his way. And the fellow who has to be bribed to set up shop in the town usually isn't worth having. Paying subsidies to him is an injustice to every other businessman who does have to pay his own way.

"One town in Georgia subsidized a manufacturer and then had to turn around and subsidize his employees with relief because he didn't pay enough for them to live on. A manufacturer who had been given a bonus to locate in a Tennessee town before the Wage and Hour Law was passed was unwilling to pay as little as 25 cents an hour when that minimum was established by the Act in 1938. His attempted evasion took the form of calling his factory a 'school' and his

employees 'pupils.' There are instances in which local boards of education have used tax revenues to build so-called trade schools which actually were nothing but factories. Then the exploiter was invited in to serve as 'teacher.' He got all the profits the factory produced. His employees got nothing, the fiction being that they were students who should have been grateful merely for the chance to learn a useful trade--a trade at which they never were given an opportunity to earn a living.

"In one city an investigator for the Children's Bureau saw several school buses parked in front of a shrimp cannery at 10 o'clock in the morning. The factory certainly didn't look like a school and the investigator went inside where the children were found to be hard at work cleaning shrimps. The board of education, which was supposed to be educating the children, actually was using public funds to deprive them of their schooling in order to supply the cannery operator with cheap labor.

"I know of one shoe manufacturer who moved seven times in seven years and collected a bonus every time. He got \$113,000 from Vincennes, Indiana; \$120,000 from Mattoon, Illinois; \$109,000 from Sullivan, Indiana; \$7,500 from Caruthersville, Missouri; \$115,000 from Moberly, Missouri; \$60,000 from Charleston, Missouri, and \$7,500 from Pittsfield, Illinois--a total subsidy of more than half a million dollars. And each time he moved he left behind him a stranded group of jobless workers for somebody else to take care of.

"A Virginia manufacturer tried to get us to help him circumvent the law by applying for certification of his employees as handicapped workers as an excuse for paying them less than the legal minimum wage. When we asked him what was the matter with them he said they were all a bit feeble-minded. As a matter of fact, he added that all the residents of the town were a 'mite tetched in the head;' and since they had paid him a bonus to come in and exploit them, it was almost possible to believe it.

"What can any town possibly gain from encouraging such conditions? Usually the argument is that the town needs the pay roll which the carpetbagger will bring. But in a good many cases they discover to their sorrow that the sweatshop pay roll is a curse and not a blessing.

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