

*Mr. Goldwasser*

October 29, 1942

Messrs. Stark and Krost

Wage Stabilization and the

Kenneth B. Williams

Manpower Problem

Wage stabilization and manpower policy

Wage stabilization, by institutionalizing present wage differentials, diminishes the ability of free labor market forces to direct the migration of workers to those occupations, industries, and areas most essential to the prosecution of the war. Without the utilization of non-pecuniary measures to control labor mobility, wage stabilization is likely to result in large-scale, purposeless migration of workers from job to job in search of higher pay. Wage-rates for the same type of work vary greatly among plants in the same industry and area, and among industries and areas. For example, the wage-rate in March 1942 for grade A tool and die makers in airframe plants along the East Coast ranged from \$1.05 to \$1.29 perhour. Entrance rates for adult common building labor in July 1941 varied from 31 cents an hour in Memphis to \$.98 cents an hour in Cleveland. Since workers cannot receive higher pay in their present jobs but can obtain substantial increases by changing employers, the tendency is for workers to change jobs. The operation of such a tendency will intensify labor shortages, magnify training and placement problems, create housing and community facility difficulties, and seriously interfere with the attainment of the required industrial and agricultural production.

Wage stabilization can only succeed in preventing inflation and in maintaining full production if wage and manpower mobilization policies are integrated. Both wage and non-pecuniary labor policies must be directed toward the primary goal of directing workers to those jobs most essential to the prosecution of the war, and of retaining in war production workers already employed in such jobs.

The War Labor Board is doing an excellent job in handling the problem from the wage stabilization end. It has properly limited its functions to handling the fundamental and administratively feasible problems. It is exercising its functions intelligently on a case by case basis within a framework of essential principles. A case by case approach is essential. The market for labor is not one national market but is hundreds of markets. In some instances an entire industry is the market (steel). In other instances, the market is a small geographical area (Southern California). In another instance the market may be one large plant. Knowledge of the forces operating in each market is required and application of the general wage policies to each market must be made in the light of such knowledge.

The War Manpower Commission is charged with the major responsibility for labor policies which utilize non-pecuniary measures of control. Unfortunately, its responsibility is not complete. Selective Service through its authority over the draft and occupational deferment now has the primary non-pecuniary instrument of control. The War Manpower Commission is urging the passage of a national service act which will give the Commission complete compulsory control of all men and women including control of occupational deferment policy. Whether such compulsory control is yet necessary or desirable is debatable. There is little doubt but that it will be necessary before the war is won. There is no doubt but that much closer integration of occupational deferment policy, general manpower mobilization policy, and war production requirements is imperative.

The question of immediate desirability of a national service act depends in part upon the machinery available to administer compulsory control and in part upon public recognition that voluntary methods of control have been exhausted.

The general public does not yet appear to be convinced that voluntary and indirect compulsive measures have been exhausted. Organized labor takes the position that voluntary measures have not yet been given a full trial. The machinery available for administering compulsive control is far from adequate. The only organization of sufficient size with enough knowledge of labor supply and employment problems to begin to handle the job is the United States Employment Service. This agency, however, requires substantial improvement before it could administer compulsory controls even with rough efficiency.

#### Military demand for manpower

Two important questions merit serious consideration in connection with manpower mobilization policies. The first is concerned with the proper size of the armed force and the timing of its expansion. The War Department has announced the official goal is an army of 7.5 million by the end of 1943. An additional 1.5 - 2.0 million will be in the Navy, Coast Guard, Marine, and Merchant Marine by that time. Thus, 9 to 9.5 million out of a total of 29 million men 18-45 years of age will be in the armed service by the end of 1943. In the light of manpower requirements of industry and agriculture, the shipping and transportation situation, and necessity for supplying materials and equipment to our allies, it is highly questionable if our armed forces should be as large or should increase as rapidly as is now planned. Certainly, any further increase in rate of inductions or of the total armed force required by the end of 1943 above present plans should be permitted only if conclusive proof of its necessity is offered.

#### Hours of work

The second question concerns hours of work. In September, average hours worked by all persons employed in non-agricultural industries was 43. Average

scheduled hours was about 45. In manufacturing alone, the average in August was 42.8. Most war industries producing durable goods, except blast furnaces, steel works and rolling mills, averaged close to 48.

If scheduled hours were increased to 48, a straight arithmetical calculation suggests that total manhours would increase 7 per cent, permitting the release of about 3 million workers. The distribution of hours worked around the average indicates that this figure is much too high. 4.4 million persons worked 60 hours or longer, 4.5 million from 50 to 59 hours, 23.8 million from 40 to 49 hours, 5.5 million from 30 to 39 hours, and 3.1 million worked 29 hours or less. Those now working above 50 hours and a large number of those in the upper end of the 40 to 49 hour group would not be affected if 48 hours were made the point at which premium payment begins. Those working less than 30 hours and many of those in the lower part of the 30 to 39 group would not work longer hours since they are not now prevented from working longer hours by the requirement that overtime be paid above 40 hours. Many of those working less than 30 hours a week are part-time workers who would not remain in the labor market if they had to work longer hours. The problem narrows down to those in the upper part of the 30 to 39 group and the lower part of the 40 to 49 group. If all of those workers were placed on a standard 48-hour week, the number of workers who arithmetically could be released would be no more than 2 million.

The number actually released by placing the point of premium payment at 48 would be much smaller than 2 million. Output per manhour would decline somewhat and absenteeism would increase. Many women, especially married women, would leave the labor market rather than work longer hours. In some States, laws prohibit the employment of women longer hours. The workers released would not all be in the right areas or have the proper skills to be re-employed. Labor's attitude is also important. Labor would not willingly accept a cut in pay. In some industries, workers are required to work short hours or idle on the job because of bad scheduling or lack of raw materials. In some plants, more men are employed than can work efficiently and many of the workers have to kill time. It would be exceedingly difficult to convince such workers that longer hours are necessary.

If straight-time wages are raised to permit the same earnings at 48 straight-time as are now obtained from 40 hours at straight-time and 8 hours of overtime, wage-rates would have to increase  $8 \frac{1}{3}$  per cent. This would be mildly inflationary because not all firms could offset the added cost of basic rates by longer hours. In some industries, departments are not sufficiently balanced to work all persons on a 48-hour basis. For example, a finishing department may in 40 hours finish all of the processed goods the department behind it can produce in 48 hours. Machinery, equipment, and skilled workers are not available to balance all departments and industries on a 48-hour basis immediately. Moreover, higher basic rates mean higher overtime rates for those who work more than 48 hours (150 per cent of 108 instead of 150 per cent of 100).

More important than any of these considerations is timing. Eventually, average hours must increase. To increase them now will result in diminishing the necessity of and incentive for attracting into the labor force, training, and upgrading persons who will be needed in the labor market later to replace men drawn into the armed forces. At this stage, it may be more desirable to continue the general pressure for training additional workers and to make adjustments as required in a few tight areas where the need for longer hours is clear. At such a time opposition to longer hours would be minimized. On the other hand, in New York City some 400,000 persons are already unemployed. It would serve no good purpose to increase hours there and create additional unemployment.

Some action is being taken in this field. Representative Ramspeck recently introduced an amendment to the Fair Labor Standards Act permitting work beyond 40 hours a week without payment of overtime premiums if agreed to by representatives of workers certified by the National Labor Relations Board. Last July, representatives of eight Government agencies issued a joint statement recommending the adoption of the 48-hour week as the best working schedule for sustained efficiency in most industrial operations. While longer hours may be necessary in some instances, every effort should be made to train additional workers so that hours can be reduced to 48. In peace time, a 40-hour week is generally accepted but in war time a 48-hour week is more efficient. The statement was signed by Patterson (War Department), Bard (Navy Department), Land (Maritime Commission), McNutt (WMC), Nelson (WPB), Taylor (Commerce), Draper (Public Health), and Tracy (Labor Department).

#### Manpower facts

The essential manpower facts are that:

- (1) The unemployed reserve is about gone. Only 1.7 million (1.0 million males, .7 million females) were unemployed in September.
- (2) The labor force has already been stretched 1.5 million above normal.
- (3) The demands of the armed forces and industry are continuing to increase. Some 4 million additional men must be drawn into the armed forces by the end of 1943. In addition, 4 million people must be brought into war employment.

Essentially these demands can be met only if 4 million persons, mostly married women, are brought into the labor force and 4 million persons are shifted out of non-war industries and agriculture. This means that around 14 million persons must be placed in new jobs, 9 million of them trained.

These global figures are too huge to comprehend easily. What the situation is and promises to be in a few areas may indicate the problem more

clearly. In Baltimore, total employment increased from 417,000 in April 1940 to 534,000 in June 1942, or 117,000. Between July 1942 and July 1943 about 56,000 additional workers will be needed in war production plants, exclusive of replacement of military inductees. After replacements of inductees, there will be a net local supply of about 22,000 workers, assuming 10,000 displacements from non-war industries, entrance into the labor market of 13,000 women without children and 10,000 women with children. At least 34,000 workers must migrate into Baltimore, if war production goals are to be achieved.

In the Seattle-Tacoma-Bremerton area war employment increased from 20,000 in November 1940 to 123,000 in July 1942. The local supply of skilled and semi-skilled workers is completely exhausted. Even the supply of unskilled labor is inadequate to meet the demand. From July 1942 to July 1943, about 97,000 additional workers will be needed. Even with thorough utilization of all local labor, including 25 per cent curtailment of non-essential industry, widespread hiring of women, employment of handicapped workers, and utilization of persons available for part-time work, not more than 49,000 persons can be made available to meet the demand. At least 48,000 and possible 65,000 to 75,000 workers must be obtained through in-migration.

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