

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

# Office Correspondence

Date January 25, 1943

To Miss Egbert

Subject: \_\_\_\_\_

From Mr. Krost

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I am returning the attached memorandum for the Chairman's files.  
It is the memorandum submitted by Mr. McNutt at the meeting of the Economic  
Stabilization Board on last Friday, January 22.

MK

1/22/43

The Relation of Agricultural Wage Rates  
to the Supply of Farm Labor

The relation of agricultural wage rates to the supply of farm labor is a question which was discussed at some length at the meeting of the Economic Stabilization Board on last October 30. You will recollect that on that occasion I voiced the opinion that unless rapid and effective action were taken to stabilize farm wage rates at substantially higher levels than then prevailed, little else that the War Manpower Commission or other governmental agencies could do would be effective in preventing a farm labor crisis, and serious curtailment in the volume of agricultural production in 1943.

On that same occasion, Secretary Richard indicated the need for seeing that workers in agriculture are paid better wages in order to provide an adequate labor supply to keep up agricultural production. He compared the average earnings of farm workers of less than 30¢ per hour with average earnings in manufacturing industries of over 80¢ per hour. He characterized this disparity as a gross inequity to farm workers, and said that they could not be expected to stay on farms if this disparity continued as wide as it is.

Two weeks later, the Economic Stabilization Director, on November 13, lifted temporarily the ceiling on agricultural wages, recognizing in taking this action that agricultural wages in general are substandard.

Because the problem of farm wage rates in relation to labor supply has already been outlined before this Board, I do not wish to do more than to summarize this problem in the light of the experience of the War Manpower Commission. During the past year, the greatest single obstacle encountered by the employment offices of the War Manpower Commission in recruiting agricultural labor has been the relatively low wages offered for farm work. During the past year there has been no shortage of potential agricultural workers. But the

availability of these workers has been seriously curtailed by the level of wages prevailing for farm work. In many instances farm labor shortages have occurred during the past year which it has been impossible to alleviate by extraordinary recruiting efforts. Where wage rates have been adjusted, however, our experience in a majority of cases has been that workers were available to harvest the crops.

During the months of October and November, the War Manpower Commission worked out in cooperation with the Department of Agriculture an employment stabilization program for dairy, livestock and poultry farms. An integral part of this program, which was recognized as essential to its effectuation, was action by the Secretary of Agriculture to effect adjustments in wage rates on dairy, poultry and livestock farms to assist in securing and holding an adequate supply of hired labor. This program is in partial operation now, although one aspect of it relating to the deferment and transfer of workers has been superseded by a recent amendment to the Selective Training and Service Act. Special training and recruiting programs are being pushed vigorously, and transportation is being provided by the government to bring workers to farming areas where these types of farms need workers. But the ultimate success or failure of the program will depend upon the action which is yet to be taken with respect to adjusting the wage rates of workers on dairy, livestock and poultry farms.

At the time this program was being developed, I requested information from the Regional Offices of the War Manpower Commission concerning the causes of the labor shortage on these types of farms. Nearly every regional office reported that it could recruit milkers, feeders, husbandmen and poultrymen, provided employers were willing to pay adequate wages. They reported also that they were encountering the greatest difficulty in filling orders for workers at the low wage rates offered by many employers. Although other factors, such as poor housing and discrimination against certain types of workers, were also

reported as obstacles to recruiting, low wages was the outstanding problem. The location of much of the dairy industry in areas of industrial activity has made dairy farm wages extremely unattractive in comparison with other wage rates. In Massachusetts, 100 unfilled orders for dairy hands were reported, at wages ranging from \$30 to \$80 per month with room and board. In Pennsylvania, the employment offices reported offers of employment at from \$20 to \$70 per month for experienced farm hands. In Illinois, farmers were reported to be generally offering \$55 to \$65 per month, and in Wisconsin, from \$50 to \$70 per month for experienced general farm and dairy hands. It has been almost impossible to recruit experienced, qualified workers at these wage rates. The prevalence of these rates has been the most important single factor in the movement of workers away from farms to better paying jobs in war industries.

The wage rates I have quoted illustrate another troublesome aspect of the farm wage problem. There is wide variation in the wage rates offered, even for similar work on farms in the same locality. The lack of reasonably uniform wage rates leads to heavy turnover in employment, and the shifting of workers from farm to farm. Often the local employment offices can place workers at the higher rates offered, but not at the lower rates. In Palm Beach County, Florida, workers today are receiving \$7 and \$8 per day for picking beans, and as low as \$2.25 per day for work in potatoes and sugar cane. As a consequence, workers are flocking to the bean fields, while sugar and potato work is neglected. Our biggest problem in Florida today is not the lack of enough workers, but our inability to get workers to perform some of the lower paid jobs. The War Manpower Commission has asked the Department of Agriculture to take action within its power to narrow this disparity in wage rates, and to raise substandard rates to a fair level. Upon such action as much as upon the importation of additional workers for work depends depends a reasonable solution of the Florida



farm labor problem.

Serious as our difficulties have been during the past year, the largest crop in history has been successfully harvested. There are signs, however, that we cannot look for a repetition of this achievement in 1943, unless coordinated measures are undertaken to provide an adequate supply of labor. Sheep and cattle ranchers in the west are sharply reducing the size of their flocks and herds. Dairy production during the fall and winter months has fallen off more rapidly than is normal at this time of year. Farmers are hesitating to maintain or expand their crop acreages because of uncertainty as to the availability of labor.

The War Manpower Commission and the Department of Agriculture will take every possible measure to mobilize the army of farm workers which will be needed this year. Thousands of new workers will be trained, whole communities will be mobilized for emergencies, Mexican and other foreign workers will be recruited, young people, women, and other sources of labor will be drawn upon. Every possible consideration is being given to agriculture in the administration of the Selective Training and Service Act. Workers of military age, are not now permitted to leave agricultural employment without the consent of their local draft boards. I must emphasize again, however, that the success of these measures will depend upon whether prompt and positive action is taken to narrow the present disparity between wage rates in agriculture and in alternative employment. Workers are continuing to move from the farms to the still expanding employment opportunities in the shipyards, the munitions, ordnance, and aircraft factories, to war plants of every kind. Among these are many of the highly skilled and experienced farm hands who cannot be replaced by new recruits, fresh from a short training course in farming. Conditions must be improved on farms, so that this movement can be slowed, and so that qualified replacements can be found who are willing to step into the jobs that now are vacant.

In my opinion, it will not be enough merely to remove ceilings on farm wage rates in order to permit them to rise to levels which will hold labor on the farms and attract qualified new workers. There have been no restraints imposed by the government on the wages that farmers could pay to their hired men. What has happened during the last few years? Wages paid to farm workers have advanced, it is true. But on the first of this month, the Department of Agriculture reports that for the country as a whole average farm wages by the day were \$2.83 without board, and \$62.43 by the month, without board. This is still an average of less than 30¢ per hour for the country as a whole. In comparison with increases in farmer's gross and net incomes, the wages paid to farm workers have lagged behind. In each successive year since 1938, the total amount paid out in farm wages has been a smaller percentage of the total gross income and the total net income of farm operators. The total net farm income received by farm operators in 1942, as reported by the Bureau of Agricultural Economics, was 105 percent greater than the average net income received in the years 1936-1940. The total wages paid out to farm workers in 1942, on the other hand, was only 53 percent larger than the average wage payment in 1936-1940. If farmers had paid twice as much for labor in 1942 as actually was paid, they still would have received the highest net incomes since 1918 and 1919. While the War Manpower Commission, of course, has made no detailed investigation of the ability of farmers to pay higher wage rates, these figures would seem to suggest that they can afford to pay higher wage rates without the need for raising existing price ceilings on farm products.

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The record seems to show conclusively that farmers are slow to increase wage rates in accordance with their ability to do so. It seems essential that prompt action be taken by the Department of Agriculture to bring about the adjustments which are needed in view of the emergency situation now facing agriculture. The Department of Agriculture has been given the authority to take such action, and it will have to take such action if the objectives of this grant of authority are to be fully achieved. This has been the experience in Great Britain, which, when faced with a similar crisis, acted promptly to stabilize farm wage rates at levels which were adequate to maintain the supply of hired labor.

I do not believe it will be necessary to raise farm wage rates to the level of wages in manufacturing industries. Every allowance should be made for lower living costs in rural areas, for the perquisites furnished to farm workers, and for the natural preference of many persons for farm work. In a summary statement entitled "Regulation of Farm Wages" issued by the Farm Security Administration of the Department of Agriculture last November after authority over farm wage rates was delegated to the Department, the suggestion is made that the parity concept be applied to farm wages as is now the case with farm prices. Under this formula farm wage rates would be established which would bring them to the same ratio with common labor rates in industry as prevailed in 1920, or in the years 1910 to 1914. Another approach would be to set farm wage rates at the equivalent of entrance rates for common industrial labor, with due allowance for differences in costs of living, and board and lodging when furnished by the farmer. I cannot undertake to advise this Board as to whether either of these approaches, or any other would be best. But I can and do say that unless some action is taken soon to stabilize farm wage rates at levels which are fair both to worker



and employer, we can have no confidence that the labor which will be available this year to agriculture will be adequate to meet the critical food production problem with which each of us, in his way, is concerned.

In summary, allow me to list the conclusions which may be drawn from our experience and observation of the farm wage problem.

1. The level of farm wage rates is among the most important, and in my judgment the most important single factor affecting the adequacy, in terms of numbers and in terms of quality, of the farm labor supply.
2. Wage rates must be raised to narrow the present inequality between farm and non-farm wage rates.
3. Wide differentials between wage rates on different farms for the same kind of work, and between different types of farm work must be narrowed.
4. Mere lifting of wage ceilings will not achieve these purposes. Farmers are slow to raise wages in accordance with their ability to do so, and wages on different farms, or in different occupations do not stay in proper relationship to each other.
5. A reasonable formula for adjusting farm wage rates, with due allowance for regional variations and differences in various types of farm work should be worked out.
6. In line with these suggestions ~~is~~ the Department of Agriculture should, without further delay, take the action with respect to farm wage rates which will be essential to the achievement of the 1943 food production program.