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THE EFFECT OF A MANDATORY 48-HOUR WORK WEEK ON PRICE CEILINGS IN CIVILIAN INDUSTRIES

A mandatory 48-hour work week with time-and-a-half for all hours in excess of 40 would increase average hourly earnings in all industries in which the scheduled work week is less than 48 hours. If output per man-hour remains unchanged, this would result in an increase in labor cost per unit of output. Whether price ceilings would be affected depends upon the profit position of the industry affected--its ability to absorb the increase in cost of production.

In the durable goods industries generally the scheduled work week with few exceptions is currently above 48 hours. In these industries, therefore, average hourly earnings and labor costs of production would not be affected by the institution of the longer work week. In the nondurable industries, on the other hand, the scheduled work week is generally below 48 hours. In these industries the 48-hour week would result in an increase in labor costs. The profit position in the nondurable industries, however, apart from individual firms and industries whose output will be sharply curtailed, is so favorable that the increase in labor costs could be absorbed without undue impairment of profits.

Effects Upon Average Hourly Earnings and Annual Payrolls

In estimating the effects of a 48-hour week, it is important to distinguish between the length of the scheduled work week and the BLS measurements of average weekly hours of employment. The former refers to the number of hours which the employee is expected to work; the latter, to the average hours actually worked per week by all wage earners on the payroll for any part of the pay period. Because of such factors as labor turnover and absenteeism, average weekly hours of employment in general fall short of the scheduled work week by about 2 hours.

Table 1, attached, shows for all important segments of nonagricultural industries, as of October 1942, annual payrolls, average weekly hours of employment, and the percentage increase in average hourly earnings and the dollar increase in total payrolls which would result from application of a 48-hour work week.

Durable Manufacturing

In the field of durable manufacturing, average weekly hours of employment stood at 45.7 in October 1942. Taking account of the factors of absenteeism and labor turnover, a 48-hour work week applied in October would have increased average hourly earnings by 1 percent and would have increased annual payrolls by \$157 million. While the figures are

not available on a current basis, average hours worked per week in the durable industries have increased since October. The cost of a 48-hour work week today would, therefore, be substantially below the figure cited.

Non-durable Manufacturing

In the non-durable field, average weekly hours of employment in October were 40.6. A 48-hour work week applied in that month would have increased average hourly earnings by 4.2 percent and would have added \$346 million to annual payrolls. Here again, although the precise amount cannot be estimated, the present cost would fall considerably short of this figure.

Retail and Wholesale Trade

Concern is frequently expressed that a 48-hour week would exert acute pressure upon costs in the fields of wholesale and retail trade. In October 1942, average weekly hours in wholesale trade were 41.7. Had a 48-hour week been instituted in October, it would have resulted in an increase of 3.7 percent in average hourly earnings and an increase of \$105 million in annual payrolls. In the case of retail trade, the comparable figures are 4.4 percent increase in average hourly earnings and \$193 million increase in annual payrolls.

There are two factors, apart from the increase since October in average weekly hours of employment, which would cut the cost substantially below these estimates. First is the fact that 25 percent of the workers in trade work for firms employing 8 or fewer. Inasmuch as the employees of such firms would probably be exempt, the cost would be reduced by approximately one-quarter. Second, in retail trade average weekly hours of employment stand at a low figure for the reason that a considerable fraction of the working force is employed upon a part-time basis, to meet the pressure of peak shopping loads. While the scheduled hours of employment in retailing can be raised, the pressure of peak loads places definite limits upon the extent to which part-time work can be eliminated. Furthermore, the workers engaged in this part-time work are to a large extent available only upon that basis.

In the field of mining, particularly anthracite and bituminous coal, average weekly hours of employment are low. In both these cases the scheduled work week in October was 35 hours. This work week will be increased to 42 hours when current negotiations with the coal industry and the mine workers are completed. The result will be an increase in average hourly earnings of 8.3 percent and an increase in payrolls of \$9 million for anthracite and \$60 million in the case of bituminous coal.

While profits in this industry have increased enormously from peacetime levels, the existence of a very large number of high-cost marginal mines has induced the OPA to undertake to raise the price of coal to cover the increase in labor costs.

A scheduled 42-hour work week in the field of coal mining, it should be noted, is the equivalent of a scheduled 48-hour work week in other industries because of the time required getting down to and up from the working levels of a mine.

The Absorbability of the Labor Cost Increases

The increase in labor cost per unit of output which would result from the general application of a 48-hour week will present little threat to price ceilings. This is indicated by the profit developments of recent years, which are shown in Table 2.

While specific profit data, industry by industry, on a basis strictly comparable to the industrial breakdown shown in Table 1 are not available at this time, the over-all profit position, together with such profit data for major industries as are available, leave little room for doubt on this score. Strictly comparable profit data are now being prepared.

The major fields in which increased labor costs will present a problem are those in which output or sales will be sharply curtailed. These include the fields of retail and wholesale trade, paper and pulp, and pottery. In these fields and possibly others as the manpower shortage becomes more acute, price relief may be required before the end of 1943. Even in these cases the outcome, however, is open to doubt. It should be noted that increase in the length of the working week will reduce the pressure on manpower and therefore the need to reduce output for this reason.

While there is little likelihood that price ceilings will be threatened by the 48-hour week, there will, of course, be many individual firms, the high-cost marginal producers in almost every field, which will require relief. At this time it is difficult to say how large this number may be.

Attachments 2

Table 1. Estimated Maximum Additional Costs of Overtime Premiums Under
A 48-Hour Work Week in Non-agricultural Industries

Industry	Payrolls (annual rate in millions of dollars)	Average Weekly Hours	Percent Increase in Average Hourly Earnings if Hours are Increased to 48 ^{b/}	Increase in Payrolls (annual rate in millions of dollars)
All manufacturing	24,524	43.6	2.1	503
Affected	17,643	-	2.9	503
Not affected	6,881	-	- g/	-
Durable goods	16,284	45.7	1.0	157
Affected	9,517	-	2.3	157
Not affected	6,767	-	- g/	-
Non-durable goods	8,240	40.6	4.2	346
Affected	8,126	-	4.3	346
Not affected	114	-	- g/	-
Iron and steel and their products	3,546	43.4	2.3	81
Electrical machinery	1,263	46.4	- g/	-
Machinery except electrical transportation equipment ex- cept automobiles	2,760	48.6	.1	2
Automobiles	4,932	47.1	-	-
Non-ferrous metals and their products	1,294	44.9	.8	10
Lumber and timber basic products	802	45.6	.5	4
Furniture and finished lumber products	649	42.5	3.0	20
Stone clay and glass products	498	42.8	2.6	13
Textile mill products and other fiber manufacturers	580	39.8	4.6	27
Apparel and other finished tex- tile products	1,632	40.4	4.7	76
Leather and leather products	1,006	36.8	6.6	67
Food and kindred products	457	38.9	5.6	25
Tobacco manufactures	1,596	41.9	3.6	57
Paper and allied products	113	40.4	4.6	5
Printing, publishing, and allied industries	485	43.4	2.0	10
Chemical and allied products	568	38.5	5.9	33
Products of petroleum and coal	1,224	42.3	3.4	42
Rubber products	277	40.5	4.8	13
Miscellaneous manufacturing industries	313	42.7	3.0	9
Construction				
Non-federal	569	44.1	1.6	9
Federal	1,348	38.0	1.3	82
	2,600	40.8	2.7	114

Industry	Payrolls (annual rate in millions of dollars) ^{a/}	Average Weekly Hours	Percent Increase In Average Hourly Earnings if Hours are Increased to 48 ^{b/}	Increase in Payrolls (annual rate in millions of dollars)
Railroads, Class I	3,392	48.3	- ^{a/}	-
Public utilities, not in- cluding railroads	1,785	42.6	3.5	62
Trade				
Wholesale	2,847	41.7	3.7	105
Retail	4,393	40.9	4.4	193
Mining				
Anthracite coal	111	35.1	8.3	9
Bituminous coal	717	34.2	8.3	60
Metalliferous	178	44.0	1.8	3
Quarrying and Nonmetallic	80	45.7	.1	-
Crude petroleum	162	39.8	5.1	8
Services	619	44.0	1.6	10

^{a/} Based on average weekly wages in non-agricultural industries as of October 1942.

^{b/} Percent increase in average hourly earnings was computed on the assumption that a scheduled 48-hour work week means an average work week of 46 hours.

^{c/} Excess of average work week of 46 hours.

Source: Except for railroad data which were derived from Interstate Commerce Commission M-500, October 1942, the figures were derived from Bureau of Labor Statistics, Employment and Payrolls, and Hours and Earnings, December 1942.

Office of Price Administration
Division of Research
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TABLE 2

PROFITS BEFORE FEDERAL INCOME TAXES, 1936-1942

	1936-39 Average	1936	1937	1938	1939	1940	1941	1942 (Est.)
	(dollars in billions)							
Mining and Manufacturing.....	\$2.83	\$3.29	\$3.41	\$1.29	\$3.31	\$5.11	\$9.50	\$13.50
Trade and Service.....	0.68	0.79	0.72	0.39	0.81	1.13	2.20	2.50
Transportation and Public Utilities...	0.69	0.69	0.78	0.40	0.87	1.18	2.00	3.30
	<u>Indexes: 1936-39 = 100</u>							
Mining and Manufacturing.....	100	116	120	46	117	181	336	477
Trade and Service.....	100	116	106	57	119	166	324	368
Transportation and Public Utilities...	100	100	113	58	126	171	290	478

Source: From 1936 to 1940, inclusive -- Statistics of Income, Bureau of Internal Revenue; 1941 and 1942 estimated by OPA Statistical Branch.

TITLE 29 - LABOR

CHAPTER VII - WAR MANPOWER COMMISSION

PART 903 - MINIMUM WARTIME WORKWEEK OF 48 HOURS

By virtue of authority vested in me as Chairman of the War Manpower Commission by Executive Order No. 9301 establishing a Minimum Wartime Workweek of 48 hours, and by Executive Orders Nos. 9139 and 9279, I hereby prescribe the following Regulations:

903.1. General Policy for Interpretation and Application of Executive Order. Executive Order No. 9301 shall be so construed and applied as best to effectuate its fundamental purpose, which is to aid in meeting the manpower requirements of our armed forces and our expanding war production program by a fuller utilization of our available manpower. Effectuation of this purpose requires that in situations of labor shortage employers do not hire new workers when their manpower needs can effectively be met by a fuller utilization of their current labor force, and that workers who can be released by an extension of the workweek are released under circumstances which will permit and facilitate their effective utilization elsewhere in the war effort.

903.2. Application to Areas and Activities. The Chairman of the War Manpower Commission will from time to time by order designate areas and activities as subject to the provisions of Executive Order No. 9301. Regional Manpower Directors may designate additional areas and activities within their respective regions as subject to the provisions of Executive Order No. 9301, if they find and by appropriate public notice

so declare, that such action will aid in alleviating labor shortages which are impeding the war effort. Unless and until an area or activity has been so designated, employers therein will not be required to extend their workweek.

903.3. Delegation of Authority. Regional and Area Manpower Directors are authorized and directed to determine all questions arising within their respective regions and areas with respect to the interpretation and application of these Regulations, in conformity with such procedures and instructions as the Executive Director of the War Manpower Commission may issue in implementation thereof.

903.4. Minimum Wartime Workweek. "Minimum Wartime Workweek" as used in these Regulations means a workweek of 48 hours, except in cases where a workweek of 48 hours (a) would be impracticable in view of the nature of the operations, (b) would not contribute to the reduction of labor requirements, or (c) would conflict with any Federal, State or local law or regulation limiting hours of work. In such cases "Minimum Wartime Workweek" means the greatest number of hours (less than 48) feasible in the light of the nature of the operations, the reduction of labor requirements or the applicable Federal, State and local law or regulation, as the case may be.

903.5. Extension of Workweek in Designated Areas and Activities. If the workweek applicable to any worker employed in any plant, factory or other place of employment in an area or an activity designated as subject to the provisions of

of either Director a statement as to the number of workers whose release would be involved and their occupational classification, together with a proposed schedule for the timing of such releases. The Regional or Area Manpower Director or designated representative will authorize a schedule for the extension of the workweek to the Minimum Wartime Workweek and for the release of workers in terms of labor market needs and the employer shall thereupon proceed to extend the workweek in accordance with such schedule.

903.6. Restriction Upon Hiring of workers. No employer shall hire any worker in an area or activity designated as subject to the provisions of Executive Order No. 9301, if the employer has failed in any manner to comply with the provisions of Section 903.5 of these Regulations in the plant, factory or other place of employment in which the worker would be employed.

903.7. Exclusions. No provision of these Regulations shall be construed or applied so as to require the extension of a workweek;

- (a) in any establishment or other place of employment in which less than eight workers are regularly employed;
- (b) in any establishment or place of employment principally engaged in agriculture;
- (c) of persons in the employ of any State or any political subdivision thereof, or any instrumentality of any one or more of the foregoing;

Executive Order No. 9301, is less than the Minimum Wartime Workweek, such workweek shall be extended to the Minimum Wartime Workweek as follows:

- (a) Whenever extension of such workweek to the Minimum Wartime Workweek would not involve the release of any workers, the affected employer shall proceed promptly to extend the workweek to the Minimum Wartime Workweek.
- (b) Whenever the Regional or Area Manpower Director or a designated representative of either determines that extension of such workweek to the Minimum Wartime Workweek would involve the release only of workers who can be promptly placed in suitable employment with other employers, the affected employer will be notified of such determination and thereupon shall proceed promptly to extend the workweek to the Minimum Wartime Workweek.
- (c) If extension of such workweek to the Minimum Wartime Workweek would involve the release of some workers and the Regional or Area Manpower Director or designated representative has not determined and notified the employer that such workers can promptly be placed in suitable employment with other employers, the workweek shall not be extended except as authorized below. On or before April 1, 1943, the affected employer shall submit to the Regional or Area Manpower Director or the designated representative

- (d) of youth under the age of sixteen years; or
- (e) of individuals who on account of other employment, household responsibilities, or physical limitations, are not available for full time work.

903.8. Definitions. As used in these Regulations:

- (a) "Workweek" means the number of hours within a period of seven successive days, beginning with the same calendar day each week, during which workers are normally required to be on duty.
- (b) "Agriculture" means those farm activities carried on by farm owners or tenants on farms in connection with the cultivation of the soil, the harvesting of crops, or the raising, feeding, or management of livestock, bees, and poultry, and shall not include any packing, canning, processing, transportation or marketing of articles produced on farms unless performed or carried on as an incident to ordinary farming operations as distinguished from manufacturing or commercial operations.

Chairman,
War Manpower Commission

February , 1943