A "SICK" INDUSTRY— BUT THE BOSSES DON'T SUFFER

Second of a Series
By Rachel Roth

WHEN garment workers complain today about their low wages or bad working conditions, the boss has a stock answer—be thankful you have a job at all; this is a sick industry; seasons are shorter; competition is sharper; do you want to force me out of business altogether? So what if the workers are making less money and are out of work more often than they used to be—all it means is, "conditions are returning to normal again in the industry."

This thinking has had a widespread and demoralizing effect throughout the garment industry. It is reflected in statement after statement by the leadership of the International Ladies Garment Workers Union as they failed to ask for wage increases in recent years to which they were entitled. It is reflected in the hopeless feeling among the garment workers themselves that there is nothing they can do about their miserable wages and conditions.

In the first article we showed with statistical and human evidence the startling deterioration in garment workers' earnings and conditions, dispelling the longtime myth that "garment workers make good money." The "poor, hard-pressed little garment manufacturer, barely able to keep alive in these tough times," is equally a myth, disproved by actual fact. Nor is there any unique "sickness" of the garment industry to explain why its workers should be falling further and further behind the workers in other industries in their wages and conditions (see JEWISH LIFE, April 1953).

For, while nationally the workers in the industry have suffered a 16 per cent drop in their real wages since 1947, the garment manufacturers have continued making money, real money, at fabulous profit rates they set during the war.

That profit rate is so enormous that during World War II the garment manufacturers *tripled* their total investments. By 1946, suit and coat manufacturers *tripled* their total investments. By 1946, suit and coat manufacturers, for instance, had increased their rate of profit on net worth (that is, initial investment plus profits put back into the business) to 13 times the 1939 level—for every dollar invested they were making *13 times the profits they made in 1939*. In silk and rayon garment production the rate of profit had jumped by 12 times.

Since the war the primary consideration of the garment manufacturers has been to maintain and exceed these swollen profits. They have largely succeeded in doing this, despite all their "problems"—but at the expense of the garment workers.

> The sources of the statistics cited in this article are: the National Credit Office, the manufacturers' own clearing house for statistical, market and credit information on industry; the United States Census of Manufacturers; the United States Department of Commerce, and the Bureau of Labor Statistics of the United States Department of Labor.

Continuing Fabulous Profits

When wartime price and production controls were ended, the manufacturers shot up their prices and enormously increased their volume of production, scoring all-time records in sales and gross profits. This reached a peak in 1948, when nearly five billion dollars worth of garments were sold compared to less than one billion and a half in 1939. The average wholesale price of dresses was nearly three times the pre-war price—up to $7.07 from $2.64. Total production was 396,900,000 units as compared to 263,600,000 in 1939. Gross profit exceeded one billion dollars, an increase of nearly 300 per cent over prewar.

But the manufacturers still weren't satisfied. They increased their cuttings by another 50,000,000 garments and couldn't sell them at those high prices. They were forced to lower prices (average wholesale price of dress was cut from $7.07 in 1948 to $5.54 in 1950). So they cut wages.

The garment industry happens to be the only industry in America where wages are tied to the price of the product. Under the industry's piece rate system, there need be no change whatsoever in the work that goes into the garment, but if the selling price of the garment is lowered, the piece rates are reduced. And the same work receives a different rate of pay depending on whether it is done in a "popular" priced line or a "better" line. So in "bad" years such as '49 and '50, when manufacturers overproduced, had to cut prices and even take inventory losses, it was the earnings of the workers that fell, not the bosses' earnings.

As the National Credit Office points out in an analysis of the garment industry for 1950-51—so-called "bad" years—the complaints of the garment manufacturers were mainly that they could not continue to *increase* their sales and profits at the enormous rate of the war and first postwar boom years. "Most manufacturers were dissatisfied with a modest increase," says the trade report, even though they were still selling and making more than ever before in the industry's history. And even in the "good" years, such as 1952, the manufacturers still cried "poverty," still talked about market uncertainties and industry problems and the workers still got no wage increases although the cost of living kept on rising.

Concealed Profits

Garment manufacturers are able to give workers a false picture of poverty because the bulk of their profits are not taken in the form of dividends on stock as in large corporations. Furthermore, the small corporations that make up most of the garment industry are not compelled to make public their profits as large corporations must. Most of their profits are taken in the form of "salaries" paid to the partners and family members who own the concerns. These "salaries" are deducted as expense on the books before net profits are calculated. But they are included in gross profits, which the industry compiles for its own use and which show the actual amount of profit taken out of the workers.

When the banks, textile manufacturers, retailers, etc., want to know how a garment manufacturer is doing, they can get this information on gross profits from the National Credit Office. It is too bad that the garment workers have not had access to these sources when their bosses cried poverty. For the National Credit Office reveals that in the "bad" year of 1951, the typical *dress* manufacturer with a net worth of $68,961 made a gross profit of $100,393—*a* ***return of*** *145.6* ***per cent on this total capital investment.*** The typical *coat and suit* manufacturer, with net worth of $92,459, showed a gross profit for the year of $90,997—*a 98.4 per cent rate of gross profit on investment.* In *rayon blouse and sportswear,* the typical firm, with a net worth of $67,602, in just one "bad" year, showed a gross profit of $91,930—*a profit of 136 per cent.* In *women's rayon underwear,* the profit rate was 93.3 per cent.

These fabulous gross profit percentages have not changed much from year to year since the war. In *good* years the manufacturers show a substantial "net" profit on their books even after they take out of gross profits such "expenses" as their own salaries and bonuses, commissions, traveling expenses, funds spent on entertainment and the profit slice that goes to the banks or other financial backers. In *bad* years the manufacturers show on their books little "net" profits or even "losses"—*after* deducting their customary large salaries, bonuses and expenses and those of their relatives.

A large corporation must show a sizable net profit if its owners are to make money—for dividends are paid only out of net profits. But a family corporation tries to show as little net profit as possible for it is out of net profit that taxes are taken, while the other devices the family can use to take money out of the business are not subject to profit taxes.

In a "bad" year such as 1951, when garment manufacturers bought textiles at peak prices and were stuck with merchandise people couldn't afford to buy, when they had to mark down prices on some items and take inventory losses, they still made huge gross profits ranging up from 93 per cent to 145 per cent and the average firm even reported a respectable "net" profit—11.5 per cent in the dress industry, 8.9 per cent in coat and suits, 17.3 per cent in rayon blouse and sportswear, 5.6 per cent in rayon underwear.

The garment manufacturers had a "good" year in 1952, according to the National Credit Office—"better than 1951 from a net profit standpoint" as well as "gross profit margin" in the dress industry; "the general outlook was better than at any time since the start of the Korean War" in the underwear industry, etc. Leading New York dress manufacturers reported monthly sales running from 10 per cent to 50 per cent ahead of the previous year (*New York Times,* May 15, 1952). The financial magazine, *U.S. News and World Report,* stated (September 1952): "Clothing is close to sales records. The trend has been upward for months and a new high is expected before the end of 1952."

And this was the year—1952—in which 100,000 workers from the New York needle trades applied for unemployment insurance in one month and five out of every eight workers in the industry were unemployed an average of three months. It was the same year in which New York dressmakers were earning 36 per cent less in real wages than they averaged in 1946 and cloakmakers were making almost 50 per cent less, while for the entire United States the average annual earnings had dropped to $2,312—less than $40 a week. From such profit statements in trade and financial sources—where manufacturers are talking among themselves, and to their bankers, suppliers and retailers, etc.—the ladies garment industry looks healthy enough. It is only when the manufacturers talk to their workers that they plead the "unhealthy" condition of the industry. And the workers seem to be the only ones suffering from the sickness.

A Source of "Sickness"

In a basic economic sense, of course, the ladies garment industry is not healthy, even though the manufacturers are making money. It is not healthy because the industry's capacity to produce garments surpasses the ability of American families to pay for them. This imbalance is becoming intensified as the high profits, prices and taxes of the new war economy eat up more and more of the American workers' income. In 1929, 10 per cent of the consumer dollar was spent on clothes, today only 7½ per cent. At the same time the industry's productivity has been increasing at a rapid rate. Partly through technical improvements but mainly through speedup which sweats more labor out of each worker, the garment workers have increased their productivity 25 per cent since the end of World War II. This *could* mean more and better clothing for the American people. But, when the industry's increasing productivity is paralleled by decreasing ability of the people to buy, as it is in America today, this productivity means that more and more garment workers are thrown out of jobs.

This is not a sickness of the garment industry alone, nor does it arise from conditions peculiar to that industry. This is the disease which is spreading through our entire economy, disguised and intensified by the unhealthy flush of profiteering in the defense industries. But the garment industry is one of the first to show open symptoms of the disease. For it is a consumer industry, completely dependent for its prosperity on the prosperity of the people themselves, the great majority of the people who work for a living in factory, office, farm or store. And if there is nothing left in their paychecks after paying taxes, grocery bills and rent, they don't buy new clothes.

It is significant that in the last few years the highest priced "better" dress, coat and suit lines have been doing boom business, while the lower "popular" priced lines have faced tightening markets. The wives and daughters of the manufacturers, bankers and businessmen, the makers of enormous profits out of war mobilization, buy the "better" lines. But the wives and daughters of white collar and factory workers, who are financing the war mobilization and its profiteers out of their paychecks, buy the "popular" lines. Over 90 per cent of the garment industry works on the "popular" lower and medium priced lines which must compete for the fast disappearing leftover slice of the average American's paycheck. Only 403 of the 3,910 dress firms in the United States work on the "better" lines which benefit from the new war fortunes of the rich.

The Workers Pay for the "Sickness"

Here we have the basic problem of the garment manufacturers—how to maintain their enormously high profits on relatively small investments in a shrinking consumer market. If they try to maintain profits by increasing prices, they are stuck with the merchandise. People may be forced to pay price increases on food. But they can and do wear last year's dress if this year's costs too much.

This is why the garment manufacturers have not been able to pass on to the public the price increases they have had to pay to the highly monopolized textile producers. Not that they didn't try to—garment manufacturers lobbied for price control loopholes during the war, sought an end to controls to shoot up their prices after the war and were left with the clothes on their hands. Today the jobber or contractor who can make the garment for a lower price gets the bid.

In addition, there is constant "competition" among the garment manufacturers for new styles that will attract a greater share of the dwindling market. These constant changes in styles make it increasingly difficult for garment workers to make out in their piece rate earnings. And if competition is tough in the garment industry, it is not the manufacturer, the jobber or the contractor, who bears the brunt of this competition. The manufacturer does not cut his own salary, expenses or commissions in order to cut the price on the garment and get the order. He does not consider taking a smaller profit margin. He "reduces production costs" by cutting the workers' piece rates and by sweating more garments out of each worker so he can get along with fewer workers. Since the garment manufacturer spends twice as much for textiles as for labor, he must meet every increase in textile prices with double the cut in payroll. *The burden of holding on to his own record profits in the face of the increased prices exacted by the textile monopolies and in the face of the dwindling ability of the American people to buy new clothes, is unloaded completely onto the shoulders of the ladies garment workers.*

The United States Census of Manufacturers shows that garment manufacturers succeeded in cutting their payrolls from $671,342,000 in 1947 to $665,732,000 in 1950, while they increased their total of garment shipments from $2,-595,000,000 to $2,634,000,000. Dress manufacturers in New York cut their yearly payrolls from $291,155,000 in 1948 to $273,555,000 in 1950, and coat and suit manufacturers cut their payrolls from $216,816,000 to $183,623,000.

This was done partly by direct and indirect wage cutting and partly by layoffs and increased exploitation, or speedup, of the workers remaining. Between 1948 and 1950, United States garment manufacturers reduced their production working force from 308,700 to 287,905, while they increased their unit output from 396,900,000 to 438,100,000. Thus they eliminated 20,000 jobs—and sweated 41,000,000 more garments out of the remaining workers. They cut their working force by 6 per cent while increasing production 10 per cent. This means that every garment worker had to put out more work—for less pay. We can now see how the ladies garment manufacturers have since the war maintained their gross profits at a rate that more than doubles their original capital investment each year at the same time as the garment workers have suffered a 16 per cent cut in real wages.

Turnover of Firms

The manufacturer cries that higher wages would "force him to go out of business." This is also bosses' propaganda not unique to the garment industry. But the number of garment firms that actually do go out of business every year would seem to bolster the "pity the poor garment manufacturer" line. As it happens, "going out of business" is standard practice in the garment industry. Since all a garment manufacturer needs to set up a business is a loft, a showroom, some light machinery, and credit to buy cloth, he often finds it advantageous financially to liquidate his assets by "going out of business" and firing all his workers—and then setting up again under a new name.

The manufacturer makes money on such a liquidation. Only the worker is out in the street, forced in many cases to take a job somewhere else, when he finds it, at a lower wage, while the manufacturer in his new setup may make even greater profit.

In its latest comprehensive analysis of the garment industry, the National Credit Office discounts this turnover of firms as an indication that business is bad. "Each year," says the reports, "a large part of the (dress) trade goes out of business. Since the start of 1950 over 25 per cent of the dress trade's cutters then active have left the manufacturing field. *The vast majority were voluntary liquidations: relatively few were outright financial failures.* For every ten firms that left the field, 9.5 came on to take their place during those years" (italics added).

In the coat and suit industry the Credit Office points out that "In August of '46 there were 1,640 manufacturers active in the industry; today there are 1,682—a net change of 42 firms in five years. Yet, during that time almost 3,000 cutters entered or left the field. Fully 64 per cent of houses now in business began operations after 1940. *In many instances, of course, the new firms represent only the latest venture of individuals experienced in the field—resulting in a more mature trade than indicated at first blush*" (italics added).

In the dress industry "over 45 per cent of today's concerns have been in business less than seven years"—but it is these concerns, often the offspring of older "liquidated" businesses, that are today making over 100 per cent gross profit on their investment.

Not manufacturers' profits, but the workers' wages and working conditions are hurt by this high turnover. For in many instances the manufacturer goes out of business to escape from union conditions altogether, to set up again "out of town" away from the higher wage garment centers or on some basis on which he will be able to get away with lower wages and more speedup of the workers. And then the manufacturers in the older garment centers use the "out of town competition" as an excuse to further lower wages in their own shops.

So, despite all the "problems" of the industry, it is still a gold mine for those who own it. The return of racketeers and gangsters in recent years into this industry probably attests better than any statistics to the fact that there is good money and easy money and an unusually high rate of actual profit made by today's garment manufacturer. And for the racketeer, as for the "honest" garment manufacturer, the goose that lays the golden egg is the worker. The clue to the "easy money" that is being made today in the garment industry is an exploitation of the garment worker that probably exceeds that of any other major industry in America.

Not a Unique Problem

There are other consumer industries and even luxury industries that have faced the same problems as the ladies garment industry, as the war economy has taken its toll on the people's ability to buy. But in no other industry have the workers suffered the drop in real earnings that the garment workers have been forced to take in recent years. In comparable industries, such as fur and leather, the workers through their unions have resisted any cuts in wages or working conditions and have even won the wage increases needed to keep up with rising living costs, despite employers' profit and market problems.

For instance, the highest paid garment workers in New York, the coat and suit workers, have *taken a cut* in their average weekly earnings of $7.90 a week since 1946, while the comparable New York fur workers have *increased* their average weekly earnings $15.43 a week. Both averaged over $80 a week in 1946. Today the coat and suit makers average $74.66, the fur workers $102.63—$28 a week more than the comparable garment group. Fur manufacturers have suffered more than garment manufacturers from the effect of the war economy on the average family's ability to buy anything other than necessities; their industry is equally seasonal; they face similar marketing and pricing problems.

But the furriers union has not permitted the employers to unload their problems on the workers, either by speedup or wage cuts. The International Ladies Garment Workers Union (AFL) has had a different policy in this period, and this policy, as we shall see in the next article, is a crucial factor in the increased exploitation of the garment workers.

(*To be continued*)

ABRAHAM REISIN

ON APRIL 1, death came to Abraham Reisin at the age of 77. Reisin was one of the great Yiddish poets and short story writers, a worthy successor of the great founders of Yiddish literature, Sholem Aleichem and Peretz. Reisin was born in White Russia in 1876 and settled in this country in 1914. He was a genuine poet of the people and his songs were sung by Jewish workers all over the world. His work was loved by the Jewish masses.

It is regrettable that Reisin failed in a critical moment in 1929 to display steadfastness. He wavered at that time and left the *Morning Freiheit* to join the staff of the *Jewish Daily Forward,* succumbing to the anti-progressive hysteria of the time. Yet he sought to preserve the folk quality of his work and to sustain his regard for the common people. To the extent that he was permitted to do so, he expressed his sympathy with the progressive aspirations of the common people and his yearning for a world of peace and brotherhood. Although the *Forward* published his work, he never became one of their sinister clique.

The name of Reisin will be remembered wherever the Jewish masses speak Yiddish.