Compensation from World War II through the Great Society

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The next quarter of a century began with the United States entering a second world war, which required the Federal government to impose new or expanded controls over the country's economy. The transition to a peacetime economy, with its economic and political problems, was followed by the Korean conflict and the relative prosperity of the 1950s and 1960s. During this later period, there were many shifts in the country's economy and the growth of a new political awareness of social and economic problems encountered by its disadvantaged citizens that led to new legislation to shape the American workforce.

World War II and the transition to a peacetime economy

Following the bombing of Pearl Harbor in December 1941 and the ensuing entry of the United States into World War II, the Federal Government mobilized its resources and the country's industrial might. On January 6, 1942, President Roosevelt announced ambitious wartime production goals. In response, all the country's economic sectors came under new or increased Government controls.

The Federal Government created a number of agencies, such as the War Production Board (1942), the Office of War Mobilization (1943), and the Office of Price Administration (1942), to increase total production, reallocate production to military uses, and control wages and prices. Increases in military output were obtained, in part, by diverting resources from the production of consumer goods. Manufacture of consumer items—such as automobiles, refrigerators, and housing materials—was forbidden.

Controlling output proved easier than controlling wages. Inflationary pressures were created by the shortages of both goods and labor that developed during World War II; the Consumer Price Index (CPI) increased by more than 35 percent at this time. Several attempts were made to create an effective organization to control wages and limit work stoppages. In 1941, President Roosevelt created, by executive order, the National Defense Mediation Board. The Board had jurisdiction over cases referred to it by the Secretary of Labor and was given authority to settle disputes by conciliation, voluntary arbitration, and public recommendations. However, the Board ceased to be useful when the CIO members withdrew in November 1941.

The National War Labor Board was created by President Roosevelt, by executive order on January 12, 1942. The Board was established to determine procedures for settling disputes that might affect war production. The Board had the options of offering mediation, voluntary arbitration, and compulsory arbitration to try to resolve controversies but had no power to enforce its decisions. It was also authorized to approve all wage increases, where the total annual remuneration was below $5,000. The Board quickly adopted the so-called *Little Steel* formula for war

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time wage changes, i.e., based on a 15-percent rise in living costs from January 1, 1941, to May 1, 1942. In September 1942, the President was given the authority to stabilize wages and salaries, based on September 15, 1942 levels.

As a result of wage restrictions, employers who needed to attract labor resorted to providing a growing range of fringe benefits, such as pensions, medical insurance, and paid holidays and vacations. These benefits were considered non-inflationary, as they were *not* paid in cash and, thus, did not violate the wage ceiling. Additionally, payments for overtime afforded extra income to workers, without violating the limits on hourly wage payments. During the late 1940s, fringe benefits became more common as part of settlements reached in collective bargaining.

On June 25, 1943, Congress passed the War Labor Disputes (Smith-Connally) Act that authorized the President to take over plants needed for the war effort or in which war production had ceased because of a labor dispute. These sanctions were effective against management but were not as effective against labor. Although strikes were prohibited during the War, they did occur.

Year	Number of		
	Work stoppages	Days of idleness (thousands)	Union members (thousands)
1940 ……	2,508	6,700	8,717
1941 ……	4,288	23,000	10,201
1942 ……	2,968	4,180	10,380
1943 ……	3,752	13,500	10,213
1944 ……	4,956	8,720	14,146
1945 ……	4,750	38,000	14,322
1946 ……	4,985	116,000	14,395
1947 ……	3,693	34,600	14,787
1948 ……	3,419	34,100	14,319
1949 ……	3,606	50,500	14,282

Despite efforts of the National War Labor Board, the shortage of labor during World War II caused sharp increases in wages. Average hourly earnings of production and nonsupervisory workers in manufacturing more than doubled between 1940 and 1949, with the largest increases during the war years, 1940-44. Hours worked also rose during the War, with average weekly hours for production and nonsupervisory workers rising from 38.1 in 1940 to a high of 45.2 in 1944. After the War, hours worked declined to 39.1 in 1949, slightly above the average for 1940.

After World War II, the Federal Government continued to directly affect the welfare and economic conditions of the American workforce. Congress passed the Employment Act of 1946, which committed the Federal government to take all practical measures to promote maximum employment, production, and purchasing power. In 1949, Congress amended the Fair Labor Standards Act of 1938 to directly prohibit child labor for the first time. Additionally, two Supreme Court cases (*Inland Steel v. United Steelworkers of America* and *W.W. Cross* & *Co. v. N.L.R.B.*) issued after the war, in effect, required employers to bargain over retirement and health insurance plans.

Meanwhile, the transition to a peacetime economy was complicated by a number of problems, including providing economic opportunity for both returning servicemen and the current workforce. One priority was to assist returning servicemen in getting housing and education; thus, the GI Bill, for example, guaranteed loans for housing and education assistance. Another priority was to maintain industrial peace while transitioning from a wartime economy to a peacetime economy. This was difficult; labor unrest ensued, because of pent up frustration and job losses.

During the immediate postwar period, consumer goods, which were not available during the War, became in great demand. People had worked steadily during the war, often at overtime rates, and had money to spend. Demand for consumer items such as automobiles was high, so manufacturers had trouble filling orders. At the same time, union members, whose wages had been restrained during the war, demanded increases in the immediate postwar period. The result was a wave of strikes precisely when the public was anxious to see more consumer goods in stores and showrooms.

Congress reacted to the wave of strikes in 1946-47 by passing the Labor-Management Relations (Taft-Hartley) Act in 1947. This act was seen by its sponsors as a way to redress the balance between labor and management that had been altered by the Wagner Act. Among its major provisions, the Taft-Hartley Act authorized Presidential injunctions against strikes, if the national interest was involved; banned secondary boycotts and the closed shop; and allowed States to pass right-to-work laws.

The coming of World War II changed the statistical needs of government, and BLS responded by changing the focus of its programs.[1] A cut in funding in 1947 also forced the Bureau to reexamine its wage program.

Prior to the war, the primary use of industry wage surveys was to monitor low-wage industries. Data from these surveys were used to determine minimum and prevailing wages required by such laws as the National Industrial Recovery Act of 1933, the Walsh-Healey Public Contracts Act of 1936, and the Fair Labor Standards Act of 1938. After the beginning of World War II, the needs of Federal Government statistical users had shifted to the settlement of labor disputes and stabilization of pay rates. The types of industries surveyed shifted from low-wage consumer goods industries to heavy manufacturing industries vital to the war effort. Among the industries surveyed during this period were shipbuilding; aircraft; rubber; nonelectrical machinery; and the mining, smelting, and refining of nonferrous metals. The National War Labor Board became the most important user of wage surveys. The Bureau provided data on wage rates and straight-time earnings by occupation, industry, and area, as well as a general wage rate index, to measure the effectiveness of the wage stabilization program. The Board used these data for decisions on claims for wage increases on inequity grounds and for the settlement of disputes.

Because of the importance of organized labor in the national economy, the Bureau, in 1948, first published its monthly *Current Wage Developments* (*CWD*) reports and its wage chronology series.[2] The *CWD* reported on the wage adjustments that occurred in collective bargaining situations. Besides identifying the company, union, and location of the bargaining unit, the report listed the amount of the adjustment; the effective date of the adjustment; the number of workers covered by the adjustment; and other related terms, such as information on vacations, paid holidays, and company payments to health and welfare funds. Wage chronologies were a series of reports on the negotiated changes in wages and benefits for individual, key bargaining situations, such as General Motors, United States Steel, The Boeing Company, and the bituminous coal mine operators. Although a wage chronology for any one bargaining situation was published only periodically, it would summarize the bargaining history between the company and the union, detailing the wage and benefit changes coming from the parties' various rounds of negotiations.

The Korean War to beyond the Great Society

The 1950s and 1960s saw the Korean War, the Cold War, the race for space between the United States and the Soviet Union, the Vietnam War, the New Frontier, and the Great Society. Television became a mainstay of family entertainment, there was a movement to the suburbs, college education and home ownership became common, and the civil rights' and women's rights' movements became powerful forces in society.

The decades of the 1950s and 1960s were generally periods of relative economic prosperity, with growth in employment and real wages, although three recessions occurred (1954, 1958, and 1961). This period saw many shifts in the economy, as the service sector grew relative to manufacturing; and employment shifted among occupations. The percentage of employed persons who worked in white-collar and service occupations increased during the period, while the percentage employed in manual occupations and as farm workers declined.

Another shift was that women became a more important factor in the workforce than during the postwar years. Women represented about 29 percent of individuals in the labor force in 1950 but had grown to more than 36 percent by 1969.

Married women, in particular, remained in the labor force in record numbers. By 1969, almost 40 percent were in the labor force, up from less than 25 percent 20 years earlier. While these rates were lower than for single women, the difference in labor force participation rates for married and single woman narrowed during this period.

Unemployment was relatively stable during the 1950s and 1960s, usually between 3 and 4.5 percent. The rate did exceed 5 percent during the recession years 1954, 1958, and 1961 and during the years of recovery immediately following the downturns. Conversely, unemployment was particularly low between 1951-53 and 1966-69. These periods coincided with undeclared wars in Korea and Vietnam and saw large increases in defense spending and significant segments of the civilian labor force drawn into military service.

During this time, Federal legislation continued to shape the American workplace: the Social Security Act was amended to include Medicare in 1965 and the FLSA was amended in 1961 and 1966 to extend coverage to millions of additional workers. In addition, the Welfare and Pension Plans Disclosure Act of 1958, the Labor-Management Reporting and Disclosure (Landrum-Griffin) Act of 1959, the Manpower Development and Training Act of 1962, the Equal Employment Act of 1963, the Civil Rights Act of 1964, and the Age Discrimination Act of 1968 were passed by Congress. (See **box** on Legislative and Regulatory Timeline, p. 37.)

More than 20 years of internecine labor strife ended in 1955, with the merger of the American Federation of Labor and the Congress of Industrial Organizations to become the AFL-CIO. Unions in this merged organization agreed to honor existing agreements of other member unions and to refrain from stealing members from one another. The new organization claimed about 15 million members.

In the 1950s and 1960s, the Bureau of Labor Statistics continued to gear its compensation surveys to the informational needs of the Federal Government, including the administration of prevailing wage and minimum wage laws. An interest in comparing Federal and non-Federal compensation also developed during this period. This administrative need for data would shape many of the Bureau's compensation programs throughout the remainder of the 20th century. In conjunction with the need for data to administer Federal pay programs, the Bureau began to expand its compensation studies to include fringe or supplementary benefits. These new surveys would lay the groundwork for the Bureau's future benefit studies.[3]

The Bureau continued to publish its wage chronologies and *Current Wage Developments*. As an outgrowth of the wage development program, beginning in 1954, BLS published quarterly and annual summaries of newly negotiated wage rate changes—medians and means, for the first year and over the life—of contracts for production workers in manufacturing and non-supervisory workers in service industries.

By the mid-1960s, the Bureau developed procedures for costing supplementary benefits. This enabled the publication of data for the total change in compensation for units of 10,000 workers or more; and, in 1966, the publication of such data on settlements covering 5,000 or more workers. In 1968, the Bureau developed its effective series—wage changes in effect from settlements, cost-of-living adjustments, and deferred wage increases.

In the early 1950s, the Bureau also began publishing salary trends for selected groups of government employees. The first report was for white-collar workers for 1939-50, followed by city public school teachers for 1925-49 and firemen and policemen for 1924-50. These studies would provide BLS with the experience and foundation for conducting future, more comprehensive white-collar pay studies.

Also in the early 1950s, the Wage Stabilization Board (WSB) once again sought to control wage increases during the Korean War. WSB budgetary support allowed BLS to conduct a large number of labor market community wage studies for use in the Board's decisions, with occupational coverage extended to jobs particular to major industries in each area surveyed. Coupled with other BLS data, these studies provided the basis for a series of analyses of inter-area differences in wage levels, occupational wage differentials, fringe benefits, union density, and wage structure.

By the end of the 1950s, in response to demands for a cross-industry survey, BLS began to expand the community wage surveys to 80 metropolitan statistical areas that had been selected to represent all such labor markets. This program expansion would allow the Bureau to make estimates of the level and distribution of wages for a large number of white-collar and manual jobs in all metropolitan areas. It also provided the basis for national estimates of scheduled hours of work, holiday and vacation provisions, the incidence of private pension and insurance plans, and collective bargaining coverage. One reason for this expansion was the Federal Government's need for national data on white-collar salaries in private industry to implement a comparative pay policy for Federal white-collar and postal employees.

In response to the enactment of the Service Contract Act (SCA) in 1965, area wage surveys were expanded in 1967 to include areas requested by the Employment Standards Administration (ESA) for their administration of the act. (The SCA requires employers to pay prevailing wages and benefits to employees performing work on Federal service contracts.)

BLS also continued to produce occupational wage studies on an industry basis but shifted the emphasis away from industry-wide surveys to surveys of major areas of industrial concentration. These annual studies covered wages and related benefits in 25 manufacturing and non-manufacturing industries.

During the 1950s, BLS conducted several wage surveys for ESA for use in the agency's appraisal of minimum wage action under the Fair Labor Standards Act, and for a basis of decisions on minimum wage policy. The studies continued into the 1960s, with minimum wage coverage being extended to several new industries, including retail trade and service industries.

The major changes in the composition of compensation that began in the 1940s forced BLS to collect and analyze supplementary wage benefits to make Bureau compensation data more meaningful. After limited studies in the early and mid-1950s, BLS began a program to measure these benefits. In 1951, for the first time, BLS captured the costs of supplementary wage benefits in a wage study in the basic iron and steel industry. Data included direct benefits, such as pay for overtime and work on holidays and late shifts, pay for holidays not worked, and vacations, sick leave, severance pay, and non-production bonuses; and indirect benefits, including legally required ones and voluntary insurance and retirement pension plans. Survey results were for production workers only and were expressed in terms of cents-per-man-hour.

In 1953, BLS conducted a feasibility study of collecting employer expenditures on selected supplementary employee remuneration in the manufacturing industries. The Bureau collected data on seven items—paid vacations; paid holidays; paid sick leave; premium pay for overtime; pension plans; insurance, health, and welfare plans; and legally required payments. Three basic measures of the cost of employee expenditures were used—percent of payroll, cents per hour paid, and cents per hour worked.

In 1955, BLS began regularly publishing two new reports—the "Digest of Selected Pension Plans" and the "Digest of Selected Health and Insurance Plans." Some of the plan features discussed in the pension plan digest included benefit formulas, normal retirement requirements, early retirement requirements and reductions, and disability benefits. Some of the plan features in the health digest included life insurance, accidental death and dismemberment benefits, sick leave, hospital benefits, maternity benefits, surgical and medical benefits, and major medical benefits.

In 1959, BLS published the *Employer Expenditure for Selected Supplementary Remuneration Practices for Production Workers in Manufacturing Industries, 1959*. This publication ushered in a full scale, continous program of compensation studies. Expenditures for production workers in manufacturing were published for a select list of items—including some new or growing practices, such as supplementary unemployment benefits and civic and personal leave—and were measured as cents-per-hour paid for and per plant man-hour, as well as one new measure—straight-time payroll. In 1960, a similar study was conducted in the mining industry; in 1961, finance, insurance, and real estate were surveyed; and in 1962, there was a study in manufacturing.

In 1963, another expansion of the program came, when a special study was conducted at the behest of the Federal government on supplementary remuneration in private industry for Federal white-collar and postal employees' pay comparability purposes. The survey marked a broadening of industry coverage to include manufacturing; transportation and utilities; trade; finance, real estate, and insurance; and a limited number of service industries. Employee coverage was limited to clerical, professional, administrative, and technical employees.

Sparked by Federal pay comparability questions, BLS conducted an initial survey of compensation expenditures for the entire private nonfarm economy in 1966. This was the first of surveys designed to study the entire private nonfarm sector, selecting manufacturing and non-manufacturing industries in alternate years. Surveys for the entire private nonfarm economy were produced in 1968, 1970, 1972, 1974, and 1977. This program was dropped after 1977, when the Bureau began collecting benefit cost data in the Employment Index.

[1] H. M. Douty, "'A Century of Wage Statistics: the BLS Contribution, Monthly Labor Review, November 1984, pages 16-28; Alvin Bauman - Measuring Employee Compensation in U.S. Industry, Monthly Labor Review, October 1970, pages 17-24.

[2] Section 211 of the Taft-Hartley Act authorizes the Bureau to collect various collective bargaining data, including union contract data. The CWD is the predecessor to *Compensation and Working Conditions.*

[3] See Douty, pp. 22-23; Bauman, pp. 17-24; and Allan P. Blostin, "An Overview of the EBS and the NCS," *Compensation and Working Conditions*, spring 1999, pp. 2-5.