WAR TIME WAGE STABILIZATION

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WARTIME WAGE STABILIZATION

THESIS

Presented to the Graduate Council of the North Texas State Teachers College in Partial Fulfillment of the Requirements

For the Degree of

MASTER OF SCIENCE

By

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Tulsa, Oklahoms

January, 1948

151947
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INTRODUCTION

The strength of America depends upon the enlightenment of its citizens. In a representative form of government the people must self-examine and self-criticize the problems of our national economy. It is a challenge to the American people to determine the causes of whatever difficulties we face in our economic life and to find the solution to these problems. These solutions must be continually appraised. Their effectiveness will increase year by year as we learn by doing.

An exacting situation which faced the American people at the outset of the war was to control inflation. During the conflict a majority of the nation's people stood behind the government in executing controls over the economy to avoid an inflationary disaster. Those controls have now been relinquished, but the danger of inflation remains with us. The cost of living continues to spiral upward. Some fear that the inevitable result will be another depression such as followed the inflation after the last war. The consequences would be a loss of jobs, farms and businesses.

To circumvent such disaster the people are called upon to find a solution to this problem. The question at hand is how to stop inflation now so as to avoid a period of depression which brings unemployment and insecurity. We must
find the answer not only for our own economic prosperity, but also for the benefit of all the world. Prosperity in America is the foundation of world prosperity and world peace.

To meet this demand, it might be wise to appraise the solutions we used to meet inflation during the war. We should have learned by that experience how effective the activities of the government were, and in light of that experience to formulate our present day national economic policy.

It would be unlikely that one person could make a report on all the phases of the government's wartime inflation program. The Congress in the Employment Act of 1946 provided for a Council of Economic Advisers to the President to look to our attainments in the past and to recommend national economic policy. Those men, as a result of training and experience, are perhaps qualified to analyze and to interpret most economic developments. The writer will attempt to examine only one phase of our economic life which contributes to inflation; that is, rising wage and salary rates.

As a former employee of the Eighth Regional War Labor Board in Dallas, Texas, the writer became interested in the government's effort to stabilize wages. The writer's position was entitled "Wage Rate Analyst," entailing the duty of processing voluntary applications for approval under the
criteria established by the National Board and the Eighth Regional Board.

A majority of the material which has been used in dealing with this problem was taken directly from War Labor Board files. The Economics Department of the North Texas State Teachers College received permission to transfer files to the college. The use of this material is under strict supervision of the Economics staff. Included in this collection are all of the supplementary disputes case files, War Labor Reports, Labor Relations Reports, and NWLB Press Releases dating from the stabilization date of October, 1942, to the termination of the Board in December, 1945.

The War Labor Board was created to serve two purposes, the stabilization of wages and salaries and the settlement of labor disputes. The latter function will be discussed only in relation to wage disputes. There were many other issues which were decided in disputes cases, such as union security, check-off of union dues, grievance procedure, and the like. An investigation of the Board's role in promoting harmonious labor-management relations to insure continued production would be a detailed study in itself. The Board compiled an excellent record of settling its labor disputes by means other than strikes or lockouts.

The National Board and its Regional Boards were divided into three divisions to carry on their activities, the Wage Stabilization Division, the Disputes Division, and the
Enforcement Division. The Wage Stabilization Division acted upon voluntary cases under delegated authority from the Regional Board. Cases which could not be handled under these powers were acted upon by the Board members. During its life the Board closed over 460,000 applications for approval of voluntary wage or salary adjustments involving 26,000,000 workers. Disputes cases were handled by the Disputes Division, and were finally passed upon by the Board. The Board disposed of over 20,800 disputes involving 12,500,000 workers. In only about one hundred disputes did a failure of one of the parties to accept a Board decision require referral to the President for further action. The Enforcement Division handled all alleged or admitted violations of wage stabilization regulations, and either excused the employer of penalties or imposed the sanctions specified by law. This division handled 70,000 violation cases before the Board was dissolved.\(^1\)

In this examination of wage stabilization, the policies of the War Labor Board on major wage issues will be discussed. In so doing, it will be necessary to give some of the provisions from the Congressional Acts and Executive Orders from which the Board received its authority to act. Also the reaction of various segments of our society will be pointed out in connection with Board policies. The trend

of wage rates since the dissolution of the War Labor Board will be shown. In this respect, the successor to the NWLB, the Wage Stabilization Board, will be emphasized in its role to stabilize wages during the reconversion period.

By appraising the effectiveness of the Board's wage stabilization policies, it should prove beneficial if future attempts are made to regulate wages, whether now or in the event of another war. The question of whether or not wage controls are necessary to avoid the high cost of living when inflationary forces are at work should be reflected. If so, whether or not the policies adopted by the Board were the most practical to achieve that end should also be shown. In the event of another effort to control wages as a part of an economic plan to check inflation, the circumstances possibly will differ. The policies adopted will have to be modified from those used in World War II to fit the need of the times. Nevertheless, some of the same problems will be encountered that faced the Board, and an insight to these situations will prove valuable.

The wage stabilization program was new in our history. For the first time workers could not receive wage increases which their employers in many cases were willing and able to grant. Like many of the government's unprecedented wartime measures, the steps taken to stabilize wages should be recorded in case future government intervention in this respect is necessary.
CHAPTER I

EARLY WAGE STABILIZATION POLICIES,
JANUARY 12, 1942, TO
OCTOBER 3, 1942

American people believe in the buoyancy and drive for an economy in which free labor and management are given a maximum opportunity to play their parts with a minimum of government interference. When our nation is faced with mobilization for total war, these beliefs must be temporarily sacrificed. The government must control all the phases of the economy essential to winning the war. One of the tasks assumed by the government in World War II, which instituted controls over labor and management as well as the public, was that of curbing inflation.

One lesson learned from previous wars in which the United States had participated was the necessity to control inflation to insure maximum war production, to prevent mal-distribution of income and goods and services, and to forestall a post-war deflation. At the end of the Revolutionary War the buying power of the dollar was thirty-three cents as compared with the stable dollar at the beginning of the war; at the close of inflation following the Civil
War the buying power of the dollar had dropped to forty-four cents; at the termination of inflation subsequent to World War I the buying power of the dollar was only forty cents.¹ Although these wars were won without complete government intervention to control inflation, there was no assurance that inflation could run rampant without crippling the war effort this time, and it was believed that post-war deflation would follow in the absence of controls. The job of mobilization and production was much greater than ever before, and strains on the economy could appear sooner and be more disastrous.

In the last war we were forced at the peak to devote only slightly more than a quarter of our output to war, while today we are already putting nearly a half of our output into our war effort.²

There are several factors contributing to inflation during wartime. Business, industry and agriculture are required to produce to the maximum; the government increases its employment rolls by either directly engaging in the production of war material or subsidizing private industry. Therefore, full employment is achieved and purchasing power skyrockets. The rise in national income increases consumer demands, but supply shrinks as materials are used for our armed forces or allies. Prices have a tendency to jump when demand exceeds supply; consumers have the money to pay for

¹ OPA News, Region V, Dallas, Texas, IV (October 28, 1946), 1.

² James F. Byrnes, "The War Against Inflation," radio address over Columbia Broadcasting System, February 9, 1943, p.3.
goods and business desires to make higher profits. When prices rise, the inevitable result is demands by workers for wage increases to meet the soaring cost of living. The wage-price spiral continues until a peak is reached, recession or depression sets in, and few profit.

The reason the consequences of inflation are so grave might be explained also. It is impossible to have full production when a wave of speculative buying occurs and there are violent fluctuations in available supplies and artificial shortages of materials. Business risks are expanded due to uncertainty in planning prices, thereby bringing unexpected profits to some persons and ruin to others. Labor, in scrambling for higher income due to the loss of purchasing power of the dollar, suffers ultimately when, with each wage raise, prices are increased. Persons on fixed incomes suffer even more by not being able to meet the cost of living at all. Farmers gain nothing if prices rise as fast for consumers' goods as for the products they sell. If business declines, foreign trade is likely to drop off while nations wait for lower prices. With a reduction in production and trade, unemployment will rise and depression begins.

To avoid an inflation calamity, the stabilization program was undertaken to cope with the effects of the war emergency on the nation's economy. Several agencies were created to administer the stabilization program, and existing agencies were instructed to conduct their activities
consistently with it.  

Important among the new organizations were the "supply agencies," which controlled the distribution and use of goods and materials. As the principal supply agency, the Office of Production Management (later merged in the War Production Board, which became the Civilian Production Administration) was created to control the allocation of most products. Food products were placed under the control of the War Food Administration, later under the control of the Department of Agriculture. The Foreign Economic Administration was authorized to regulate imports and exports by licensing, a function later transferred to the Office of International Trade Operations in the Department of Commerce.

Some agencies in general charged with the stabilization program are also to be noted. The War Manpower Commission was established to control the use of manpower; the Office of Defense Transportation was created to facilitate the movement of supplies and armed forces. The Treasury Department collected income taxes and conducted War Bond drives, which siphoned off excess purchasing power. Regulation W of the Federal Reserve System shortened the time period in which installment purchases could be paid off and required higher down payments to limit the use of credit.

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Perhaps the greatest responsibility for preventing inflation rested with the effectiveness of price control, left chiefly to the Office of Price Administration. Direct control over rents and prices, aided by subsidies, was adopted under the Emergency Price Control Act of 1942 and the Stabilization Act of 1942. By these legislative acts the Office of Price Administration was given authority to control all commodity prices, impose rent ceilings and ration certain commodities. The Department of Agriculture could determine certain of the maximum prices prescribed for agricultural commodities, or give prior approval for the Office of Price Administration to establish prices on other agricultural products.

The original specific objectives of price control were stated in Section 1 of the Emergency Price Control Act of 1942. They are as follows:

1. To stabilize prices and prevent unwarranted increases in prices and rents.

2. To prevent profiteering, hoarding, manipulation, speculation and other disruptive practices resulting from abnormal conditions caused by the emergency.

3. To prevent the dissipation of defense appropriations.

4. To protect persons with fixed and limited incomes, consumers, wage earners and investors.
5. To prevent hardship to persons in business and to institutions and to various governmental bodies.

6. To assist in getting adequate production.

7. To prevent a post-emergency collapse of values.

8. To stabilize agricultural prices.

9. To permit voluntary cooperation between government and industry to accomplish these purposes.⁴

As these objectives were not effectively being carried out without wage control, Congress delegated power to the National War Labor Board, under the Stabilization Act of 1942, to control wages.

The Office of Economic Stabilization was created to supervise the activities of the stabilization program, particularly of the three stabilization agencies whose duties were so interrelated: the Office of Price Administration, the War Labor Board, and the Department of Agriculture.

Before outlining the part played by the War Labor Board in the battle to combat inflation, the history of this agency will be reviewed briefly in connection with its activities before it had power to control wages.

President Roosevelt on March 19, 1941, supplemented the work of the Conciliation Service with an eleven-man tripartite National Defense Mediation Board to adjust labor disputes threatening the defense program. Mediation,

voluntary arbitration, and, as a last resort, fact finding
and public recommendations were the basic techniques used.
"During its life, the Board settled 96 of its 118 cases."5
Four of the disputes were so serious that, when one of the
parties refused to accept a Board recommendation, the case
was referred to the President for action. One of these,
the Captive Mines Case, led to the resignation of the C. I.
O. members of the Board and to the Board's practical disso-
lution.

The duties of the Mediation Board were transferred to
the War Labor Board, which emanated from suggestions made
at a conference of representatives of industry and labor
summoned by the President to convene on December 17, 1941.
In accordance with its recommendations, Executive Order
9017 was issued and provided that

for the duration of the war there shall be no
strikes or lockouts, and that all labor disputes
shall be settled by peaceful means, and that a
National War Labor Board be established for the
peaceful adjustment of such disputes.6

By virtue of this order the National War Labor Board was
created on January 12, 1942, and was composed of twelve men
to represent equally labor, industry and the public. Like
its predecessor, the National Defense Mediation Board, it
was granted authority to deal only with disputes which

5Labor Information Bulletin, United States Department

6Manual of Operations, National War Labor Board, Sec-
tion 1202.
could not be settled by direct negotiation or through the agency of the Conciliation Service of the Department of Labor.

In the settlement of disputes cases involving wage issues, it soon became evident that the Board had a crucial role to play in the struggle against wartime inflation. Power to develop stabilization principles in wage disputes was conferred upon the Board by the Emergency Price Control Act passed by Congress on January 30, 1942, which provided in Section 1:

> It shall be the policy of those departments and agencies of the government dealing with wages, within the limits of their authority and jurisdiction, to work toward a stabilization of prices and cost of production.\(^7\)

The act enunciated only the ends Congress wished the Board to attain; the means were left for its members to determine. The first significant declaration of policy was laid down in the International Harvester Case with the decision that wages may not be adjusted automatically to meet increases in living costs. The opinion states:

> The real wage levels which have previously been arrived at through the channels of collective bargaining and which do not impede maximum production of war materials should be reasonably protected. This does not mean that labor can expect to receive throughout the war upward changes in its wage structure which will enable it to keep pace with upward changes in the cost of living. Wage adjustments for increased living costs should be made to the

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\(^7\)Ibid., Section 1104.
extent it can be done without inflationary effects. 8

Most union contracts allowed for automatic wage adjustments to meet the increase in the cost of living in accordance with the Bureau of Labor Statistics cost of living index. The President, after the Harvester decision, urged the deletion of so-called escalator clauses from union contracts, and the plea was responded to in most instances. It later became a settled stabilization rule that such clauses would not be recognized during the war.

With the cost of living continuing to spiral upward, the President expressed alarm in his message to Congress on April 27, 1942, and outlined a seven-point stabilization program. In his message, he said:

The rise in the cost of living during this war has begun to parallel the last. The time has definitely come to stop the spiral. And we face the fact that there must be a drastic reduction in our standard of living.

There are obvious reasons for taking every step necessary to prevent this rise. I emphasize the words "every step" because no single step would be adequate by itself. Action in one direction alone would be offset by inaction in other directions. Only an all embracing program will suffice. 9

His seven-point program called for price control on every phase of production as well as on the consumer level, stabilization of wages, rationing of essential, scarce commodities, heavy taxation of personal and corporate profits,

81 War Labor Reports 120.

988 Congressional Record 3805.
purchasing of war bonds and discouragement of credit and instalment buying.

The President's statement in reference to wage stabilization was as follows:

In respect to the third item, seeking to stabilize remuneration for work, legislation is not required under present circumstances. I believe that stabilization of the cost of living will mean that wages in general can and should be kept at existing scales.

All strikes are at a minimum. Existing contracts between employers and employees must, in all fairness, be carried out to the expiration date of those contracts. The existing machinery for labor disputes will, of course, continue to give due consideration to inequalities and the elimination of substandard scales of living. I repeat that all of these processes, now in existence, will work equitably for the overwhelming proportion of all our workers if we can keep the cost of living down and stabilize their remuneration. 10

The first case, considered in the light of the President's message, involved an industry-wide wage increase requested by the United Steelworkers. The Board was faced with a delicate problem in the Little Steel Cases. 11 Philip Murray had completed the job of organizing Little Steel and of becoming President of the Union. To grant the $1.00 per day increase everyone realized would have been to touch off a price-shattering spiral of pay raises throughout American industry; yet to deny the request outright in an industry replete with workers on substandard wages would have stirred up unrest and incited strikes. The Board weighed all the

10 Ibid., p. 3806.

11 1 War Labor Reports 325.
factors involved and framed the Little Steel formula to decide this case as well as to lay the precedent for future cost-of-living adjustments.

The union pointed out that a general wage increase had not been received by the steel workers since April, 1941, and the cost of living had been rising steadily since that time. The vice-chairman concluded that the race between wages and prices had already begun by April, 1941, but earnings as of January 1, 1941, had a rather constant purchasing power. By May, 1942, the month following the President's stabilization message, the cost of living index had risen approximately fifteen per cent above the stable level of January, 1941. The President had called for a stabilization of wages, but indicated room for adjustments to correct inequities. One of the very real inequities, the Board found, was the situation of the minority of workers who, from January, 1941, to May, 1942, had not received general wage increases equal to the fifteen per cent rise in the cost of living during that period. The steel workers were accordingly granted a 5 1/2-cent per straight-time hour across-the-board increase based on the inequities and substandards principles.

The Board evidently based its decision on the assumption that the other six steps in the President's seven-point program would be carried out and that the cost of living would not continue to rise. Its members did not seem
quite certain as to how the Little Steel formula would be treated if the cost of living did continue to rise. This is evidenced by the view of Dean Morse in his opinion in the Remington Rand case issued on July 27, 1944. Dean Morse said:

Contrary to some reports, it [the Little Steel formula] does not guarantee labor that existing standards of living will be maintained throughout the war. Even before the Little Steel decision, the Board had pointed out in several cases that labor cannot hope to receive wage increases which will enable it to keep pace with upward changes in cost of living.

The wage formula of the War Labor Board is no cure-all for inflation, but it is a definite and certain check on inflation as far as the wage factor is concerned. It must be looked upon as a concomitant of a broad-base tax policy and of a wide-scale and effective system of rationing and price-fixing of those consumers' goods the prices of which are so controlling in cost of living of the average citizen. Such adjustments in the formula as need to be made in the light of future events and trends in the war economy of the country will be made by the Board.\[12\]

Approximately two thirds of the manufacturing industries had already given their employees an increase of at least fifteen per cent. Out of some fifty-four Board orders deciding wage issues in the three months following the Little Steel decision, a general increase was completely denied in sixteen cases (thirty per cent), and an increase considerably less than requested was granted in another thirty-three per cent of the cases.\[13\]

\[12\] Ibid., pp. 137-140.

\[13\] A Short Sketch of the N. W. L. B., March 25, 1943, p. 2.
The Little Steel decision gave impetus to controversy in the field of labor-management relations. Employer members of the Board thought the decision to be weak and contended that "if it is the intention to stabilize wages throughout industry, there should be some central body set up to stabilize all wages, not only in the event of disputes, but also where no dispute exists." In reply to this suggestion, labor opposed government stabilization of wages on grounds that employers could afford to increase wages without corresponding price increases. William Green, President of the American Federation of Labor, asserted that wage increases did not correspond with price increases, and cited, for instance, in manufacturing, wage increases added only two per cent to the company's total cost in 1941, but prices rose more than thirteen per cent. The Steel Workers' Union pointed out that price increases can not be attributed to wage increases, and that the increased output per man-hour due to the economies of increased operations was more than sufficient to pay for such wage increases as were granted. The Steel Workers' Organizing Committee stated:

Net profits of incorporated business, according to the national income figures of the Department of Commerce for the year 1941, increased 31% over 1942.

A very large amount of increased purchases made by consumers in 1941 were made by going into debt either through installment buying or other borrowing. In 1941 consumer debt increased almost $800 million. Wage freezing in a period when prices are rapidly rising and national income is moving upward means a cut in the real income of a group of Americans in the lower brackets of income.16

The A. F. of L. and the C. I. O. advocated as their anti-inflation program stricter price control, an equitable system of rationing scarce commodities, increased corporate and excess profits taxes and increased war bond purchases by their members.17

Though there was some merit in the union arguments, many observers considered them to be weak, as exemplified by the statement that follows:

Labor pointed out that the national income was increasing at a rate of 21 per cent annually and wages only 11 per cent, and argued that labor's share of national income ought not to be reduced during the war. But this is over simplified statistics. Hourly wage rates have actually increased 15 per cent equaling the increase in the cost of living. Actual earnings in manufacturing are up about 38 per cent.18

Summer Slichter, an economist, believed that neither the government nor the unions were prompt in recognizing the need for a national wage policy, and thought it would be foolhardy to widen the growing gap between incomes and

16 Brief submitted in the matter of Steel Workers' Organizing Committee and Bethlehem Steel Company, pp. 279-310.


the supply of goods. Even after the purchase of war bonds and the payment of taxes, he envisaged surplus purchasing power.19

The controversy between labor and management continued throughout the stabilization program, and it is pointed out to show that when inflation takes place each section of our national economy blames all the others. Management was indignant over price controls and advocated stricter wage controls as a counterbalance, while contending that wage increases could not be granted without price increases. Labor favored more control over their employers in the form of taxation and price control, and maintained that wage increases were possible without price rises. Each group cited statistics to support its position, and the consumer knew not what to believe except to fear inflation. One who considers the problem realistically sees that price and wage control are complementary, the success of one depending upon the other. The government recognized this fact when voluntary wage adjustments were brought within the orbit of the stabilization program on October 3, 1942.

Between January 12, 1942, when the Board was organized to deal with disputes only, until October 3, 1942, when all wage increases were subject to control, the Board's wage activities may be summarized as follows:

19Sumner Slichter, "How Much Trade Unionism as Usual?" Atlantic Monthly, January, 1943, pp. 75-77.
During the period January 12 to October 3, 1942, the N. W. L. B. issued Directive Orders in 102 cases involving 782,875 employees. In 85 of these cases, wage increases were allowed. In 17 cases, the Board denied any wage increase. During this period, however, 94 additional disputes cases involving wage issues before the Board were settled without the necessity for a Directive Order of the Board. No data are available as to the results of these settlements. It is estimated that wage increases resulting from Directive Orders issued prior to October 3, 1942, in disputes cases added about 95 million dollars to the annual wage bill on a straight-time 40-hour week basis, or about 115 million dollars assuming a 48-hour week with overtime.20

James F. Byrnes, Economic Stabilization Director, had the following report to make about the Board's accomplishments during that period:

Our struggle against rising prices during this war has thus far been successful as compared with World War I. October, 1942, was the 38th month of the present war. In these 38 months, wholesale prices have risen 33.3 per cent. In the same period during the last war, wholesale prices rose 83.5 per cent. Between August, 1939, and October, 1942, the cost of living rose 20.7 per cent; in the comparable period of the last war the cost of living rose 32.2 per cent.21

Byrnes' comparison of rises in the cost of living with the last war reflects accomplishment in the government's effort to control inflation, but this progress was not enough. The cost of living had risen 20.5 per cent from January, 1941, to October, 1942; whereas average straight-time hourly earnings in manufacturing, adjusted for inter-industry shifts, had risen 21.5 per cent. Similar figures


21 Byrnes, op. cit., p. 4.
were not available for changes in non-manufacturing hourly earnings, but such evidence as there was indicated that the increases would probably equal or exceed those in manufacturing.22 A continued spiraling at this rate would lead to certain inflation.

22Wage Report to the President of the Wartime Relationship of Wages to the Cost of Living, February 22, 1945, p. 16.
CHAPTER II

WAGE STABILIZATION UNDER EXECUTIVE ORDER 90250,
OCTOBER 3, 1942, TO APRIL 8, 1943

While labor and management emulatively contended over wage policy during the summer and fall of 1942, both wages and prices continued slowly to rise. There was no price control on many agricultural commodities and food items, and voluntary wage adjustments, which appeared to have been substantial during this period due to manpower considerations, were likewise free from control.

On Labor Day, 1942, the President in a message to Congress proposing amendments to the Emergency Price Control Act of January, 1942, took steps to check the rise in both wages and prices. In this message, and in an accompanying radio address to the nation, he stressed the need for urgent action. In part, he stated:

Our entire effort to hold the cost of living at its present level is now being sapped and undermined by further increase in farm prices and in wages, and by an ever-increasing pressure on prices resulting from the rising purchasing power of our people.¹

The main features of his speech stressed the interdependence of wages and prices -- that no automatic connection should

¹88 Congressional Record 3805-3807.
be made between wages and prices, but if price increases were to reach a certain point, wage increases would have to be permitted as a matter of justice.

Congress acted upon the President's proposals by amending the Emergency Price Control Act of January, 1942. As amended, the act gave the President authority to issue a general order stabilizing prices, wages and salaries so far as practicable, such stability to be based on the levels which existed on September 15, 1942. The law also permitted price ceilings for agricultural products to be set one hundred per cent of parity, with certain adjustments at the highest levels prevailing between January 1 and September 15, 1942.

Congress directed the President to provide for making adjustments with respect to prices, wages and salaries to the extent that he might find necessary in order to aid in the effective prosecution of the war or to correct gross inequities. This delegation of authority indicated that there would be no wage freeze. Both the House and Senate refused to write the Little Steel formula into law. Senator Ball, author of an amendment precluding increases beyond fifteen per cent above January, 1941, stated that Congress had "fixed the standards and the formula under which the prices of farm and other commodities are controlled, and

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the level at which ceilings apply";\(^3\) that Congress should do the same thing for wages and salaries. He argued that average weekly earnings were still far ahead of the increase in the cost of living and that under these circumstances there should be no room for a change in the Little Steel formula.

Acting under authority vested in him by Congress, the President on October 3, 1942, issued Executive Order 9250, which provided generally the following in regard to wages:

1. An Office of Economic Stabilization was created, with an Economic Stabilization Director as its head, to formulate a comprehensive national economic policy to control inflation. Any increase in wages which required price increases had to be cleared with the Director.

2. No increase in wages was allowed unless approved by the War Labor Board. Approval could be granted above September 15, 1942, levels only to correct maladjustments or inequalities, to eliminate substandard of living, to correct gross inequities, or to aid in the effective prosecution of the war.

3. No decrease in wages could be approved below the highest wage paid between January 1, 1942, and September 15, 1942, unless to correct gross inequities or to aid in the effective prosecution of the war.

\(^3\)Congressional Record 7503-7890.
4. Administration of the wage and salary policy was left to the War Labor Board, which had power to issue regulations to carry out the Order and to make such exceptions affecting small wage increases as it deemed necessary.

5. Any wage or salary payment made in contravention of the Act would be disregarded by governmental agencies in determining costs under any law, or for the purpose of calculating deductions under the Revenue Laws, or for the purpose of determining expenses under any government contract.\(^4\)

The Board was faced with the tremendous task of processing thousands of voluntary applications for all American industry and business except agriculture and railroads. To handle the added volume of cases under the Board's new powers, ten Regional Advisory Councils were established to rule on voluntary cases in which less than one hundred employees were involved and to advise the National Board on the other cases. By January, 1943, the Regional Offices were given power to decide disputes; the number of regions was increased to twelve, and each office became a distinct War Labor Board, tripartite in composition. The Washington Board, under the new procedure, became the "supreme court for labor disputes," where appeals and major cases were to be handled and general policy directives issued. On March 11, 1943, the National Board directed the Regional Wage Stabilization Directors, subject to appeal to the Regional Board, to

rule on cases of employers of two hundred or less.

Tripartite commissions were set up in a few industries as an additional step in decentralization. These commissions, in the shipbuilding, lumber, trucking, non-ferrous metal mining and Detroit tool and die industries, were empowered to make final decisions on cases within their jurisdiction subject only to the review by the Board on its own motion. The Wage Adjustment Board continued to handle cases for the building construction industry, as was done prior to the issuance of Executive Order 9250.

Employers who hired not more than eight individuals were exempted, with certain exceptions, from the necessity of submitting wage and salary adjustments for approval in order to lighten the administrative burden without contributing to inflation.

Wage increases were permitted without Board approval in the case of individual promotions or reclassifications, individual merit increases within established rate ranges, increased productivity under incentive plans, or operation of trainee systems. Such increases could not furnish the basis for an increase in price ceilings or production costs.

The jurisdiction of the Board extended to employees whose total wage or salary payments per annum were $5,000 or less. Persons who earned $5,000 or above were bona fide executive, administrative, or professional employees were
under the purview of the Salary Stabilization Unit of the Treasury Department.

The Board entered upon extensive discussions as to the manner in which the responsibility of granting wage increases would be discharged. The President's order had left with the Board a considerable measure of discretion by providing that the Board should not approve increases in wage rates above the levels prevailing on September 15, 1942, except to correct maladjustments, eliminate substandards of living, to correct gross inequities, or to aid in the effective prosecution of the war. On November 6, 1942, the Board issued a statement describing its policy in applying these standards, declaring that the Executive Order was based on the presumption that the wage level existing on September 15, 1942, was proper, and on each applicant seeking approval of an increase above that level rested the burden of justifying that his was an exceptional case. The November 6th policy statement contained in essence the following tentative guides for applying the standards of Executive Order 9250:

1. Maladjustments -- If a group of employees has received increases amounting to 15% in their average straight time rates over the level prevailing on January 1, 1941, the Board will not grant further increases as a correction for maladjustment. This policy sets a terminal point for general wage increases. It is not applicable to individual workers or to employees in particular job classifications. It will be applied only to groups composed of all the employees in a bargaining unit, in a plant, a
company, or an industry, depending upon the circumstances of each case.

2. **Inequalities or Gross Inequities** -- Wage rate inequalities and the gross inequities which may require adjustment under the stabilization program are those which represent manifest injustices that arise from unusual and unreasonable differences in wage rates. Wage differentials which are established and stabilized are normal to American industry and will not be disturbed by the Board.

3. **Substandards of Living** -- The Board is not in a position at this time to enunciate a general policy to govern the adjustment of wages to eliminate substandards of living. The Board will not undertake to measure substandards of living by any fixed wage rate. Such cases involving substandards of living as may arise will be considered by the Board on their individual merits until sufficient experience has accumulated to permit the statement of a more general policy.

4. **Effective Prosecution of the War** -- Under Executive Order 9250 the National War Labor Board may approve any increase of the wage rates prevailing on September 15, 1942, if such an increase is necessary to aid in the effective prosecution of the war. The Board will not approve wage increases for the purpose of influencing or directing the flow of manpower. When in a particular case management and labor, in cooperation with the War Manpower Commission and other government agencies, have taken concerted action to solve a manpower need, the Board will consider a request in that case to correct whatever inequalities or gross inequities may then need correction.\(^5\)

The manner in which the Board applied these policies to actual cases will be discussed in the order that they are presented above.

The November 6th policy dealt first with maladjustments referred to in Executive Order 9250. These were defined as cost of living maladjustments, and the Little Steel formula alone was applied to them.

\(^5\)Digest of Wage Stabilization Policy of the War Labor Board, November 6, 1942.
The Board in the "Big Four" meat packing companies case, involving Swift, Wilson, Armour and Cudahay companies, reversed a panel recommendation for a 5 1/2-cent increase for 65,000 employees because any general increase would violate the Little Steel formula. Dr. George Taylor, speaking for the industry and public members of the Board, summarized the meaning of the Little Steel formula under Executive Order 9250 as follows:

Like all wage cases which now come before the National War Labor Board, these must be considered in relation to the Economic Stabilization Act. The primary duty of the Board is to stabilize the general wage levels that existed on September 15, 1942. The Board found it not inconsistent with this duty to provide that if any appropriate unit of employees has not received at least 15 per cent general increase in straight time rates since January 1, 1941, their wage rates could be made up to that figure, under certain circumstances, as a step in the stabilization program.\(^6\)

In a dissenting opinion the labor members of the Board urged that the Little Steel formula be revised to take into consideration the increase in the cost of living. Dr. Taylor avowed his views as to why labor is discontented with the formula:

Dissatisfaction with the Little Steel formula arises from the fact that those employees who have already received only the minimum allowable general wage increases are not relatively as well off as those who received greater increases prior to the effectuation of the wage regulation program. These employees have been limited in the extent to which they could catch up with those in the van of the

\(^6\) *War Labor Reports* 429-441.
wage movement. In addition, the cost of living is now, according to the Bureau of Labor Statistics index, about 24 per cent above January 1, 1941. On the other hand, the Little Steel formula relates to straight-time hourly rates and not to weekly take-home, and there are substantial groups of employees which have not yet received their 15 per cent. Some employees whose wage rates lagged have, moreover, received general wage increases in excess of 15 per cent whenever this was found to be necessary for the correction of substandards of living. 7

It was suggested by the Board in the "Big Four" meat packing cases that the work week be lengthened beyond forty hours to eliminate intra-plant inequities. This suggestion embodies the principles stipulated in Executive Order 9301, which was signed by the President on February 9, 1943, the same day the meat packing decision was handed down by the Board. The Order called for a forty-eight-hour week in all plants, factories, or other places of employment deemed necessary by the War Manpower Commission. Those industries which were subject to the Fair Labor Standards Act, or any other federal or local overtime law, were required to pay time and one half after forty hours per week; others had to receive War Labor Board approval to grant premium pay. In establishing a forty-eight-hour week the government shifted emphasis from hourly wage rates to weekly take-home wages. This action eliminated many requests for increases in basic hourly wages by enabling many thousands of workers to collect


8 Federal Register 1825.
overtime for the eight hours added to the present basic forty-hour work week.

On March 3, 1943, the Board repeated its firm stand on the Little Steel formula and denied cost of living adjustments to eight airframe companies in Southern California.9

The Board’s denial in the meat packing and West Coast airframe cases caused fresh attacks to be made on the Little Steel formula. Labor leaders began to talk of an all-out campaign against the formula, while the farm bloc, which had been seeking higher prices, pointed accusing fingers at labor for starting an inflationary cycle. The resulting turmoil was ironic: the farmers wanted wages controlled but not farm prices; labor wanted farm prices controlled but not wages; capital wanted wages and farm prices controlled but not profits or salaries. However, the facts showed that all parties to the argument were better off than they were before the war, and rewards would, in the long run, benefit neither group and become perilous for the entire economy.

All eyes turned to Stabilization Director James Byrnes and President Roosevelt for the big collision with John L. Lewis, who was definitely out to break the Little Steel formula. When the miners’ contract expired the first of April, the Board would be forced to render a decision on

96 War Labor Reports 581.
the union's request for a $2.00 per day increase. No increase in pay would be allowable under the Little Steel formula as "official government figures show that average hourly earnings of the miners are now above 22 per cent above January, 1941."\(^{10}\) The President's "Hold-the-line" order prohibited the miners from receiving their requested increase.

The Board's course for correcting maladjustments under Executive Order 9250 was clearly defined and limited to the Little Steel formula as shown in test cases. Its position on wage-rate inequalities and gross inequities which may require correction was much less precise. These terms were defined in the November 6th statement of policy as "manifest injustices that arise from unusual or unreasonable circumstances."

In general, inequities or inequalities were found to be of two types: (1) intra-plant and (2) inter-plant.

Intra-plant inequities were found where the rates of certain employees or occupational groups lagged so far behind the rates paid to other employees or classifications in the same plant that a clear case of injustice resulted.

In the Aluminum Company of America case the Board laid down the rule that "the rectification of any unreasonable variations in wages within the company's internal wage

structure, which constitute inequalities, can properly be undertaken in conformance with the stabilization program.\textsuperscript{11} This statement was so broad as to leave the Board considerable freedom in applying the intra-plant inequities principle. The major portion of the cases presented to the Board on the inequities cases, however, were of the inter-plant type.

An inter-plant inequity exists where there are unusual or unreasonable individual or occupational differences between the rates received in two or more establishments doing comparable work in the same locality. The primary basis upon which the existence of an inter-plant inequity was determined lay in the comparison between rates for comparable work in the immediate locality, for it was within this labor market area where employees could shift with freedom from one establishment to another that the most serious effects of inter-plant inequities were felt.

The Board was hesitant to consider as inequities discrepancies in rates between plants located in different labor market areas. If the differences were traditional or historical the Board would deny the increase. A case in point concerned the Aluminum Company of America, in which this principle was applied:

The wages in the American Magnesium Company plant in Buffalo are six cents below the average for three magnesium foundries in the Detroit area and one in the

\textsuperscript{11} \textit{Summary of Decisions of the National War Labor Board, January 12, 1942-February 15, 1943, p. 62.}
New York area. There is no magnesium foundry in the Buffalo area other than this American Magnesium plant. The Board holds that it would not be in line with the stabilization program to adjust the wages in the plant of this company in the Buffalo area to the wages in three magnesium plants of other companies in the Detroit area and another plant in the New York area.  

The same conclusion was reached in eleven southern cotton mills cases:

There is little merit, indeed, to the proposition to readjust the differential now, primarily in preparation for post-war competition, at the cost of increasing 80 per cent of the industry's employees who work in the South beyond that point which is now necessary to stabilize wages in that area. Such an approach would be in utter disregard of the responsibility of the Board to stabilize wage rates in conformance with the national stabilization program.  

The Board, however, recognized the existence of company-wide or industry-wide integrated wage structures which required some uniformity of treatment. When the wages of an industry had traditionally moved together, the Board awarded increases to maintain this relationship, as evidenced in this representative case involving the Carnegie Illinois Steel Company and others:

There can be no reasonable doubt about the applicability of the 0.055 per hour wage increase specified in the "Little Steel" cases to the plants of the U. S. Steel Corporation involved in this case. In view of the long and voluntarily established policy under which uniform wage adjustments have been made by all plants in the basic steel industry, it would be quite unthinkable for the Board now to specify a different rate of wage increase for the subject companies as compared with the Little Steel concerns. Such an unstabilizing action could not

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12 Ibid., p. 63.  
13 Ibid., p. 64.
properly be contemplated under established practices and certainly not under the national program for the stabilization of wages.14

An inequality was said to exist when different wage rates were paid to male and female employees when the quantity and quality of production was the same. Employers were allowed to correct this situation without prior Board approval.

Perhaps one of the most diverting aspects of this discussion on inter-plant inequities is how cases were processed in the regional offices at that time.

The regional offices were established with very few instructions as to how their duties would be carried out. A representative from Washington acted as liaison agent when the offices were in their infancy and gave the staff their methods of procedure, which were so indefinite and generalized that all concerned were lost by their obscurity. The chief responsibility for handing down a fair ruling lay in the hands of the analysts, who gathered data any way possible to decide whether or not a gross inequity existed. In order to make a decision it was necessary to determine the most frequent rate or ranges of rates, as the case may be, for the same or substantially similar occupations in the industry within the labor market area. To obtain this information analysts were permitted to have personal interviews with the applicants or their lawyers, write or call

14Ibid., p. 63.
various persons for industry and area practice on job rates, and utilize information compiled by the Bureau of Labor Statistics or by the Wage and Hour Division of the Department of Labor. As has been pointed out previously, final responsibility for determining the more important cases rested with the National Board, but the analysts' findings were significant.

The first analyst employed by the Eighth Regional War Labor Board, embracing Texas, Oklahoma and Louisiana, made the following statement:

The absence of arbitrary directives in the initial stages of the War Labor Board, plus personal contact with the applicants, permitted analysts to make decisions that were applicable to individual situations, which may have been in some instances inflationary. After the April 8, 1943, "Hold-the-line" order the procedures were more inflexible and less adaptable to individual cases, but there was less inflation.15

When employers began to recognize that the Board may be more liberal in granting increases on the inter-plant inequities principle than under the Little Steel formula, cases of this nature flocked to the Board. Lawyers descended upon the analysts and persuaded them to see their clients' viewpoint. Personal contacts between the analysts and applicants or their lawyers were halted in the spring of 1943 in order that analysts would not be swayed by their statements.

15Statement by Mrs. Ruth L. Barton, personal interview.
Almost half of the cases received by the Board, 40%, involved inter-plant inequities. As the following quotation suggests, employers were trying to take advantage of the lax inter-plant rule:

If you want a raise, ask for it on the basis of inequality rather than maladjustment. Manifest injustice is a broad phrase. There is not any specific figure which makes the boundary line between an inequity and a gross inequity. There is feeling among members that the Board must adopt a more rigid policy on inequality cases.

In the Board's November 6th statement the meaning of "substandards" was left undefined, as it enunciated no general policy and did not undertake to measure substandards of living by any fixed wage rate. All cases alleging substandard wages were sent by the regions to Washington, where most of them stayed untouched until the first general action was taken by the Board on February 18, 1943, with the issuance of General Order 30. This order allowed increases in rates up to forty cents per hour without the approval of the Board, provided that such increases did not furnish a basis to increase price ceilings or resist otherwise justifiable reductions in price ceilings. Shortly thereafter, the Director of Economic Stabilization gave advanced approval in adjustments up to forty cents per hour.

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17 "Dispute over Wage Inequality," United States News, April 2, 1943, p. 35.

even if price increases were necessitated.

The forty-cent level recognized in this order coincided with the level set by Congress in the Fair Labor Standards Act as an ultimate goal in moving toward a basic minimum for the industries in interstate commerce. The Fair Labor Standards Act, which was passed in 1938, provided that the minimum of forty cents would be achieved in all industries not later than October, 1945. In view of the radical changes wrought by the war, however, and because of the impact of the cost of living in low-income groups, the Board felt justified in allowing wage rates to move immediately to that level without necessity for prior Board approval.

The forty-cent level was not in any way a minimum wage or a floor under wages. In voluntary cases many requests for approval of wage adjustments were for less than the full amount, which the Board approved since it had no authority to require the payment of a higher wage. In consequence, there were areas in which the prevailing wage in certain industries was fixed by voluntary action at less than the allowable amount. Under these circumstances it was not possible for the Board to follow any set rules in ordering any fixed amount in dispute cases in which the elimination of substandards of living was an issue; for by ordering forty cents, for example, the employer might be under hardship if a number of competitors operated with wages considerably lower.
There was great danger of employers losing their workers to higher-paying industries unless the Board acted to raise the substandard rate, as evidenced by the vociferous pleas of many employers.

Compelled by this pressure, the National Board advised the Regional Boards to determine the appropriate rate below which wage rates could be considered as substandard, and stated that fifty cents could be approved on the substandard bases in those areas where a majority of the lowest wage rates were already at that level. Region VIII divided counties in Texas, Oklahoma and Louisiana into A, B and C counties, according to their population and industrial status. "A" counties carried a substandard rate of fifty cents; "B" counties, forty-five cents; and "C" counties, forty cents. This grouping was done very arbitrarily at first, requiring "B" and "C" counties continually to be revised upward.

The situation of the lower-income workers, upon whom the increase in the cost of living fell with disproportionate severity, remained unsatisfactory under the wartime economy. Especially in the South there was great pressure brought against the substandards principle, as there was so much cheap labor in that area when stabilization occurred.

19 Carroll Daugherty, Procedures in the Handling of Applications for Approval of Voluntary Wage or Salary Rate Adjustments, memorandum to Chairmen of Regional Boards, March 15, 1943, p. 1.
The Board's capacity to correct substandards was narrowed by the fact that it could not require a minimum rate, and millions of low-paid industrial wage-earners' cases never reached the Board.

In its November 6th statement of policy the Board recognized the President's stipulation in Executive Order 9250 to grant adjustments in September 15, 1942, wage levels to aid in the effective prosecution of the war; however, this was not interpreted to mean wage increases for the purpose of influencing or directing the flow of manpower.

When in a particular case management and labor, in cooperation with the War Manpower Commission and other government agencies, have taken concerted action to solve a manpower need, the Board will consider a request in that case to correct whatever inequalities or gross inequities may then need correction.20

The "effective prosecution of the war" principle was given no positive definition by the Board until April 8, 1943. In so far as it embraced manpower considerations, it was clear that the Board would not attempt to remedy manpower shortages by granting wage increases whenever an employer alleged that his workmen were leaving his plant for higher paying jobs. This position was reiterated in the Board's decision on the first major case of this type involving the Stanley Manufacturing Company:

It is the opinion of the War Labor Board that it should not determine a manpower policy in a given

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20 *Digest of Wage Stabilization Policy of the War Labor Board*, November 6, 1942, p. 4.
case either directly or indirectly through the medium of granting agreed upon wage increases, unless the parties in cooperation with the War Manpower Commission and other government agencies can show that it is of controlling importance that the employees remain at the plant involved. After all, the supply of the Nation's manpower is limited, and it is not for the War Labor Board to say whether the workmen should remain at a plant processing soybeans or should go to a magnesium plant, to a munitions plant, or to some other vital war plant. 21

During the pre-Christmas season of 1942 the Board was faced with a seemingly minor problem of formulating policy on Christmas bonuses. The President under Executive Order 9250 had defined all commissions, bonuses and other forms of remuneration aside from base pay as being necessary for the Board to stabilize. The Board, therefore, determined that bonuses could not be increased above those paid during the preceding bonus year.

The Regions found themselves faced with a prodigious problem rather than an insignificant one in deciding on bonus cases. Requests to alter bonus plans were generally prohibited, and some of these proposed changes were so infinitesimal that employers were critical of the Board for being so strict. One case in point was a request by an employer to change his customary practice of giving his employees cured hams for Christmas to giving them turkeys, which he had already purchased. Up until that time the Eighth Region had been denying all requested changes if

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21Summary of Decisions of the National War Labor Board, January 12, 1942-February 15, 1943, p. 73.
they showed the slightest increase, but a refusal in this case would have seemed like "fretting over details." Dr. Carroll Deugherty, Wage Stabilization Director of the National Board, was called in reference to this case, and he said to be firm in bonus cases but not to quibble over "peanuts." Requests for minor changes in bonus plans were referred to as "peanut cases" and approved by the Board until more definite criteria were formulated.

By the last of March it was clear that the wage stabilization program had reached a crucial point. The "substandards" and "effective prosecution of the war" principles were largely undefined, and there were no definite guides to measure "gross inequities." Most of the general wage increases permissible under the Little Steel formula had already been made. "In only 16% of the cases received by the Board had employees not received the amount permissible under the Little Steel formula."22

The cost of living during the period October, 1942, to April, 1943, was continuing to rise, and pressure upon the Board to revise the Little Steel formula was great. On March 16, 1943, the Labor members of the War Labor Board petitioned the Board to modify the Little Steel formula. By a vote of eight to four, labor members dissenting, the Board voted down this petition. Some excerpts from the labor

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members' petition are as follows:

We request the Board to scrap its so-called 15 per cent formula enunciated in the Little Steel cases; to give more than lip service in recognition of wage inequalities and substandard wages; and to utilize the possibilities for wage adjustment which now exist in the nebulous phrase "aid in the effective prosecution of the war."

The keystone of the present policy of the Board is the maladjustment or cost of living principle. The Board acted on the assumption that prices and living costs would be stabilized under the President's seven-point program. Evidence accumulated to show that the primary assumption upon which the entire wage stabilization program had been predicated was false. Prices and the cost of living have not been stabilized. The undeniable fact is that the national cost of living as of January 1943 has risen more than 20 per cent since January 1941, while wage increases of only 15 per cent have been allowed to offset this rise.

In summary, we respectfully petition the National War Labor Board to act favorably upon these positive suggestions:

1. Increase the allowance for maladjustments or cost-of-living from 15 per cent to a new realistic figure based upon the actual cost of living to the worker.

2. Permit employers to apply the maladjustment principle thus modified without obtaining approval from the National War Labor Board.

3. Formulate and immediately put into effect a realistic wage policy which recognizes the existence of inequalities, substandard wages and the need to aid in the better prosecution of the war.

4. Immediately set a date for the re-hearing and reconsideration of the Packinghouse and West Coast Airframe cases in the light of the new wage policy herein presented.23

Industry member Lapham issued in part the following statement in reply to the petition:

The petition which the labor members have filed with this Board asks "that the allowance for maladjustments be increased from 15 per cent to a new

23 War Labor Reports 7.
realistic figure based upon the actual cost of living to the worker." We suggest that the actual earnings and purchasing power of the worker must be taken into consideration in determining whether a gross inequity exists. It is not the average hourly rate, but the amount of his pay check which determines the ability of a worker to maintain or increase his standards of living. By and large, the average earnings of the workers of the country have increased at a rate far in excess of the increase in cost of living. The average weekly earnings of all factory workers have increased more than 50 per cent since January 1941 and more than 60 per cent since September 1939. 24

The Board in summarizing its own activities during this period felt that it had contributed to progress in the stabilization program, as stated below:

Wage increases permitted by the War Labor Board in the first eight months following last October have raised the average factory hourly wage rate approximately half-a-cent. If the rate of increase from January 1941 to October 1942 had not been arrested, the average factory wage would have increased five times as much.

The weekly "take-home" of factory workers has, of course, increased much more than the hourly rate because of increased production, more overtime work and the shift of employees from lower skills to higher paid occupations.

Gross average hourly earnings of factory workers increased 6 cents from October, 1942, to May 1943. When that figure is broken down, however, we find that 1 cent was due to overtime pay; 1.6 cents to the shift to high-wage war industries; 2.8 cents to increased earnings under incentive plans and to such other factors as up-grading, individual promotions and merit increases, while only six-tenths of 1 cent was due to increases in hourly wage rates approved by the War Labor Board. 25

By examining these figures it would appear that the War Labor Board's duty to stabilize wages had been fulfilled.

24 Ibid., p. 11.
Though this may be partially true, the strain lay in the pressure by labor for increased wages due to the cost of living rise. The Board either had to reaffirm and strengthen its present policies in regard to both wages and prices, or permit cost of living adjustments.

Economic Stabilization Director Byrnes, on February 9, 1943, became concerned over the situation and announced:

"We must not refuse to face the very real dangers in the present situation and especially the threat of creeping inflation. Between May, 1942, when the general price ceilings were imposed and December 15, 1942, the cost of food rose 9.1 per cent, but because rents and other items did not increase so much, the cost of living rose only 3.8 per cent. The fact remains that the cost of living has risen, and this creeping inflation must not be allowed to continue and to nullify all the progress we have made."

The final answer to the dilemma of whether to permit further wage increases or establish a firm policy against them, was made in the President's speech on April 8, 1943.

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26Byrnes, op. cit., p. 3.
CHAPTER III

WAGE STABILIZATION UNDER EXECUTIVE ORDER 9328,
APRIL 8, 1943, TO AUGUST 16, 1945

The rise in both food prices and wages, indicative of a creeping inflation, was of growing concern to the administration. The attitude of the President was first reflected in his veto message of the Bankhead Amendment to the Emergency Price Control Act, in which he reaffirmed his belief in the entire stabilization program. The bill, if it had become law, would have substantially increased the price of farm products.

The President's attitude toward stabilization was confirmed by law under Executive Order 9328 issued by him on April 8, 1943. In a public statement accompanying the "Hold-the-line" order the President said:

To hold the line we cannot tolerate further increases in prices affecting the cost of living or further increases in general wage or salary rates except where clearly necessary to correct substandard of living conditions.

All items affecting the cost of living are already above the levels of September 15, 1942. All of these cannot be rolled back. But some of these can and should be rolled back. The order directs the reduction of all prices which are excessively high, inequitable, or unfair. The Stabilization Act was not intended to be used as a shield to protect prices which were excessively high on September 15, 1942.

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On the wage front the directions in the order are equally clear and specific. There are to be no further increases in wage rates or salary scales beyond the Little Steel formula, except where clearly necessary to correct substandards of living.

Under the Act of October 2, 1942, Congress directed that so far as practicable, wages, salaries, and prices should be stabilized as of the level of September 15. Under that direction inflation has slowed up. Now we must stop it.\footnote{New York Times, April 9, 1943, p. 14.}

Executive Order 9328\footnote{Manual of Operations, Section 1204.} was divided into five parts, the most important of which dealt with prices and wages. As to wages, the effect of the order was to remove the Board's authority to change the Little Steel formula and to grant wage increases to correct inter-plant inequities. Various forms of intra-plant inequities, such as promotions, re-classifications, merit increases, incentive wages, or the like, could be corrected provided they did not affect prices or appreciably increase the level of production costs in the case of employers producing for a procurement agency. The Director of Economic Stabilization was permitted to issue such directives as he saw fit to aid in the effective prosecution of the war, to increase production, or to stabilize the national economy.

With the issuance of Executive Order 9328 the Board's activities were practically halted until clarification was made of the order. The National War Labor Board telegraphed its Regional War Labor Boards instructing them to approve
no wage increases except those warranted under the Little Steel formula, pending further directions.\textsuperscript{3}

Approximately 10,000 out of 17,000 requests for approval of voluntary increases in wages or salary rates then pending before the Boards involved only increases to correct inter-plant inequities which were prohibited by the order.\textsuperscript{4} After prolonged consideration the Board reached the conclusion that the process of correcting these inequities, in so far as they represented gross inequities and not differentials normal to American industry, could not be stopped without seriously impairing the war effort. Extensive discussions between the Board members and the Economic Stabilization Director led to the issuance by the Director of a policy directive on May 12, 1943. The text of the directive follows:

1. In order to provide clear-cut guides and definite limits as a basis for correcting substandard levels of living, and as a basis for permitting the Board to make within the existing price structure and within existing levels of production costs, minimum and non-inflationary adjustments which are deemed necessary to aid in the effective prosecution of the war or to correct gross inequities within the meaning of Section 1 of the Act of October 2, 1942, the Board is authorized to establish as rapidly as possible, by occupational groups and labor market areas, the wage-rate brackets embracing all those various rates found to be sound and tested going rates. Except in rare and unusual cases in which the critical needs of war production require the setting

\textsuperscript{3}Press Release B-556, National War Labor Board, April 8, 1943.

\textsuperscript{4}Ibid., B-576, April 14, 1943.
of a wage rate at some point above the minimum of the
going rate, the minimum of the going rates within the
brackets will be the point beyond which the adjust-
ment mentioned above may not be made. The careful
application of these wage-rate brackets to concrete
cases within the informed judgment of the War Labor
Board will strengthen and reinforce the stabilization
line to be held. Maladjustments between wages and
the cost of living will be considered by the Board
only for the purpose of correcting substandard con-
ditions of living or determining adjustments within
the 15 per cent limit of the Little Steel formula.
In connection with the approval of wage adjustments
necessary to eliminate substandards of living, or
to give effect to the Little Steel formula, or in
connection with the adoption of a longer work week,
the Board may approve wage or salary adjustments for
workers in immediately interrelated job classifica-
tions to the extent required to keep the minimum dif-
ferentials between immediately interrelated job
classifications necessary for the maintenance of
productive efficiency.

2. All wage adjustments made by the Board
which may furnish the basis either to increase price
ceilings or to resist otherwise justifiable reduc-
tions in price ceilings, or if no price ceilings are
involved, which may increase the production costs
above the level prevailing in comparable plants or
establishments, shall become effective only if also
approved by the Economic Stabilization Director.\(^5\)

From the time Byrnes' directive was promulgated until
the end of the war, the classes of wage cases which came
before the Board may be summarized in the following cate-
gories:

1. General wage increases related to the cost of liv-
ing.

2. Wage inequities between plants.

3. Wage inequities within plants.

4. Correction of substandards of living.

\(^5\)Policy Directive by James F. Byrnes Clarifying the
President's "Hold-the-line Order" of April 8, 1943, May 12,
1943, pp. 1-3.
5. Wage structures interfering with war production.
6. Certain non-basic wage issues.

Each of these classes of cases will be discussed in the above order to show how the Board disposed of them in the light of Executive Order 9328 and the Directive Order of May 12, 1943.

The orders clearly stated that the Board had authority to make adjustments to compensate for the rise in the cost of living only when permissible under the Little Steel formula. This action prevented the Board from modifying the formula on its own initiative.

Beginning in the fall of 1943, and from time to time thereafter, a number of important disputes were certified to the Board in which general wage increases beyond those permissible under the Little Steel formula were demanded by the unions. The major cases involved the automobile, meat packing, glass, electric, aluminum, shipbuilding, and steel industries in which the unions represented demanded wage increases ranging from ten to seventeen cents per hour.

On November 5, 1943, the President appointed a special committee headed by Chairman Davis of the War Labor Board to study the cost of living. The labor members of the Cost of Living Committee, R. J. Thomas for the C. I. O. and George Meany for the A. F. of L., submitted a recommended report for the committee on January 25, 1944. This AFL-CIO report
asserted that the cost of living had advanced much more steeply than the cost-of-living index indicated. According to the labor members' report, the cost of living between January, 1941, and December, 1943, increased 43.5 per cent; whereas the Bureau of Labor Statistics' index had risen only 23.4 per cent. The report in general listed the following deficiencies of the index to reflect wartime increases in the cost of living:

1. The government's price control efforts and subsidy programs have been concentrated upon food items which are important in workers' budgets and which are currently priced for inclusion in the index. In consequence the prices of other foods, also important components of workers' budgets, have risen twice as fast as those priced by BLS.

2. The construction of the index is such that it does not take adequately into account the disappearance of cheaper consumption items and the shift toward higher price lines.

3. The effect of quality deterioration is almost completely neglected by BLS.

4. The index is based on returns from only 34 of the largest cities (56 in the case of food prices). Retail price changes in these cities are not typical of price changes in all urban areas.6

On the basis of the Meany-Thomas figures, the AFL members of the Board petitioned the Board to request the President to modify the Little Steel formula. The petition was accepted and a special panel was appointed to hear the Federation's evidence.

The chairman of the President's Cost of Living Committee requested the Bureau of Labor Statistics to prepare a

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review and appraisal of the Meany-Thomas findings. The Bureau responded on February 25, 1944, with counter-evidence to the charges made against its figures. While admitting that its index was not perfect, the Bureau found what it called conclusive evidence that the Meany-Thomas report "is absolutely wrong in asserting that the rise in the cost of living is nearly twice as great as the Bureau of Labor Statistics shows it to be."\(^7\)

Chairman Davis appointed a Technical Committee under the direction of Wesley C. Mitchell to examine all the available evidence. In reply to the Meany-Thomas charge of a substantial error in the index, the Mitchell report asserted as follows:

Our general conclusion is as follows: If the index had been based on an accurate report of prices and had caught the change in average price because of reduction in markdowns and special discounts; if it had priced a wider range of qualities than it did; and if an allowance were made for those increases in expenditures which in very large measure have been forced on families because of changed qualities, the index might have been somewhat higher -- possibly by three to five points. If the index were to represent small as well as large cities, probably an additional one-half of one point would need to be added.\(^8\)

In the spring of 1944, in the midst of the heated controversy over the Little Steel formula, the renewal of the Emergency Price Control Act as amended by the Act of

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\(^8\)Wesley C. Mitchell, *Report of the Technical Committee Appointed by the Chairman of the President's Committee on the Cost of Living*, p. 168.
October 2, 1942, came up for consideration in Congress. In hearings before the Senate and House Committee on Banking and Currency, the Price Administrator, Mr. Bowles, the Chairman of the Federal Reserve Board, Mr. Eccles, and the Economic Stabilization Director, Judge Vinson, appeared in favor of a renewal of the stabilization law for another year without substantial change. Judge Vinson in his statement opposed any upward change in the Little Steel formula. Principal views expressed to Congress by representatives of organized labor were that the act should be renewed without change, but that they would continue to secure a change in the Little Steel formula by executive action. Philip Murray described the Little Steel formula as "so unworkable in itself that it has created throughout the United States more discomfort and more confusion and more misunderstanding in American industry than anything I know of." The Senate and House Committees advocated renewal of the law, with a few minor changes, and the Stabilization Extension Act of June 30, 1944, was adopted by Congress.

In the President's statement accompanying his approval of the act, he said in part:

The Stabilization Extension Act represents the considered judgment of the Congress that the policies and the programs which have resulted in this achievement are sound policies and programs and should be

9Hearings before House Committee on Banking and Currency, 78th Congress, 2nd Session, p. 2123.

10Ibid., p. 719.
continued for another year.

In particular it should be noted that the Congress rejected all pleas which would require any general change in the wage, price, and subsidy policies now in effect.

During the past three months, while the Extension Act was under consideration and debate in the Congress, the clamor of pressure groups was loud in the land. I think it is a source of gratification that in spite of this clamor the Congress has stood firm against any departure from the basic principles which have made it possible for us to hold the line.11

During the summer and fall of 1944 War Labor Board panels heard the contentions of the American Federation of Labor against the Little Steel formula, as well as each individual union involved in dispute over cost-of-living wage adjustments. The majority of the Board, all labor members dissenting, rejected the motion that the Board ask the President to revise the formula. Instead, the majority of the Board concluded that it would make a factual report to the President setting forth pertinent data regarding the relationship of wages to the cost of living. On January 16, 1945, the Board modified that resolution to provide that public members of the Board would submit a report to incorporate their own points of view, along with separate statements prepared by labor and industry members. This report was submitted to the Director of Economic Stabilization for transmittal to the President on February 20, 1945. The conclusions of the public members of the Board were in part as follows:

1190 Congressional Record 5378.
Revision of the Little Steel formula at this time would fairly rapidly bring about a new round of general wage increases throughout American industry. The resulting pressure upon prices would be so formidable as to jeopardize the whole wartime stabilization program.

Wage controls, which should be removed as soon as the production of consumer goods permits, should be ended as part of a broad economic plan to assume high levels of production and employment in the nation's post-war economy. Such a plan might include new legislative action as well as adaptation of some phases of the existing wage stabilization policy.\footnote{Wage Report to the President on the Wartime Relationship of Wages to the Cost of Living, February 22, 1945, p. 120.}

The effect of this report by the public members of the Board was to reaffirm the "Hold-the-line" order. R. J. Thomas, President of the United Automobile Workers' Union, asked for the resignation of public members of the Board in protest to their failure to acquiesce in the union's demands. The public members ignored this request, and the President showed his approval by appointing Chairman Davis to fill the position of Economic Stabilization Director vacated by Judge Vinson upon his transfer to become Director of War Mobilization and Reconversion.

The unions began seeking a new way to obtain wage increases from the Board when they were defeated in attempting to revise the Little Steel formula. Their method of attack was to obtain non-basic wage adjustments, commonly referred to as "fringe wage adjustments."

Although the attack upon the Little Steel formula was publicized widely, the general public did not seem to comprehend the implications of the formula. In a poll conducted
by Dr. George Gallup, Director of the American Institute of Public Opinion, the following conclusions were reached:

Only a comparatively small number of Americans have any clear idea what the Little Steel formula is. In a coast to coast survey by the Institute just a little over half said they had heard or read something about it, but fewer than one-third could give a reasonably correct indication of what the Little Steel formula tries to do.

Even among members of labor unions there is little real knowledge of the subject. Fewer than two-fifths of union members polled were able to give an even moderately accurate account of what the Little Steel ruling is intended to accomplish.\(^{13}\)

Prior to April, 1943, an applicant could usually obtain approval of wage adjustments to correct inter-plant inequalities if it could be shown that two or three of his competitors were paying the higher rates proposed. Under this procedure it was apparent that all rates would soon be increased to the level of the highest rates paid. Recognizing this, the President precluded adjustments to correct inequalities under the "Hold-the-line" order. Byrnes' Directive of May 12 stated that adjustments to correct inequalities were no longer allowed, but adjustments up to the minimum of the going rates for comparable work in comparable plants or establishments in the same labor market area were permissible in order to correct gross inequities. It was necessary, therefore, for the Board to establish brackets of sound and tested going rates for guides before such approval could be granted under the gross inequities principle.

\(^{13}\)Dallas Morning News, April 14, 1945, p. 1.
The National Board issued its instructions to the Regional Boards on how to set wage brackets on May 19, 1943, and June 1, 1943. Under these instructions, a tripartite division of each Regional Board was created to supervise the work of rate gathering. Brackets were determined by occupation and industry on the basis of all relevant wage data for particular labor market areas. Suggested sources for obtaining wage data were trade association surveys, union agreements, files of union research agencies, special surveys by particular companies, knowledge and experience of Regional Board agencies, fact-finding tripartite panels or advisory groups, regional wage data files, Bureau of Labor Statistics studies, and studies by other government agencies.

Brackets were based on the rate or range of rates normally paid for an occupation in the area on the stabilization date of October 3, 1942; extremely low or high rates for an occupation were disregarded, and the remaining sound and tested rates made up the bracket. Bracket instructions stressed the fact that the manner in which brackets were set should be a function of the Tripartite Board, as there should be no automatic statistical way of determining them. There followed the suggestion that a Regional Board might, in its discretion, make use of the weighted average for a

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14 Instructions to Regional War Labor Boards for Operations under Executive Order 9128 and under the Supplementary Directive of May 12, May 19, and June 1, 1943.
job classification by constructing a rule-of-thumb bracket by taking as a bracket minimum a point, say ten per cent below the weighted average rate, and by taking as a bracket maximum a point, say ten per cent above the weighted average rate. Another suggested method for use by the Board's judgment was to set the minimum of the bracket at a point where the first substantial and representative cluster of single rates was discovered, in localities where an industry paid a single rate rather than a range of rates for a given job classification.

Under the bracket system an existing single rate could not be increased if it lay within the bracket established for that occupation and area. If it was below the minimum of the bracket, it could be brought up to, but not above, the minimum. An establishment which paid a range of rates for a given job classification could increase the rate range if the mid-point of the proposed range did not exceed the bracket minimum, if the proposed maximum did not exceed the bracket maximum, and if the spread between minimum and maximum was not greater than thirty per cent.

In accordance with Byrne's directive, the Regional Boards made thousands of rate bracket determinations based upon the most comprehensive survey and collection of wage data that had ever been attempted in this country. In the Eighth Region alone brackets were established for some ninety industries. In many of these industries it was
necessary to examine data and establish brackets of rates for more than one hundred classifications. More than five hundred job titles with relative data had to be studied for the petroleum industry.\textsuperscript{15}

Only those involved in this task could understand all the problems inherent in setting the brackets, and only those who applied them could fully understand their limitations. In making surveys to obtain bracket data, it was found that many industries had never actually classified their employees, and rate ranges paid in many classifications were merely composites of rates. This prevailing absence of standardization complicated the problem of setting brackets and had to be understood in applying them. Analyzing cases under the brackets meant more than simply finding a bracket job title and rate which appeared to match the classification in question. Names and job titles were not enough for an applicant to furnish the Board with when he wanted an increase under the brackets. Accurate job descriptions were needed to find the most appropriate bracket. The reason for this need was that jobs in one plant might be called by the same name as jobs in another plant and yet be entirely different as far as duties are concerned. In one plant a machinist might be a first-class worker, able to handle a variety of tools, while in another plant he

\textsuperscript{15} Guy M. Rankin, Report on the Activities of the Wage Stabilization Division of the Eighth Regional War Labor Board, n. d., p. 3.
might be a semi-skilled operator who knows only how to operate a lathe.

There are many imperfections in the bracket system. The tremendous job of setting a pattern for each industry to follow that would prove equitable to all was impossible. Disparities in wage rates in each industry and area were so great in some instances that no infallible standard guides could be created which would be suitable to correcting inequities. Application of the brackets to wage structures entirely out of line with the bracket rates caused many intra-plant inequities to be created. To correct every intra-plant inequity would have been very unstabilizing; therefore the Board only rarely corrected the intra-plant inequities that had many times been created by the use of its own brackets. In emphasizing area wage relationships because of the manpower situation, the area bracket approach prevented the development of uniform company-wide rates in many industries. It also sometimes resulted in variations in labor cost between units of the same industry.

There was constant criticism by employers and employees of bracket rates being set either too high or too low. Non-manufacturing establishments like laundries, ice companies, bakeries, hotels, restaurants and department stores were low-paying industries when stabilization occurred; henceforth their brackets were low. These establishments
maintained that the high bracket rates set for some industries caused their employees to transfer to companies which were allowed to pay higher wages. In the Eighth Region, for example, many censured the Board for allowing the rates for aircraft industries in that area to be set in line with those paid in the Southern California aircraft industries. This action taken by the National Airframe Panel, which was subject to Board review, raised the general level of wages in aircraft industries above the other industries in the area. Subject to similar criticism by low-paying establishments were the General Office and Clerical and Petroleum Industry brackets established by the Eighth Regional Board.

The National Board intervened in the attack upon those particular brackets when it requested the Eighth Regional Board to re-examine them. Their request was based on grounds that the brackets were improperly set to permit increases to a majority of workers rather than a minority for which the bracket system was intended. The Regional Board petitioned the National Board to reconsider its resolution concerning reformation of the brackets, and gave as its reasons the following:

1. Such action would call for reformation of all brackets since they were all set on the same basis. No automatic statistical method was followed by the Board.
2. Bracket data had been sent to Washington for review, and the work of the Eighth Region was commended in this respect.

3. The National Board had ordered rates above the Oil Refining brackets for the Eighth Region, some of the rates even exceeding the bracket maximum, in the Emisco Derrick and Equipment Company case and the Phillips Petroleum Company cases.

4. The National Board set the rates for the rig building and rotary drilling industry, and adopted for the mid-continent areas the highest rate area in the Eighth Region.

5. The level of wages in the Eighth Region had not increased alarmingly in comparison with other regions. Bureau of Labor Statistics figures showed that wage rates in the manufacturing industries in the Southwest region increased from April, 1943, to April, 1944, by about 5.5 per cent, which compared favorably with the increase elsewhere in the United States. Increases in non-manufacturing concerns during the same period were 17.6 per cent. This was somewhat higher than the national average, but the Southwest was one of the lowest paying regions before the war.

6. Inter-plant inequities would be created if the brackets were lowered, by the fact that some employees who had not yet received increases under the brackets would be unable to receive increases as great as those whose adjustments
had already been permitted by the Board.\textsuperscript{16}

The Chairman of the Eighth Regional Board stated in connection with this matter the following: "I think the action of your Board is so objectionable and has such far-reaching effects that the whole stabilization effort in this region is placed in jeopardy."\textsuperscript{17}

The petition of the Eighth Region received favorable consideration by the National Board, which rescinded its resolution on reformation of the Oil Refining and General Office and Clerical brackets. This incident is pointed out to show just one of the difficulties experienced under the bracket system due to considerable public pressure for their revision.

The brackets, no matter how inequitable and unfavorably regarded, were an additional safeguard against inflation. The Board established brackets on the postulate that adjustments under them would not disturb the general level of rates existing for the job classifications. Moreover, the minimum sound and tested rates for any job classification were generally below the average rate for that classification.

Executive Order 9328 gave the Board the authority to make reasonable adjustments designed to provide an orderly

\textsuperscript{16}Petition of Eighth Regional War Labor Board to the National War Labor Board to Reconsider and Rescind Its Resolution of November 14, 1944, n. d.

\textsuperscript{17}Wales H. Madden, Memorandum to William Davis Concerning the Eighth Regional War Labor Board's Oil Refining Brackets, November 21, 1944.
wage structure within an establishment subject to the proviso that no increase in prices or production costs would result.

Some intra-plant inequities could be corrected by individual adjustments, such as merit or length-of-service increases, promotions, reclassifications, incentive plans, or apprentice trainee systems. Under Executive Order 9250 such adjustments were allowed without Board approval if they were within established schedules, or the Board granted approval to new plans if the level of prices or production cost was not increased. The Board had found that some employers were circumventing the wage stabilization program by granting wage increases on grounds that they were within an established wage schedule when, in fact, no bona fide schedule was in existence. In order to plug this loophole, and in order to remove any doubt on the part of employers and employees as to what individual increases could be granted without Board approval, the Board adopted General Order 31. This order provided certain conditions that must be met before individual increases could be granted.

As to merit or length-of-service increases, special provisions were made for small companies in view of the fact that employers of not more than thirty employees do not normally have, or need, a formal job classification schedule. These small employers could make individual merit increases without
Board approval provided that:

1. The total increases to an individual do not exceed 10 cents per straight-time hour during any year, beginning with July 1, 1943.
2. The average increase for all employees does not exceed 5 cents per straight-time hour during any such year.
3. Such increases do not result in rates exceeding the highest rate paid by the employer between July 1, 1942, and June 30, 1943, for jobs of similar skill, duties and responsibilities.\(^{18}\)

Larger employers, those with more than thirty employees, could not give individual increases unless they had a formal job classification schedule with a plan for individual adjustments. Such a plan did not need Board approval if it was a definite, orderly procedure, actually in existence, for making individual wage or salary adjustments.

Proof of existence was evidenced by:

1. A plan in a collective bargaining contract or other bona fide established agreement which was in effect on June 30, 1943.
2. Written statements, minutes, or memoranda of the employer which were in existence and effect on or before June 30, 1943.
3. A plan approved by the War Labor Board or one of its authorized agents.\(^{19}\)

If the employer did not have such a plan, he could adopt the one outlined in General Order 31 and grant the same increases as smaller employers were entitled to.

In regard to promotions, an employee could receive as much as fifteen per cent above the rate on his former job.


\(^{19}\)Ibid.
or the minimum for the new job, whichever was higher.

Incentive plans were instituted by some employers to improve production by giving workers extra pay for added effort and output. The Board normally approved an incentive plan which did not represent hidden wage-rate increases or decreases.

Apprentice or trainee programs involved individual rate adjustments resulting from improvement, over specified periods of time, in the productive abilities of trainees. Employers were authorized to conform the plans to collective bargaining agreements and applicable regulations of federal or state agencies.

There were many general or job classification intra-plant inequities which the Board was asked to correct. Some of these intra-plant inequities were created due to the fact that the differentials existing in wage brackets were not in harmony with differentials existing in every applicant’s plan. The Board had enunciated the policy of not approving or ordering wage increases which would create new intra-plant inequities by applying the brackets, but this policy was impossible to execute fully. One of the serious effects of the stabilization program was the disruption of many employers’ internal wage structures by the application of specific rules. The Board could correct the inequities within plants, created by applying the brackets,
provided there was no increase in production costs or price ceilings. However, the Board was cautious in this respect, for to correct all of the intra-plant inequities necessary to maintain each company's historical wage differentials would have been to create additional inter-plant inequities. Such action would have been certain to send wages spiraling upward.

The Board found that the best way to eliminate intra-plant inequities was by the establishment of job classification and rate schedules designed to insure reasonably balanced internal wage structures. Therefore, the Board encouraged the reclassification of jobs to eliminate intra-plant inequities by the way of establishing job classification plans. Reclassification refers to a re-definition and re-grouping of jobs which are similar in nature and content and in required amount of knowledge, skill, experience and responsibility. On April 1, 1944, the National Board approved instructions to the Regional Boards setting forth three criteria for consideration of cases of intra-establishment gross inequities including reclassifications. These instructions stated that such cases may be handled with due regard for:

1. Maintaining proper rate balance among the various job classifications.

2. Avoiding appreciable increases in production costs,
through application of the principle that normally there should be no appreciable net increase in the average of job rates.

3. Avoiding creation of unstabilizing inter-establishment effects.\(^{20}\)

An extensive survey of job classification cases revealed that the Board had followed four main principles in dealing with this highly technical and complex subject, as follows:

1. Rational plant wage structures should be encouraged without disturbance to established wage differentials in the labor market.
2. Job classification should be based on job content and not on the employees in the job.
3. Equal pay should be assured for equal work within a plant.
4. Collective bargaining processes should be used to the full extent in solving the job classification problems.\(^{21}\)

Sound job evaluation methods did not necessarily guarantee that the resulting wage structure would conform with the stabilization program. Some plans offered were merely used as an attempt to obtain an unjustifiable wage increase. Executive Order 9328 had stated that wage adjustments in reclassification cases may not increase the level of production costs or prices. The Board construed this provision to mean, as a general rule, that the wage adjustment must not increase the general level of wages in the plant involved.

\(^{20}\)Amended Instructions to Regional War Labor Boards for Operations Under E. O. 9328 and the Directive of May 12.

The Economic Stabilization Director formulated a more definite limit to wage increases allowable under job evaluation plans on April 27, 1945, by prohibiting an overall increase in weighted average job rates greater than one per cent or one cent per hour.22 This limit was allowable even though the workers might not be entitled to a wage increase under the brackets or other wage criteria. On the other hand, the Board was asked to continue the previous safeguards to prevent unstabilizing effects on rates in the industry and area. If the evaluated rate was far above the bracket, some readjustment in the evaluated rate structure was called for.

Job evaluation plans were approved by the Board for many industries. One outstanding example was the plan designed for the Southern California Aircraft Industry, commonly known as the SCAI scale, which was extended to practically all aircraft companies in the nation. This plan was one of the few which was made fairly uniform throughout the industry. In most industries each establishment was obliged to work out its own plan of wage structure rationalization. Job evaluation in the airframe companies made it possible to reduce the number of rated occupations from 1,154 to 291. These occupations were grouped into ten labor grades with minimum and maximum rates for each grade.23

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2223 War Labor Reports V.
A very surprising finding incident to the wartime regulation of wages was that large segments of American industry had neglected the establishment of job classification schedules to insure balanced internal wage structures. Perhaps one of the most commendable functions of the Board was to encourage the installation and refinement of rate schedules by management through collective bargaining.

The Executive Order of April 8 reaffirmed the authority of the Board to make adjustments of substandard wage rates. On March 11, 1943, the National Board had designated the range between forty and fifty cents an hour as the zone within which the Regions may grant proposed voluntary increases. To eliminate substandard conditions in disputes cases, the Boards were instructed to consider rates prevailing in the industry and area. This policy was reiterated in the National Board's instructions to the Regions for handling such cases under Executive Order 9328 on July 27, 1943.

Substandard wage cases frequently involved not only increased compensation to the lowest skilled employees, but also corollary adjustments of certain occupations in order to maintain a reasonable balance between various occupational rates paid in the plant. The May 12th Order of the Stabilization Director permitted the Board to make such "tapered" adjustments in immediately interrelated job classification. On August 28, the Director further clarified
the provision for the adjustments of differentials in substandard cases by requiring that "such adjustments are to be tapered off rigorously in application to higher job classifications and only to the extent necessary for productive efficiency in the interrelated job classifications."24

Each Regional Board was left to determine its own method for tapering. The Eighth Region asked each analyst to submit a method to the Board, and one of their submissions, termed "Method B," was adopted. The experience of this Region in tapering under Method B was unsatisfactory in many ways. Tapering, in itself, meant that existing differentials would not be maintained when some workers were given raises up to the substandard rate. Highly skilled classifications could receive practically no increase, whereas semi-skilled classifications were allowed some increase but were very close to the new rates for substandard jobs. In many plants rates, which had formerly been separated by differentials of, say, five to ten cents an hour, were closely compressed. By applying the mathematical formula for a Method B adjustment, some jobs would be allowed an increase of $.133 or $.1755 per hour, for instance. Employers who were accustomed to paying by the hour in even figures were inconvenienced in computing their payroll by these fractions of cents.

On November 11, 1944, the National Board amended General Order 31 by permitting employers to raise wages up to fifty cents an hour without Board approval. Increases above forty cents an hour, however, could not furnish the basis either to increase price ceilings or resist otherwise justifiable reductions in price ceilings, unless approved by the Director of Economic Stabilization.\textsuperscript{25} This action eliminates the difficulty of each Region determining what rates between forty and fifty cents an hour were substandard in their area.

Pressure upon the Board to revise its substandard policy was great, particularly in low-paying industries, such as laundry, ice, textile and garment manufacturing. The C. I. O. members of the Board made the following statement in relation to the defects of the substandard principle:

The Board has failed in its duty to establish a policy adequate to correct or eliminate substandard of living. Its authority is less restricted here than in any other area of wage control, but its caution, perversely enough, is probably greater here than elsewhere.

The public members concede "that the situation of the lower-income wage and salary worker, upon whom the increase in the cost of living has fallen with disproportionate severity, has remained unsatisfactory under the wartime economy." But this wringing of the hands should not conceal the fact that the Board refuses to establish proper standards even for voluntary cases.\textsuperscript{26}

\textsuperscript{25}Manual of Operations, Section 1430.3.

\textsuperscript{26}Wage Report to the President on the Wartime Relationship of Wages to the Cost of Living, February 22, 1945, p. 121.
The public members of the Board denied that the Board has the conclusive power to correct substandard conditions and advocated legislation to correct the situation. Their statement was as follows:

For the most part the economic status of the "unorganized millions" referred to in the President's message of July 2, 1943 can be improved only by legislative action, chiefly on the part of local governments. There are millions of low-paid industry wage earners whose cases, while falling under the War Labor Board's jurisdiction, never reach the Board, and whose prospects for economic advancement are not favorable. Their status could most rapidly and effectively be improved by increasing the minimum wage requirements of the Fair Labor Standards Act. The Fair Labor Standards Act deals only with minimum wages at the substandard level. The War Labor Board has found that increases in the minimum require further wage adjustments for closely interrelated job classifications above the minimum. It is not uncommon to find positions of industries in which all the workers are crowded together within a narrow range of rates just above the minimum. In these cases there may be few, if any, workers at the statutory minimum, and yet the substandard problem is a very real one. In light of our experience, we raise the question whether it would be appropriate to consider a statutory requirement that, in each industry, minimum rates for a limited number of key occupations above the minimum starting rate should be set, with a view to more effectively correcting substandard conditions of living and, so far as possible, eliminating competitive advantages derived from the payment of inadequate differentials above the minimum starting rate.27

The exigent demands of the Southern cotton textile workers for an hourly minimum rate of fifty cents an hour to correct substandards of living prompted the Board to revise its substandard limit. The cotton textile dispute cases involved the question of how far the Board could go

27Ibid., p. 25.
in directing employers to raise substandard levels. After three years of experience the Board still had no inflexible rule for the correction of substandards of living in dispute cases. The particular circumstances of each case had to be given separate consideration. Inasmuch as most Board cases were voluntary, the wage levels for the low-paid occupations were generally established by the voluntary cases, and were sometimes considerably below fifty cents an hour. In dispute cases the Board had established substandard wages in individual cases only after consideration of the local wage levels established by voluntary action of employers. This procedure was designed to avoid the creation of wage instabilities.

Dr. George Taylor, Chairman of the Board, expressed the opinion that the Board could raise substandard wages in disputes cases even though the rate ordered was above the average prevailing in the industry and area. Mr. Taylor made the following statement:

The National Board unquestionably has the power and the duty to increase wages when clearly necessary to correct substandards of living. It cannot fulfill its duty, however, by restricting its decisions in disputes cases strictly to the limit determined by employers. The elimination of substandards cannot be dependent entirely on employer volition.

In the cotton textile industry, for example, a minimum wage of $.50 per hour has already been generally established by employers through their own action or by voluntary submissions. In these cases, the Board determined to increase that minimum wage generally established by employers in the industry
as a necessary and a feasible step for correction of substandard of living. The Board believes that a $0.55 minimum wage can now be effectuated in the industry without creating employment instability. As a matter of fact, at least a $0.55 minimum wage is now a prerequisite to the avoidance of employment instability resulting from serious manpower losses.\textsuperscript{28}

Following the textile decision, the National Board on February 27, 1945, advised the Regional Boards to determine what rates up to fifty-five cents per hour constituted substandard rates, without in any way limiting the discretion of the Boards to fix lower minimum rates.\textsuperscript{29} On May 25, 1945, the National Board gave final sanction to the fifty-five-cent minimum, by permitting employers to raise wages to that level without prior Board approval. Increases above fifty cents per hour, however, could not furnish the bases either to increase price ceilings or resist otherwise justifiable reductions in price ceilings.\textsuperscript{30}

Industry members of the National Board issued a dissenting opinion to the Board's decision in the textile cases in which they stated that neither the past record of the industry nor the over-all manpower situation justified the inference that increases ordered by the Board would have a favorable effect on employment in the textile industry. The opinion of the industry members contended that

\textsuperscript{28} War Labor Reports 793.

\textsuperscript{29} Field Memorandum No. 90, February 27, 1945, p. 1.

the fifty-five-cent minimum wage for unskilled workers could not aid the textile industry in obtaining manpower when it applied, as it did by later Board action, to all industries as well. The later Board action referred to was the Board's resolution authorizing the Regional Boards to determine what rate or rates up to fifty-five cents per hour constituted substandards. 31

Industry members voiced their dissent further by maintaining that production costs in the plants involved would be increased, thereby violating Executive Order 9328. Their statement in this respect was as follows:

We believe it necessary to call attention to the fact that in the textile cases, and in the packing-house case as well, industry members voted in the negative not only on disposition of specific issues, but also on the paragraph found under "Effectuation of the Order."

We opposed this action of the majority of the Board because we believe that the orders should carry the restraining language of Executive Order 9328 whenever this Board deals with so-called fringe issues. Until that Executive Order has been changed by the appropriate authorities, this Board should continue to operate in accordance with its explicit provisions.

We have, here, a group of 23 southern textile companies. The appropriate government agencies, though asked to do so, refused to certify them, as being essential to the prosecution of the war that they could be given by us a "rare and unusual" status. A majority of the Board has ordered a 55¢ minimum wage. . . . The result will be increases in these 23 mills since January, 1941, totaling far more than double the amount permitted by the Little Steel formula. Indeed, the increases will be near 50 or 60 percent. 32


The Board's power to grant wage increases under the effective prosecution of the war principle, which was used for the purpose of providing essential manpower for some critical war plant or industry, was clarified after the issuance of Executive Order 9328. Byrnes' May 12th Directive empowered the Board to grant those wage increases which were not approvable under the Board's policies for substandards, Little Steel, or bracket minimum adjustments, in "rare and unusual" cases where the critical needs of war production required the setting of a wage at some point above the minimum of sound and tested going rates for the industry in the area.

The Board had previously stipulated in its November 6, 1942, policy statement that cases could not be approved under the effective prosecution of the war principle unless the industry involved was designated as a critical industry by the War Manpower Commission and other government agencies. To amplify the meaning of this provision, the National Board in its June 1, 1943, instructions to the Regional Boards established the following three criteria for the determination of an employer's relation to the war effort in a "rare and unusual" case:

1. The establishment should be engaged primarily in an activity included in the War Manpower Commission's List of Essential Activities or covered by the WMC's designation of locally needed activities.
2. The establishment must have been in compliance with all the War Manpower Commission's regulations and policies with respect to recruitment, training, and utilization of labor, and with respect to operation on a minimum wartime workweek.

3. There should be proper statements or certifications from appropriate government agencies with respect to the above matters.\(^{33}\)

In line with this statement of policy, the Board held the number of rare and unusual cases to an absolute minimum. Without this policy the Board feared that in a time of widespread scarcity of labor nearly every essential employer in the country would be trying to solve his manpower problem by seeking wage increases based on a showing that his case was rare and unusual.

The rare and unusual, effective prosecution of the war cases decided by the Board usually involved certain common characteristics. First, all the cases concerned industries which produced goods or services vital to the war effort. Second, there was extensive collaboration between the Board and other war agencies, especially the War Production Board and the War Manpower Commission, to demonstrate the existence of a serious manpower problem, which could not be resolved by non-wage measures. Third, there was convincing evidence that the wage structures of the firms involved were outmoded and unable to furnish the necessary supply of labor. Fourth, there was generally a concerted program involving several government war agencies which was designed

\(^{33}\)Thirteenth Monthly Report of the National War Labor Board, May 1, 1944, p. 3.
to remedy the particular manpower problem, and it was apparent that a wage adjustment was an indispensable part of the combined plan.

An example of a rare and unusual case decided by the Board concerned the Boeing Aircraft Company. In the summer of 1943 the need for Flying Fortresses was acute. Maximum production was hindered, however, by a shortage of manpower. The problem defied solution by all other means which were utilized by the parties and by various governmental agencies. To ameliorate Boeing's manpower difficulties, the Board permitted an increase in wages at the Boeing Company beyond the ordinary limits imposed by the stabilization program.

Throughout the life of the Board the rare and unusual policy was adhered to very firmly in order that the problem of a general shortage of manpower would not be met by a series of wage increases; yet wage rate adjustments in the interests of successful prosecution of the war were not prohibited.

With adjustments permissible under the Little Steel formula and the brackets being practically exhausted by the spring of 1944, new methods were sought for obtaining pay raises from the Board. The device used was to ask for adjustments in non-basic wage rates, such as overtime, vacations, shift differentials and travel time. War Labor

34 11 War Labor Reports 268.
Board terminology for such issues was "fringe adjustments."

The Board's authority to approve fringe adjustments was defined by the National Board as follows:

The following types of cases may be dealt with under Executive Order 9328 in the sound discretion of the Regional Boards:

1. Applications by employers not under Fair Labor Standards Act to pay time and one half after 40 hours per week; or to change from a fluctuating to a fixed work-week for the purpose of computing overtime as currently permitted to employers who are under said act.

2. Adjustments incident to the improvement of working conditions which do not involve increasing basic wage rates, and which do not exceed the sound prevailing practice in the industry or area.35

Regional Boards accordingly adopted their own fringe wage policies based on industry and area practice, until the Economic Stabilization Director outlined more specific criteria on March 8, 1945. The Eighth Regional Board, for instance, delegated authority to the Regional Wage Stabilization Director to act on fringe issues within certain limits in voluntary cases. Requests exceeding these limits could be approved by the Regional Board if they were justified by well-defined industry and area practice. Some of the policies which developed on fringe issues in the Eighth Region prior to March 8, 1945, are given below:

1. Vacation plans. -- The Stabilization Director had authority to approve vacations of one week after one year's service and two weeks after two year's service in clerical

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35Amended Instructions to Regional War Labor Boards for Operations under Executive Order 9328 and the Directive of May 12, July 16, 1943.
occupations, or five years' service in factory occupations. More liberal plans were approved by the Regional Board particularly in the oil-well drilling industry and for machine shops and foundries.

2. **Shift differentials.** -- The Stabilization Director was authorized to approve night shift differentials not to exceed five cents per hour for the second shift and seven and one-half cents per hour for the third shift, provided such differentials were not in excess of industry and area practice. More liberal plans could be approved by the Regional Board, but rarely were they found to be general industry and area practice. Shift differentials for rotating shifts were denied, unless the basic wage, when set, would not compensate the night-shift work.

3. **Overtime.** -- The Regional Board considered industry and area practice before granting overtime where it was not required by the Fair Labor Standards Act. Since so many firms were covered by Federal requirements, requests for overtime after forty hours per week were rarely denied.

4. **Holidays.** -- The Stabilization Director could approve time and one half for the six holidays specified in Executive Order 9240, when worked, and straight-time hourly rates for the holidays not worked. More liberal plans were referred to the Board, but were approved only in case of extreme hardship or injustice.
5. **Sick leave plans.** -- The Stabilization Director was authorized to approve reasonable sick leave plans when the proposed plan did not exceed industry and area practice, or the applicant proposed to extend an already established plan to a new department. One week after one year's service was generally approved, though two weeks after one year and three weeks after two years' service were approved in some instances.

6. **Severance pay.** -- The Regional Board acted upon all requests for pay when employment was terminated, and usually denied requests more liberal than one week's pay after one year's service, and two weeks' pay after two years' service.

7. **Call-in pay.** -- When call-in pay was for reporting at the beginning of a regular schedule when no work was available or when notice of change in schedule had not been given, proposals to pay regular straight-time rates for a guaranteed minimum of two to four hours were generally approved by the Board. When call-in pay was for work to which the employee was requested to return after he had completed his regular work shift, the Board generally approved payment at time and one half the regular rate for a varying minimum up to four hours or one extra hour's pay.

8. **Transportation expense.** -- The Stabilization Director was authorized to approve payment to members of petroleum drilling crews, not to exceed seven cents per mile,
for transporting workers to and from drilling locations. The Board usually denied any larger payment, but in many cases extended the seven cents per mile to pipe-line and base employees.

9. Travel time. -- This issue occurred most frequently in the oil industry. Since a Wage-Hour Law interpretation required payment of not less than forty cents per hour for travel time in certain circumstances, the Board approved all requests in the oil industry for forty cents per hour. Also approval was granted in many cases to increase from a present rate of forty cents per hour to the regular rate of pay.

10. Bonuses. -- Bonus cases were processed under General Order 10, which as amended on September 12, 1944, contained the following provisions:

Any bonus, gift, fee or commission could be paid in accordance with past practice:

1. If in a fixed amount the total amount did not exceed that paid for like work during the preceding bonus year.

2. If computed on a percentage, incentive or other similar basis, the rate and method of compensation was not changed.

Employers were permitted to pay a Christmas bonus or year-end bonus of twenty-five dollars without Board approval.
An establishment was not permitted to introduce a new bonus plan unless the payment of such bonus and amounts or percentage conformed to the practice prevailing in the industry and area before October, 1942. Such a bonus plan could not be approved on the basis of general allegations of increased work or duties performed by the employees subject to such a plan. The introduction of a bonus could not be the basis for increasing prices or production costs. No inequities could be created.

These stringent regulations regarding new bonus plans made their approval virtually impossible. The Regional Board acted with great caution in approving payment of bonuses greater than twenty-five dollars per year.\(^{36}\)

The issues discussed above also appeared in disputes cases which were determined by practically the same stabilizing limits set for voluntary cases.

Other fringe issues were acted upon by the Board in accordance with industry and area practice, or in the absence of any clear practice, the sound discretion of the Board prevailed. Some of these minor issues were attendance bonuses, chance drawings for War Bonds, lunch-time payments, payments for living expenses while away from home on company business, rest periods, furnishing or cleaning of clothing used on the job, bonus for hazardous or unpleasant

work, employee suggestions for increasing production, guaranteed earnings, jury pay, recruitment bonus, safety bonus, supper money when working overtime and serving of nutritious refreshments.

That many applicants were circumventing the wage stabilization program by obtaining approval of fringe adjustments to substitute for general pay raises was certain. The Board was receiving criticism from many sources because, while it would not permit basic wages to rise above the Little Steel formula, it permitted real wages to rise by approving fringe adjustments. One of the many criticisms was as follows:

The assertion by four public members of the WLB that they make no recommendation for a change in the Little Steel formula at this time comes only a few days after this agency had recommended pay increases for workers in the textile and meat packing industries. In other words, no matter how loudly the public members of WLB say that they will defend the formula against frontal attack, their own recent action invites the attackers to go around rather than through the formula.

In the case of the textile workers, the WLB said that wage increases were justified because wage rates were substandard. In the case of the meat packing industry, the WLB said that pay increases should be provided through job reclassifications, higher pay for night shifts, pay for time spent in changing clothes, etc. Now the pressure has been put on Stabilization Director Vinson to see that these recommendations are translated in the pay envelope.37

The Vinson Directive of March 8 was the outcome of the Stabilization Director's discussions with members of the

Board on the question of the Board's authority to allow
certain non-basic wage adjustments. The extent to which
the Board could grant fringe adjustments was particularly
questioned by the Stabilization Director in the textile
cases.

The Vinson Directive of March 8, 1945, and the Supple-
mentary Directive of April 24, 1945,38 issued by Vinson's
successor, William Davis, were intended to be a clarifica-
tion and definitive statement of the authority of the Board
to approve or order adjustments in the "fringe area" under
Paragraph 2 of the Executive Order 9328. That order pro-
vided in part for the following:

Nor shall anything herein be construed to pre-
vent such agencies, subject to the general policies
and directives of the Economic Stabilization Di-
rector, from authorizing reasonable adjustments of
wages and salaries in cases of promotions, reclassifi-
cations, merit increases, incentive wages or the
like, provided that such adjustments do not in-
crease the level of production costs appreciably or
furnish the basis either to increase prices or re-
sist otherwise justifiable reductions in prices.39

Paragraph 1 of the Vinson Directive authorized the
Board to approve specified types of wage adjustments, ir-
respective of Paragraph 2 of Executive Order 9328, pro-
vided that, if there was reason to believe that such ad-
justments would increase production costs above the level
prevailing in comparable plants or establishments, they

3822 War Labor Reports XXIII.
would become effective only if approved by the Office of Price Administration, or in the absence of such determination by the Director of Economic Stabilization. In other words, considered under Executive Order 9328, the criterion for judging approvability was the effect on production costs of the product in the plant where the fringe adjustment was made. Under the Vinson Directive the criterion became the relation of production costs in the plant concerned to production costs in comparable plants or establishments.

The directive limited vacation provisions to one week after one year's service and two weeks after five years' service without a finding of industry and area practice. Other plans could be approved only if limits had been established in the appropriate area or industry by a clear and well-defined practice, and it would be fair and equitable to employer and employee.

Shift differentials for non-rotating shifts in non-continuous operations (that is, where the nature of the business is such that while it may operate even twenty-four hours a day seven days a week, it might be closed down from time to time without necessarily interfering with the operation itself, as for, example, a mercantile establishment) could be approved without a finding of industry and area practice up to four cents per hour for the second shift and eight cents per hour for the third shift. Shift
differentials for rotating shifts in non-continuous operations could be paid in the same amounts if compensation had not already been included in basic wage rates, or if other circumstances existed which offset the recognized equity in favor of compensation for the extra burden of night work on rotating shifts.

For both rotating and non-rotating shifts in continuous operations, the Board could approve or order premium pay within the stabilized limits of four cents for the second shift and six cents for the third shift. Such pay could not be approved if compensation for the work was already included in basic rates, or if other circumstances existed which would make it equitable to deny the shift premium.

Shift differentials could be approved in greater or lesser amounts when the Board found that it would be within the limits of clear and well-defined industry and area practice, and that it would be fair and equitable to the employer and employee.

Job evaluation plans could be approved in which the average increase for all employees in the plant did not exceed one cent per hour or one per cent. It was provided that, in rare and unusual cases affecting the critical needs of war production, the Board might authorize job evaluations in excess of these limits, but such adjustments could become effective only if approved by the Stabilization Director.
Paragraph 2 of the Vinson Directive stated that other non-basic wage adjustments or conditions affecting earnings should remain subject to the provisions of Paragraph 2 of Executive Order 9328.

Reference in Executive Order 9328 to adjustments that may "increase the level of production costs appreciably" was interpreted as applying only to adjustments which would result in an increase in the cost of goods made for the procurement agencies of the United States Government.\(^{40}\)

The significance of the Vinson Directive was to make fringe adjustments subject to a sort of "bracket" procedure similar to the way other wage adjustments were handled under the May 12 Directive. The stabilized limits outlined were those, in the Stabilization Director's opinion, which would not appreciably affect the cost to the United States of any product involved.

After V-E Day there was a restive feeling on the labor front which arose from various sources. Employees were fearful of what reconversion would mean in terms of wage reductions and down-grading. Also, since general wage increases were not permissible, employees began to look for new types of fringe wage adjustments to cope with the rising living costs.

Unions' new fringe demands resulted in disputes over

\(^{40}\)Ibid., Section 1303.3.
contracts and even serious strikes in some instances. Significant strikes were called by the New York Newspaper Deliverers, Printers' Union, Musicians' Union and the United Mine Workers' Union. The War Labor Board lived from crisis to crisis during this period. Its instability was motivated by two factors in general. These were the increasing tendency of unions to challenge or defy the Board's authority, and the increasing pressure of employees to circumvent the no-strike agreements in order to force a change in national wage policies.

The mine workers' strikes were an excellent example of these tendencies. The Bituminous Coal Miners, under the leadership of intrepid John L. Lewis, demanded an unusual request that a royalty of ten cents for each ton of coal mined by members be paid to the union for the benefit of its members, this royalty to be deemed partial compensation in equity for the mine worker for the establishment and maintenance of his ready-to-serve status. The amount was estimated at $60,000,000 yearly on the basis of current production. This demand was possibly based on the assumption that a royalty for miners could be obtained since Petrillo had secured a union levy on phonograph records. Among seven other wage demands was a provision for full pay for travel time to and from the face of the mine, for which miners then received only two thirds of the regular rate.

416 Labor Relations Reporter 4.
The Board denied the royalty fund provision. The full portal-to-portal pay provision was approved, however, because of a decision by a United States Circuit Court of Appeals that travel time must be paid for as work time in the bituminous mines. This action laid the precedent for portal-to-portal pay claims by other unions.

In advance of negotiations, John L. Lewis refused a suggestion that agreement be made in advance for extension of the present contract until a new one was negotiated. Instead he applied for a strike referendum covering employees not held by the government. Harold Ickes, Solid Fuels Administrator, had previously announced that the War Labor Disputes Act would be invoked against any one inciting a strike among employees of mines then in government possession. The War Labor Disputes Act gave the President power to seize plants which were required in the manufacture, production, or mining of any materials required in the prosecution of the war, and provided criminal penalties for persons encouraging work stoppages among employees in such plants. 42

When the anthracite strike began, Lewis grew even more dauntless by requesting his miners to remain on strike even after the government had taken possession of the mines. Attorney General Biddle found no evidence warranting indictment

of union leaders for violations of the War Labor Disputes Act; thus the strikers could safely wait for the government to reward their intransigence. The final compromise between the operators and miners was based on a suggestion of Secretary Ickes. The War Labor Board accordingly approved such fringe adjustments as shift differentials, portal-to-portal pay, vacations and overtime beginning after seven hours a day and thirty-five hours a week.

The reaction of the press to the decision in the coal case was generally very bitter, as evidenced by the statement below:

Mr. Lewis' anthracite miners have reached an agreement with the operators on the details of a new contract which provides increased earnings of $1.37 1/2 a day. The anthracite miners have been on strike for three weeks, notwithstanding the fact that the government had already taken over the mines, and in spite of the provisions of the Smith-Connally so-called anti-strike law. The miners have not only not been penalized for striking in an essential industry in wartime, but handsomely rewarded for doing so.

A few facts regarding this strike and its settlement are worth keeping in mind. The anthracite miners were receiving $25.13 a week in January 1941. They were getting $48.68 a week in February of this year. This was a very substantial increase -- 93.7 per cent, to be exact. And yet, miracle of all miracles, we are told that the Little Steel 15 per cent formula has not been broken. For this increase has all been arranged without increasing basic wage rates. The WLB has recently been playing a little parlor game with itself in which it first devises a Little Steel formula and then tries to see how much it can raise wages without breaking the formula.

But the audience is not wholly mystified. It observes that the entire purpose of wage stabilization, which is to hold down costs, and hence prices
and living costs, is in this instance clearly violated. The bituminous wage decision resulted in an increase in soft-coal prices of 16 cents a ton, in spite of the fact that the operators had to absorb part of the wage increase. It has been estimated that the anthracite decision will result in an increase in anthracite prices averaging 50 cents a ton.\footnote{NWLB, Editorial Press, May 25, 1945; cited from the New York Times, May 22, 1945.}

While a majority of the American press was publicizing the strikes which were taking place during the last days of the Board, Chairman Taylor defended the Board's strike record at a show-cause hearing attended by the Executive Council of the International Typographical Union of the American Federation of Labor. His statement was as follows:

I think it is fair to say that in the current economic situation -- where we are closing up, where we are going into partial reconversion while still fighting a very difficult war -- there are surely many thorny problems of labor-management relationship. I'd like to emphasize, however, that there is no wave of strikes. We have made a very careful examination of records of strikes. The use of that term implies the steadily growing resort to strike action by employees and their unions. The fact is that, with very few exceptions, all unions and all labor leaders and millions of loyal employees are abiding by labor's no-strike pledge, which was given for the duration of the war.\footnote{Press Release B2161, National War Labor Board, June 25, 1945.}

Chairman Taylor's statement was partially true in that any strike situation must be appraised in the light of walkouts affecting, say 30,000 employees compared with 50,000,000 employed. But this evidence of tranquillity did not eliminate the disquiet in industrial relations. Employees were anxious to obtain pay raises while employers were still
willing to grant them, for they knew with the war's end the result would be decreases in take-home pay caused by shorter hours. If the Board did not revise its entire wage program, it seemed almost certain that a period of sharply mounting industrial strife would ensue. The Board's authority and prestige seemed already to have been weakened by union defiance of the Board, weakness of the War Labor Disputes Act and the bending of the line against inflation due to fringe adjustments. Tentative recommendations for modification of the Board's wage policy were being discussed by the Board's members when V-J Day was proclaimed.

It seemed timely for the Board that the war ended on August 14, 1945, while it was still holding the line against wartime inflation. Had the war lasted longer, the Board would have encountered even greater difficulties in carrying out its duty to "hold the line." The Board had sided in accomplishing part of the purpose for which the stabilization program was undertaken -- to prevent wartime inflation.

Supporting the direct price controls of the OPA, the contribution made by the WLB is demonstrated by the small increase in consumers' prices between October 1942 and August 1946 -- 9 per cent, or 0.2 per cent a month -- as compared to the 20 per cent rise between January 1941 and October 1942 -- 0.8 per cent a month. 45

However, this achievement was only half of the task completed

in the battle against an unstable economy.

The stabilization program was undertaken to prevent inflation in order to facilitate production, to prevent mal-distribution of income and goods and services, and to forestall a disastrous post-war deflation such as followed World War I. The end of hostilities did not mark the fulfillment of these goals. Instead, it raised the problem of making an orderly transition from a wartime to a peacetime economy. The possibility that controls might be needed throughout the emergency "to prevent a post-emergency collapse of values" was expressly recognized in the Emergency Price Control Act.
CHAPTER IV

POST-WAR WAGE STABILIZATION,
AUGUST 18, 1945, TO
NOVEMBER 9, 1946

Reconversion wage policy was under discussion by the Board several months before V-J Day. The public members of the Board favored partial relaxation of wage controls by giving authority to the Board to revise the bracket system and to raise the substandard minimum to sixty-five cents. The industry members were opposed to a proposal by a public member that voluntary wage agreements should become effective automatically unless they would require price increases. Labor members favored such a policy and went further to suggest modification of the Little Steel formula to permit an immediate thirty per cent increase over rates prevailing in January, 1941, without an increase in prices.\(^1\) The Director of Economic Stabilization, the Administrators of OPA and WFA, and the Chairman of the WLW joined in a statement to the President for continuation of wage and price controls after the war. They did not specify exactly how stringent the controls would need to be, but they favored

\(^1\) *WLW Press Digest*, July 26, 1945; cited from the *New York Times*, July 26, 1945.
controls so long as purchasing power exceeded supplies of goods. 2

On August 18, 1945, a few days after the war ended, the President issued Executive Order 9599 which outlined a plan for "the orderly modification of wartime controls over prices, wages, materials, and facilities." 3 The order directed all departments and agencies of the government to expedite maximum production of goods and services by helping to make available needed materials and supplies, by aiding in the conversion and utilization of war plants and facilities, and by providing effective job placement assistance to war workers and service men and women. The agencies were directed to continue the stabilization of the economy through working to prevent either inflation or deflation, and through making necessary modifications in controls over prices, materials, and facilities. As rapidly as possible, the price, wage, production and other controls were to be removed, and collective bargaining and the free market restored.

Agencies in control of wages or salaries were authorized to permit employers, through collective bargaining arrangements or by voluntary action, to make wage or salary

2"NMLA Editorial Digest, April 10, 1945; cited from the New York Times, April 9, 1945.

increases, if those increases did not affect price ceilings. When there was reason to believe that price ceilings would be affected, the increase had to be approved by the Director of Economic Stabilization.

When higher price ceilings were requested, the Board was authorized to approve any increase necessary to correct maladjustments or inequities which would interfere with the effective transition to a peacetime economy. In addition, the Board retained the authority previously granted before August 18, 1945, and could approve wage increases under previous standards for pricing purposes.

The Executive Order authorized price control agencies to take all necessary steps to assume that the cost of living and the general level of prices did not rise. Adjustments in existing price controls could be made to remove inequities or to correct maladjustments which would interfere with the effective transition to a peacetime economy. Any price increases found necessary for these purposes, however, were not to result in an increase in the cost of living or in the general level of prices.

Although many were desirous of relaxation of wage controls, some persons were astonished that the new wage price policy was announced so soon. A majority of the NWLB Editorial Digests reflected dissatisfaction with the policy, as shown in the statement below:
A major relaxation of wage control has been ordered by President Truman. Although it has been announced that under this new policy wage increases would be permitted primarily where price increases will not be necessary, it is difficult to see how they could be so confined. Wage rates within industries and within areas are closely interrelated. Wage increases granted to one part of an industry on the "no price increase basis" inevitably will create dissatisfaction among employees of other companies not in a position to grant such increases. Voluntary increases, therefore, will become the basis for demands by other employees who will exert irresistible pressure to obtain equal treatment.

Difficulties will also develop because no limit is placed upon the size of the increase which may be granted so long as no price relief is requested. Where substantial wage adjustments are possible because a company is in the excess-profits tax class, wage rates within an industry or area will get farther apart, and, therefore increase the pressure by other workers for higher wages. The history of the War Labor Board has shown time and again that it is exceedingly difficult to withhold a wage privilege from one group of workers when other workers have received it.4

The step which followed consistently the President's announcement of releasing voluntary wage agreements from the necessity of approval was the announcement by the Secretary of Labor that the Board would take jurisdiction automatically only of labor disputes in which both parties agreed in advance to abide by the Board's findings. Every effort was to be made to settle disputes without recourse to further governmental procedures. The President announced that he would call a labor-management conference in November in an effort to devise a permanent method for settling post-war industrial disputes.5

4Ibid., August 21, 1945.
The first target by labor in its drive for higher wages was the General Motors Corporation. The UAW-CIO demanded a thirty per cent wage raise. Charles E. Wilson, president of General Motors, replied to the demand by saying "if we have to give thirty per cent increase in wages without an increase in selling price, GM will run out of cash and we'll just have to close down."6

The growing labor crisis presented Truman with possibly the greatest problem he had faced during his term. Some of Truman's advisers argued that labor troubles after wars are inevitable, and for the President to let both sides battle out their controversies. Opposite advice urged that labor and industry needed guidance, and asked Truman to set a national policy by suggesting a percentage wage increase which would partly offset the workers' decline in take-home pay.7 The standards under Executive Order 9599 for approval of reconversion cases were very vague, as there had been no clear definition made of what constituted wage inequities and maladjustments.

On October 30, 1945, the President responded to public pressure for clarification of the wage-price policy. However, he laid down no rules for determining the exact amount

6 *WWLB Editorial Digest*, October 24, 1945; cited from *Philadelphia Inquirer*, October 22, 1945.

by which basic hourly wages should be increased, as some believed that he would do. In his radio address explaining Executive Order 9651, he stated labor’s case for wage increases, but spoke of the need for moderation in wage demands. He pointed out how management, through more efficient use of labor, through elimination of wasteful overtime payments, and through increased productivity could afford, in general, to raise wages without raising prices. He demonstrated the fatuity of paralleling wage boosts with price boosts.  

Executive Order 9651 amended Executive Order 9599 only in regard to wage increases which necessitated price increases. The following types of wage or salary increases occurring after August 18, 1945, could be approved by the Board, and upon approval be treated as legitimate costs by the Price Administrator in determining price and rent ceilings:

1. Increases appropriate under the standards in effect and applied by the National War Labor Board or other appropriate wage agency prior to August 18, 1945, except the standard applying to "rare and unusual" cases which was replaced by standard 4 below.

2. Increases necessary to make the percentage increase in average straight-time hourly earnings in the
appropriate unit since January 1, 1941, equal to the percentage increase in the cost of living between January, 1941, and September, 1945.

3. Increases necessary, due consideration being given to normal competitive relationships, to correct inequities in wage rates or salaries among plants in the same industry or locality interfering with effective transition to a peacetime economy.

4. Increases necessary to insure full production in an industry designated by the Stabilization Director to be essential to reconversion.\(^9\)

Wage or salary increases unappropriate under the foregoing standards, while legal if made by the employer, had to be disregarded by the OPA Administrator and by the seller in determining price or rent ceilings. The only exception to this rule was the requirement that

the Price Administrator shall, after expiration of a reasonable test period, which save in exceptional cases shall be six months after the wage or salary increase has been made, take such increase into account in determining whether an increase in price ceiling is then required.\(^10\)

Most observers were still in doubt as to whether the President's formula would minimize labor-management strife over wage increases. One editorial comment to this effect was as follows:

\(^9\)\textit{OPA Manual}, Section 5-5004.09.

\(^10\)\textit{Ibid.}
President Truman's revised policy on wages and prices, as he announced it over the radio last evening avoided some of the more dangerous errors which had been indicated in some forecasts. The President did not attempt, for example, to say that wages should be raised by 20 percent an hour or any other specific amount. He tried to treat sympathetically the problems of all groups. However, the actual policy he proposed does not seem likely to speed reconversion or to encourage the fullest production and employment, and certainly will not get us away as quickly as possible from government controls.

Essentially, the President is still trying to pursue the contradictory policy of raising wages and holding down prices.

Everything depends, of course, upon how these provisions are interpreted in practice. It is difficult to see how the automobile workers, among the highest paid in the country of all industrial workers, could come in under any of these three classifications. That the President's new order moves toward more than less control of the economy is clear from the fact that it requires either the revival of WLB or the creation of some "other designated agency" for the same type of regulation.11

Before the President issued Executive Order 9651, the Board had made clear its decision to terminate its existence and to avoid being directly involved in making a new wage-price policy. Secretary of Labor Schwellenbach had asked the Board to take some new disputes cases, decisions on which would serve to create a Federal stabilization policy. The Board declined to act upon these and other new cases unless the parties agreed to abide by the decision, and even in the event of agreement, the Board would only prescribe an arbitrator and would not itself hear the merits of the issue. The Board announced its termination

program on October 16, 1945. On November 6, 1945, the President addressed his instructions to Chairman Lloyd Garrison on the Board's termination program, which were as follows:

On October 16, 1945 the Board, with my concurrence, announced the steps which it proposed to take in order to terminate its existence not later than January 1, 1946. In the Board's statement it pointed out that "there will later be announced a program for carrying out the functions required under the Stabilization Act until the termination of that Act."

I am now requesting the Board to create a tripartite division to carry out the wage stabilization functions mentioned above until the termination of the Board in accordance with its liquidation program. Upon the termination of the Board I shall issue an appropriate executive order transferring the personnel so assigned, and the functions and funds of the Division to a successor agency to function until the expiration of the Stabilization Act.

The successor agency will be a quasi-judicial entity within the Department of Labor, independent with respect to policy, decisions, and control of personnel. This program meets with the approval of the Secretary of Labor and the Stabilization Administrator, subject to such conclusions and recommendations, if any, which may be made by the Labor-Management Conference now in session. 12

The Labor-Management Conference did not work out specific procedural methods for maintaining industrial peace. The close of the conference showed on the debit side failure to agree on setting up any special agency to promote dispute settlement, on means to compel contract observance, on means of arbitrating disputes when contracts have expired, on means of granting higher wages without price increases, and on means of avoiding jurisdictional

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disputes. On the credit side showed agreement on collective bargaining with genuine unions, on arbitration of disputes arising under existing contracts, and on strengthening the Conciliation Service of the Department of Labor to afford means of arbitration and mediation.  

The War Labor Board was replaced by the Wage Stabilization Board on January 1, 1945. The new Board had only limited functions to perform in disputes, as shown below:

1. Supervision of three industry commissions established to administer directive orders of the old Board.

2. Appointment of arbitrators in instances where union contracts or outstanding WLB orders provide that arbitrators for disposition of unsettled grievances shall be named by the WLB.

3. Prescribing conditions of employment in government-seized plants.

4. Acceptance, together with the Labor Relations Board, of strike notices under the War Labor Disputes Act.  

Wage stabilization functions inherited by the new Board consisted of ruling on wage decreases and wage increases involving applications for price increases. The new Board could grant wage increases for pricing purposes under one of

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13 Labor Relations Reporter 411.
14 Ibid., 603.
the four criteria of Executive Order 9651. The second criterion, limiting cost of living adjustments, required clarification, and was given definite interpretation by the Board, as shown below:

In acting upon wage rate increases to compensate for the rise in the cost of living, the wage or salary stabilization agency will use 33 per cent as the percentage increase in the cost of living between January 1941 and September, 1945. The 33 per cent figure will be applied where the percentage increase in average straight-time hourly earnings in the appropriate unit of employees since January, 1941 has not equaled the percentage increase in the cost of living between those dates.\(^\text{15}\)

The President turned over wage disputes to fact-finding boards to hear the evidence of both parties and to make recommendations. These fact-finding boards were to try to negotiate wage increases which would not require price increases, or which were, in their judgment, approvable for price relief purposes under Executive Order 9651. If a board recommended an increase under the first standard, it had to determine that the employer was in a position to absorb the whole increase without an increase in price ceilings. If a board recommended an increase under the second standard, the increase could not be in excess of the amount approvable for price relief purposes by the Wage Stabilization Board.

The fact-finding board hearing the dispute between the General Motors Corporation and the UAW-CIO erected the

first guide to employers and unions in negotiations of post-war wage increases under the National Wage Policy laid down by President Truman in his speech of October 30, 1945.

The "ability-to-pay" became a prime factor in making a recommendation in this case. Officials of the General Motors Corporation refused the union the privilege of examining company records, and walked out of the hearing. As to its ability to pay, the company officials stated that prices and profits and the books of the company were properly no concern of the union. The fact-finding board was set up under rules prescribed by the Secretary of Labor which stated that "should employers refuse to open their books, the panel may draw from this fact such conclusions as it may choose." It may choose, the rules stated, to infer that the employer thereby admits ability to pay, or it may accept evidence introduced by the union, or it may act on other evidence which it is able to obtain.

The fact-finding board estimated the ability of the General Motors Corporation to pay by considering the probable price of cars for 1946, the probable amount of production, and estimated costs, without asking to see the company's books. The board stated that if it had wished to see the company records, it would have asked for them only if the union consented to have them open for the board's

167 Labor Relations Reporter 573.
exclusive inspection.

In reporting on the General Motors dispute, the board recommended a 17.5 per cent, or 19.5 cents per hour, increase as within the probable range of the loss of take-home pay, and as an increase which the company could well afford to pay without increasing prices. The final wage compromise was reached on March 13, 1946, which ended a 113-day strike. A general wage increase of 18.5 cents an hour, together with an agreement for the elimination of intra-plant inequities, constituted the union-company compromise.

While awaiting a report from the fact-finding panel in the General Motors dispute, the President in a nation-wide radio address on January 3, 1946, appealed for support of fact-finding legislation. A bill had been introduced in Congress which would (1) provide that the government be authorized to appoint fact-finding panels with subpoena powers to investigate and to report to the nation facts relating to unsettled labor disputes in nation-wide industries where a work stoppage would vitally affect the national public interest; and (2) to make it illegal for unions to engage in a strike during a thirty-day "cooling-off" period.\(^{17}\) In general, industry disapproved of the first provision and labor of the second provision.

The President pointed out that withdrawal of General

\(^{17}\text{Ibid.}, 780.\)
Motors from the panel demonstrated to the nation that fact-finding boards could not function with proper efficiency in the absence of legislative authority. By the time the President's fact-finding bill came up for a vote, it had been by-passed, and the Case bill had been substituted. The House passed the Case bill which, if it had become law, would have created a Labor-Management Mediation Board to assist in settling disputes, and decreed a thirty-day "cooling" period for the operation of this mediation machinery. Four additional provisions were: (1) to enforce collective bargaining contracts against either party through damage suits and injunctions; (2) to restrain violent and intimidatory picketing by court injunctions and deprivation of Wagner Act rights; (3) to restrain employee violence or destruction of property in organizing campaigns and labor disputes by deprivation of Wagner Act rights; and (4) to restrict boycotts by deprivation of Wagner Act rights and, in case of perishable goods, by injunction.\textsuperscript{18} The President vetoed the Case bill on June 11, 1945, explaining that permanent legislation should not be enacted hastily and should be preceded by a careful study of the causes of industrial disputes. The bill failed to pass over the President's veto.

\textsuperscript{18}Ibid.
made, a fact-finding board recommended an 18.5 cents per hour wage increase in a dispute between the oil industry and the Oil Workers' Union. The magnitude of these increases was such that in other cases in which the capacity to pay was less, the recommendation of decidedly smaller increases would be required under the wage-price policy. This left the fact-finding boards with a particularly awkward problem. It was not possible for boards to recommend wages that would force an industry into a loss position, unless the wage increase could be covered by price changes. At the same time, the increases granted by the oil industry and the General Motors Corporation would unavoidably be viewed in later cases as guide-posts to an emerging wage structure. It was inevitable that labor should agree that these recommendations set a level that should be achieved even in cases in which there might be some question of capacity to pay without price increases.

This general problem had to be faced in both the steel and meat-packing cases. The steel industry was asking for price relief. Reconversion Director Snyder offered a four-dollar-per-ton increase in steel prices to meet the President's recommendation of an 18.5 cents per hour wage increase. The steel industry contended that it could not afford a wage increase at four dollars per ton, and held

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out for greater price relief. There was no legislation to force the company to show its books for the fact-finding board to determine more fully the company's ability to pay. Therefore, price increases of five dollars per ton were granted for the company so that the workers could receive increases patterned according to those previously granted to the oil workers and to the workers in the automobile industry.

Price relief was clearly involved in the meat-packing dispute. An eleven-cent increase was called for to equalize changes in straight-time average hourly earnings and changes in the cost of living, even though price relief was involved. In addition, the fact-finding board found that the companies involved had the capacity to absorb five cents. Adding the two together, the board recommended sixteen cents. Thus, the meat-packing case also helped to confirm as general framework or pattern of change that the General Motors board had described as characteristic of the upper group of employers voluntarily granting wage increases since V-J Day.

These two cases already reflected that the wage-price policy had been broken. There would likely be more disputes to arise in which companies contended that they could not afford to pay wage increases within the reach of awards in the oil, motors, steel, and meat-packing cases.
It was in this setting that Executive Order 9697\textsuperscript{20} was issued on February 14, 1946. The most outstanding feature of this order was to permit the Wage Stabilization Board to approve any wage or salary adjustment which was consistent with the general pattern of wage or salary increases which had been established in the industry or local labor market area between August 18, 1945, and the effective date of the order. Other provisions of the order were as follows:

1. Where no general pattern had been established since V-J Day, wage increases could be approved by the Wage Stabilization Board when it was necessary to eliminate gross inequities as between related industries, plants, or job classifications, to correct substandards of living, or to correct disparities between the increase in wage or salary rates in the appropriate unit since January, 1941, and the increase in the cost of living between January, 1941, and September, 1945.

2. All wage and salary increases, with few exceptions, made on or before February 14, 1946, were given automatic approval; that is, all such increases were to be considered proper costs by the Price Administrator in determining price and rent ceilings. Automatic approval was also given to any wage or salary increase made pursuant to a governmental recommendation (authorized by fact-finding and similar bodies).

\textsuperscript{20} \textit{OPA Manual}, Section 5-5004.10.
in a wage controversy where that recommendation had been announced prior to February 14, 1946.

3. The six-month test period technique for legal but unapproveable wage and salary increases was abolished, and it was stipulated that no wage or salary increase made after February 14, without prior approval of the Wage Stabilization Board, could be considered for a price or rent increase for the duration of the stabilization program.

4. The Price Administrator was specifically directed to adjust price ceilings for industries found to be in hardship as a consequence of approved wage or salary increases and to take other appropriate action to adjust prices in conformity with the terms of the executive order. The order specifically defined "hardship" in the ordinary case as a condition in which the industry would not earn its base-period return in the ensuing twelve months, and directed the Price Administrator to raise ceilings sufficiently to give that return over the twelve-month period.

5. The Economic Stabilization Director was authorized to specify classes of minor wage or salary increases which might be paid by employers and deemed approved without any prior consideration by wage or salary stabilization agencies.

To implement these basic policy standards, the Economic Stabilization Director issued General Order 1 on February 20,
1946, and new Supplementary Wage and Salary Regulations on March 8, 1946.\(^{21}\) The general order established the first wage-pattern order for the steel industry, and granted automatic approval to fringe increases and to increases granted by employers of eight or fewer employees. The supplementary regulations set out in detail operating standards to be observed by the wage stabilization agencies in approving wage and salary increases.

On March 8, 1946, the Wage Stabilization Board issued a policy statement to assist employers and employees in filing applications for increases which would qualify for price relief under the new Executive Order. The statement was in part as follows:

1. **General Wage Patterns** -- The question of what constitutes a "general pattern" will depend upon the circumstances presented. Where in a particular industry, there is a dominant company or group of companies, wage adjustments or settlements since V-J Day by that company or group may be assumed to reflect the adjustment of wage rates considered appropriate to meet the reconversion impact. The Board will announce as quickly as possible any industry or area wage patterns which it considers sufficiently well defined to permit a general application, without necessity for specific approval before seeking price relief.

2. **Gross Inequities** -- The order provides that where a pattern has not been established that wage or salary increases are approvable only to the extent they are found necessary to remove gross inequities as between related industries, plants, or classifications, to correct substandard wage conditions, or to eliminate disparities between wage or salary increases and the increase in the cost of living. The gross inequity standard differs from the similar provision of earlier Executive Orders in that it permits and requires a consideration of "cross-industry"

\(^{21}\)Information about the Government's Wage-Price Policy, Inf-B2329, March 11, 1946.
inequities. This comparison as between related industries will be made both in terms of a comparison of post V-J Day wage increases and of wage rate levels. This will be necessary to permit the fullest possible use of the "established pattern" principle and to avoid inequitable results which might otherwise follow simply from the postponement until after February 14, 1946 of reconversion wage settlements in various industries. With respect to the inter-plant and intra-plant "gross inequities" standards, it may be expected that the Board will follow much the same lines marked out by it in connection with the application of the similar standard in previous Executive Orders. This is also true with respect to the provision concerning substandard wages.

3. Cost of Living Adjustments -- The provision in the order covering cost of living increases differs in one substantial respect from the similar provision in Executive Order 9651. The Board is authorized to correct disparities between cost of living increases and increases in wage rates instead of those found by reference to increases in earnings (as under Executive Order 9651). The order established the January 1941 to September 1945 period as the period for which the increase in the cost of living is to be determined. This increase has been fixed previously, by the Stabilization Director, at 33 per cent.22

The new wage-price policy strengthened the government's control over wages, and therefore was condemned by most labor leaders. Robert Watt, labor member of the Board, dissented from the issuance of the above mentioned policy statement. His reasons were as follows:

The facts reveal that in January 1946, the President announced a wage standard of 18 1/2 cents per hour increase above the wage rates in effect August 18, 1946. Under Executive Order 9697 this standard was established as a general pattern.

With the establishment of this pattern, the Stabilization Director on February 21, 1946, issued a General Order giving pre-approval of 18 1/2 cents

22 17 Labor Relations Reporter 926.
per hour to any plant engaged in basic steel industry, iron ore mining industry, and steel processing or fabricating industry, where such increase was put in effect in settlement of a strike existing on February 14, 1946. Similar plants not on strike were exempted from this order.

This conception of the government's so-called wage policy reflects a general wage pattern only for those workers who were on strike on February 14, 1946, with few exceptions, blanketed into this privileged class, and closes the door on the millions of other workers who would rather follow the orderly procedure of collective bargaining. It is an invitation to these workers to resort to other means to gain their just and equal rights. 23

Revision of the government's wage stabilization policy facilitated the adjustment of many disputes and stoppages then in progress. The Westinghouse Electric and Manufacturing Company and the coal and transportation industries, for example, accepted an 18.5 cent per hour wage increase. Fact-finding boards as a substitute for the War Labor Board were found not always to be entirely successful, and government seizure and control had to be resorted to in certain cases as a method of resolving some conflicts. Thus, during the immediate post-war period, the early hopes for a rapid return to collective bargaining had not been realized. The government officials who had expressed desire to remain in the background and gradually to relinquish wartime controls had been forced to take an increasingly active part in the settlement of labor-management disputes.

By the end of June, 1946, the round of reconversion strikes,

23 Ibid., 953.
which were predominantly over the wage issue, had come to a close.

The Emergency Price Control Act of 1942, as amended, and the Stabilization Act of 1942, as amended, were due to expire on June 30, 1946, unless re-enacted by Congress. The bitter battle over whether or not to keep price and wage controls had been under discussion in Congress since mid-April. Most industry pressure groups were busy influencing Congressmen to take controls off, while labor lobbied for extension of price controls. The bill submitted to the President crippled the entire stabilization program, and was vetoed by him for that reason. The President signed a compromise bill on July 25, 1946, but most of the crippling elements were still present in the law. In his message to Congress, the President pointed out that the new law was by no means a guarantee that inflation could be avoided.

The Price Control Extension Act of 1946 extended both the Emergency Price Control and Stabilization Acts to June 30, 1947. In addition it made a large number of substantive changes, the most significant of which are as follows:

1. For non-agricultural commodities, the Price Administrator was required to remove maximum prices whenever supply exceeded demand. As for non-agricultural commodities important to business or living costs, he must decontrol
them on or before December 31, 1946.

2. For agricultural commodities, the Secretary of Agriculture was authorized to determine initially, by certification of short supply, the agricultural commodities and derivative products that should be under price control.

3. Upon application by an industry advisory committee, price adjustments could be made in order to return the average 1940 price plus the average increase in production costs since 1940, under certain conditions.

4. Exceptions were authorized from price ceilings until August 20, 1946, for certain commodities, including meat, poultry, eggs and dairy products.

5. Provision was made for the establishment of a Price Decontrol Board having the power to order price controls removed from any commodity after considering petition for review of the action of the Price Administrator or the Secretary of Agriculture, and to restore ceilings on exempted items after August 20, if warranted.24

With the passage of this bill, the wage-price race was certain to speed up. Even before the bill was amended, the Consumers' Price Index jumped three per cent from February to June in 1946, or more than it had risen the entire previous year. During the suspension of price control in July, prices rose faster than ever before. Basic commodities

24 OPA Manual, Section 5-5004.10.
rose twenty-five per cent at wholesale. Within a single month the cost of living jumped 5.8 per cent, the highest rise for a similar period in history. Price increases from V-J Day to August, 1946, had been estimated at eleven per cent for all items and twenty-two per cent for retail foods. 25

The Bureau of Labor Statistics reported that some workers were not receiving wage increases necessary to compensate for the cost of living rise. It was reported that approximately one fifth of all factory workers had gained no general wage increase between V-J Day and May, 1946. Of every ten workers who received boosts, three had their hourly rates advanced 18.5 cents, two from ten to fifteen cents, and two by ten cents or less. The average general increase was 14.5 cents. When all workers were considered, the average gain amounted to 11.5 cents or a twelve per cent increase. 26

Despite the higher cost of living, the government was holding tight to the wage ceiling established in February, 1946. The Wage Stabilization Board and Reconversion Director Steelman met and decided to make no change in policy until the price situation had clarified somewhat. The Wage

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Stabilization Board warned that unless prices of foods, including milk, butter and meats, were recontrolled and rolled back, the wage problem could not be met. The CIO demanded revision of the wage ceiling, asserting that it could not participate in a stabilization program which controlled wages, but permitted prices to skyrocket. Three CIO unions, the Auto Workers, Rubber Workers and Oil Workers, were preparing wage increase demands to be pushed if prices were not rolled back. The AFL was also demanding relaxation of wage ceilings.

The wage policy was changed in September as a result of a strike involving employees of the AFL Maritime Union. The Wage Stabilization Board refused to approve, as a basis for increasing government costs, requested increases for maritime workers. On September 5, 1946, in protest against the Board's action, a seaman's strike began, which spread rapidly to all ports. On September 11, 1946, the Board issued a statement reaffirming its original action with respect to wage increases agreed upon by ship operators and seamen in the East and West Coast shipping industry. On September 12, 1946, the Director of Economic Stabilization amended the wage stabilization regulations to permit governmental agencies to pay wages and salaries comparable to those being paid for the same or comparable services by other operators in the same industry.
The government itself was a large-scale employer in this case. The private ship owners had agreed to absorb the amount by which the AFL wages would exceed those of the CIO. Steelman decided that under the Walsh-Healey Act the government must pay the "prevailing" wage.

On September 13, 1946, the CIO Maritime Union went on strike to secure parity in wages. On September 21, the Maritime Commission issued an order which provided for parity in wage rates on all government-owned vessels.27

The Wage Stabilization Board's prestige and authority were weakened considerably by the Maritime Union's defiance of the Board's decision. Even its own members considered the Board to be practically dormant after this decision. The employer members of the Board submitted their resignations, and called for an end to wage control.28 Labor members remained with the Board; nevertheless, they were not in accord with wage control. The AFL at its annual convention in October demanded termination of the Board.

The end of the stabilization program was hastened by the meat crisis. A meat shortage had occurred after the Price Decontrol Board restored price controls on August 20, 1945, as a result of a hearing which indicated a necessity for price ceilings, following a two-month period in which

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28 NWBB Release 102, September 25, 1946.
meat was free from control. During the period farmers sold hogs that should not have been marketed until spring. Also, farmers and cattlemen were holding their cattle in hope of obtaining higher prices. Secretary of Agriculture Anderson stated that there was enough beef cattle on the ranges, 52,000,000 head, and warned the growers against holding for higher prices. 29

President Truman stated that "there is only one remedy left -- that is to lift controls on meat." 30 Decontrol of meat, the President stated, would necessitate acceleration of the program for lifting controls on other commodities. By November 9, 1946, the President announced the lifting of all price controls, with the exception of controls on rents, sugar, and rice. 31

Simultaneously with the lifting of price controls, the President, by Executive Order 9801, provided for the termination of all controls for the stabilization of wages and salaries. The President stated that the removal of price controls left no basis or necessity for the continuation of wage controls, which operated, in most industries, only as an adjunct to price controls. 32 On February 21, 1947, the Wage Stabilization Board completed its work and went out of

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30 OPA Release, October 14, 1946.
32 Ibid.
existence. The Board stated that in the course of opera-
tion 22,113 cases had been processed, covering wage adjust-
ments for 6,500,000 employees. 33

Since the end of the stabilization program over a year ago, the wage-price spiral has soared at a rapid pace. The following statistics point to the widespread inflation the country is in today:

1. Wholesale prices. — In the six war years, August, 1939, to September, 1945, wholesale prices rose by forty-one per cent. In the thirteen months of peace after June, 1946,
   All goods . . . . rose 34%
   Foods . . . . . rose 48%
   Non-foods . . . . rose 26%

2. Cost of living. — Seventy per cent of the increase in the cost of living between May, 1943, and August, 1947, took place when the OPA was weakened. Between June, 1946, and August, 1947,
   Food prices . . . rose 33%
   Clothing prices . rose 17%
Only rents were still controlled, and
   Rents . . . . . . rose 1.4%

3. Wages. — Average weekly wages of all manufactur-
ing workers rose fourteen per cent between June, 1946, and August, 1947. Average weekly wages of all manufacturing

workers in August, 1947, were 3.8 per cent above the wartime high.

The average factory worker with three dependents who earned $47.61 per week in August, 1947, found in terms of 1939 buying power the equivalent of $29.58.

The average weekly earnings of various groups of workers from 1941 to August, 1947, are compared below:

<table>
<thead>
<tr>
<th>Industry</th>
<th>Prewar 1941</th>
<th>War High</th>
<th>December 1945</th>
<th>End of Controls</th>
<th>August 1947</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steel..........</td>
<td>$37</td>
<td>$56</td>
<td>$47</td>
<td>$47</td>
<td>$55</td>
</tr>
<tr>
<td>Auto...........</td>
<td>$41</td>
<td>$59</td>
<td>$44</td>
<td>$49</td>
<td>$56</td>
</tr>
<tr>
<td>Clothing......</td>
<td>$21</td>
<td>$34</td>
<td>$32</td>
<td>$35</td>
<td>$37</td>
</tr>
<tr>
<td>All manufacturing.....</td>
<td>$30</td>
<td>$48</td>
<td>$41</td>
<td>$43</td>
<td>$49</td>
</tr>
</tbody>
</table>

Although straight-time hourly earnings have increased since the end of the war, the above figures show the decline in gross weekly earnings due to cut-backs in production and to loss of overtime.\(^{34}\) Workers have pressed for higher wages to compensate for this loss in order to keep pace with the rapid rise in cost of living. Unions obtained a second round of wage increases since the war's end in the spring of 1947. It has been reported that labor will ask for a third round of wage increases in the spring of 1948.

Nearly every leading economist, public official, business

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\(^{34}\)"How to Bring Down Prices," *New Republic*, October 20, 1947, p. 20.
man, and union leader in the nation seems to have an opinion as to where to place the blame for inflation. In general, business men contend that exports, government spending and indebtedness, consumer credit, and wage increases have caused inflation. Union leaders cite the tremendous increase in corporation profits after taxes over last year, and blame industry for boosting prices. Some Republicans blame the Democrats for inflation due to large government expenditures. Some Democrats blame the Republicans for inflation by killing price control. Wherever the blame lies, or whether all parties contributed to the situation, will not be evaluated here. It is certain, however, that the developments of the past few months have proved the statements made by the following parties during the great debate regarding continuance of price control to be false:

National Association of Manufacturers, June 1946
If OPA is permanently discontinued, the production of goods will mount rapidly and prices will quickly adjust themselves to levels that consumers are willing to pay. . . . Prices will be fair and reasonable.

John E. Jaeger, President, National Association of Retail Grocers -- We feel that the time has arrived when actions must be taken to prevent the renewal of the Price Control Act. Competition will benefit the consumer by making available ample food at reasonable prices.

Congressman Hoffman (Rep.) of Michigan, June 25, 1946 -- OPA and its operator, Chester Bowles, are responsible for the fact that the cost of living has gone up.

Senator Wherry (Rep.) of Nebraska, June 12, 1946 -- Mr. Bowles has said that if price controls were eliminated, the price of meat would go up 50%. Mr. Bowles is trying to scare us. My prediction is that now without price control meat will cost less
than today. (Meat is now, April 27, 1947, up 60 per cent.)

The threat of inflation is so serious that the administration began to prepare an anti-inflation program in the fall of 1947. President Truman called a special session of Congress to convene in November to discuss interim aid to Europe and to plan for a war on inflation. In his message to the special session, the President outlined the following proposals to Congress in order to aid Europe and to maintain domestic prosperity:

1. Restore consumer credit restrictions.
2. Regulate commodity speculation.
3. Extend export controls.
4. Control transportation.
5. Control use of grain for livestock feeding.
6. Expand the food conservation program.
7. Put scarce commodities under allocation and inventory control.
8. Extend and strengthen rent control.
9. Grant the administration power to impose consumer rationing on scarce products.
10. Grant it power to impose both price and wage ceilings, if they become necessary.

Some were surprised at Truman's advocating price and wage controls due to his comment at a press conference a few days before. In response to a question, the President stated that he considered rationing, price and rent controls to be the methods of a police state.

36 "Mr. Truman's Political Pincers," Newsweek, November 3, 1947, p. 27.
The chances for passage of Truman's entire program in Congress appear to be slight. Even men in his Cabinet, such as Averell Harriman and James Forrestal, did not favor inclusion of price control and rationing in the program. Neither did the Republican Congress support that issue. A Republican anti-inflation program was put into legislative form and scheduled for House consideration. It was introduced by Chairman Jesse P. Wolcott (Rep.) of Michigan of the House Banking Committee. The bill included Truman's recommendations (1) to extend export controls, (2) to renew rent controls, and (3) to continue allocation of transportation equipment. In addition to those three controls, the Republican program called for the following:

1. Tax-slashing, plus government economy.
2. Stabilization of foreign currencies.
3. A drive to sell government bonds.
4. Voluntary self-regulation by industry as to allocations and prices.38

On December 15, 1945, the House refused to approve the stop-gap Republican plan to control inflation, which virtually killed any chance of adequate anti-inflation legislation passing during the special session of Congress.

The inflation issue is likely to be the leading political factor in the coming 1948 elections. Both the Democrats and the Republicans seek to avoid the blame for inflation. Neither party wants to be responsible for imposing

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controls which would cost them votes.

The public may have to demand that some concerted action be taken, for the inflationary pressures are likely to become more pronounced in the next few months. According to leading economists the cost of living will have risen another twenty to twenty-five per cent by May 1, 1948. Dr. Arthur A. Smith, former Regional Director of the Bureau of Labor Statistics in Dallas, Texas, predicts a twenty-five-cent dollar if inflation is not checked. He stated that the country is now operating under a forty-five-cent dollar in comparison with 1939, and that the responsibility for halting inflation rests squarely with the government.39

39Ibid.
CONCLUSIONS

The following conclusions may be reached in appraising the wartime stabilization of wages:

1. Wage stabilization is a counterpart of price stabilization. This statement is upheld by the fact that price levels were maintained more firmly after the issuance of the Stabilization Act of October, 1942, than during the early war months. Consumers' prices were held to an average increase of 0.2 per cent a month between the stabilization date and V-J Day as compared with an average of 0.8 per cent a month between January, 1941, and October, 1942.¹ Further proof of this statement is manifested by the sharper rise in the cost of living after most wage controls were relinquished following V-J Day. Although the Wage Stabilization Board had to approve wage increases for pricing purposes, the price level rose more decidedly. Between February, 1946, and June, 1946, alone, the Consumers' Price Index jumped three per cent, or more than it had risen the entire previous year.²

2. Both wage and price controls are only a part of necessary steps to control inflation. The "Statement of Considerations" accompanying the General Maximum Price Regulation recognized that

the universal price ceilings serve as the framework for other policies which will diminish the inflationary gap. It makes possible an effective war labor policy, more stringent income and excess profits taxes, and greatly enhanced savings. . . . Without these economic measures, the ceilings would, in the long run, become administratively unenforceable and socially harmful.\textsuperscript{3}

The heart of the inflationary problem lies in mounting consumer purchasing power, which has been primarily due to large government expenditures, in the face of increased scarcities of goods. The government must find some means to match purchasing power with adequate production to eliminate the underlying inflationary influences which have become so intensified during the war. Until we prepare to speed up production to meet purchasing power, the only means of controlling inflation is by aiming at demand. Wage and price controls are types of "demand" controls.

3. Until production could reach a peak to meet consumer purchasing power, government controls were needed in the reconversion period to check inflation. Wage controls were lifted prematurely, as evidenced by price increases averaging 1.3 per cent a month which OPA was forced to grant.\textsuperscript{4}

\textsuperscript{4}Ibid.
Many industries were able to absorb wage increases after the war without increasing prices. For America’s 337 largest corporations, profits after taxes were at an all-time high, as shown below:

1929 -- $8.4 billion or 5.2% of net worth  
1946 -- $12.5 billion or 7.8% of net worth  
1947 -- $17.4 billion or 10.6% of net worth\(^5\)

Many of the leading corporations absorbed wage increases. Others refused by arguing that over-all profits were misleading and that the profit margins of many concerns had been so narrowed that further increases could not be absorbed without the general lifting of price ceilings. This argument was particularly significant when considering the smaller employers who could not retain a profit position and grant wage increases without price increases. Therefore, millions of unorganized workers and persons living on fixed incomes, employed by margin profit companies, found their wages out of line when organized labor obtained wage increases. Price adjustments had to be granted in order for these workers to receive wage increases. Such action only contributed to the inflationary spiral, and to the ultimate benefit of no group. Wage controls were needed in the reconversion period to protect the smaller employer and unorganized worker.

Many wage adjustments were justified after V-J Day to

offset losses in overtime and to compensate for increased living costs. Also inter-plant and intra-plant inequities, created in part by the rigid bracket system and tapering methods in substandard cases, needed to be corrected. The substandard policy, likewise, required revision. The War Labor Board policies should have become more flexible in the post-war period, but not completely abandoned except where price relief was requested. The lifting of wage controls added to wrecking the price-control program. Employers became more dissatisfied with price control without more positive wage control.

4. If wage control is undertaken in the future, it would be more satisfactory to plan in detail the program to follow. Each of the policies adopted by the War Labor Board after the "Hold-the-line" order was perhaps too rigorous to be practical for any extended period of time. Likely the exigency of the wartime emergency left little alternative if the line was to be held.

Those who promulgated the wage policies were, of necessity, experimenting since such a program was untried. Those who applied the policies were confused by the uncertainties of policy directives. These persons, however, gained useful experience by studying wage relationships and applying Board policies, which would be valuable in planning a more workable program if future wage control is attempted.
5. Despite the inequities, enforcement difficulties, and public disapproval of the stabilization program, it can be concluded that wage control was successful. To support this conclusion a comparison of wage increases in the stabilization period is made with other periods of inflation when there were no controls, as shown below:

a. Average hourly earnings more than doubled between 1914 and 1919, the increases being mainly as a result of changes in basic rates. Increases far smaller occurred from 1939 to 1944. The adoption of a national stabilization program during the Second World War was a major factor in preventing both wages and prices from rising as much as in the First World War. The index of consumers' prices rose 72.4 per cent from 1914 to 1919, in contrast to a rise of only 26.3 per cent from 1939 to 1944. 6

b. From January, 1941, to September, 1942, the beginning of the inflationary period in World War II when there were no controls, basic wage rate schedules increased by approximately fifteen per cent of the average straight-time hourly earnings of January, 1941. Basic wage rate schedules from September 15, 1942, to October 31, 1944, under wage regulation, increased only 4.1 per cent. 7

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6 "War and Postwar Wages, Prices, and Hours," Monthly Labor Review, October, 1945, p. 113.

7 "Wage Report to the President on the Wartime Relationship of Wages to the Cost of Living, February 22, 1945, p. 98."
c. At the end of the war in August, 1945, when controls were relaxed, the average hourly earnings in manufacturing industries was $1.02. By May, 1947, average hourly earnings in manufacturing industries were increased to $1.22.

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