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MONITORING WAGES AND INDUSTRIAL RELATIONS:  
The BLS at 100 Years

by  
Daniel J.B. Mitchell\*

Daniel J.B. Mitchell  
Director

Institute of Industrial Relations (Los Angeles)  
U.C.L.A.

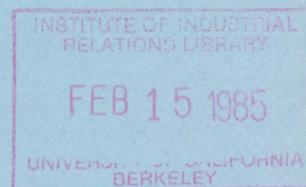
① Los Angeles, California, 90024 University.

and

Professor  
Graduate School of Management  
U.C.L.A.

(213) 825-4339

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Daniel J.B. Mitchell  
Director  
Institute of Industrial Relations  
U.C.L.A.  
Los Angeles, California 90024

and

Professor  
Graduate School of Management  
U.C.L.A.

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PAPER FOR A PANEL OF THE INDUSTRIAL RELATIONS RESEARCH ASSN.  
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## ABSTRACT

In its early years, the Bureau of Labor Statistics considered itself an agent of reform. By reporting on workplace conditions, the BLS' administrators believed they would spark remedial action. However, after World War II the BLS became increasingly a technical data gathering service and came under pressure to accommodate to the statistical needs of macro-economic policy. Until the late 1970s, BLS was able to accommodate both macro needs and traditional micro needs in its wage and industrial relations programs.

A budget crisis in the early 1980s caused significant cutbacks in BLS activities. Macro programs were protected at the expense of micro. Important information on wages, fringe benefits, strikes, and union membership is no longer gathered. The crisis demonstrated that BLS needs to develop greater contacts with the research community if it is to protect its micro-level wage and industrial relations programs in the future.

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In recent years, academic researchers and other users of Bureau of Labor Statistics' (BLS) data on wages and industrial relations have become increasingly concerned about the future availability of such information. The Industrial Relations Center Directors -- an informal group of over 60 university research programs -- protested impending budget cutbacks at BLS in 1982, an action acknowledged by the IRRA Executive Board which directed publication of the statement in its newsletter.\_1\_/ Although the worst of the budget problems that befell BLS are past, issues about priorities still remain.

#### I. A Quick Look Backwards.

When the BLS was created a century ago -- originally as the Bureau of Labor -- its administrators viewed it as an active part of a reform movement. Statistical and non-statistical reports were compiled on working conditions as a means of improving those conditions. The topics chosen for investigation were those seen as important to the reform movement. Typically these involved the terms and conditions of employment. Thus, Carroll Wright -- first Commissioner of the Bureau of Labor -- defended the gathering of workplace information in the following manner:

"We ought to know...whether there are really among us employers who are laying up great riches for themselves by keeping their employees in a condition of impoverished dependence."\_2\_/

As the Bureau of Labor developed, its interests expanded to public policies such as social insurance and female and child labor.

The establishment of a cabinet-level Department of Labor in 1913, however, narrowed the mission of the Bureau. "Statistics" was officially added to its name -- suggesting a technical role for BLS -- with wider concerns left to the umbrella Department. Still, the shift was gradual. In 1933, in a pamphlet entitled WHAT ARE LABOR STATISTICS FOR?, the BLS explained that wage data were useful because workers could find out if they were being receiving lower compensation than others in the community or being undercut by cheap, female labor. Strike data were gathered, BLS said, because "industrial

disturbances...point to conditions which need correction."\_\_3\_\_/

## II. Macro Needs in the Postwar Period.

After World War II, macro-economic policy came into ascendancy. Economic policy makers needed aggregate indicators of unemployment, productivity, labor costs, and inflation. BLS was able to accommodate these needs, while expanding its offerings of traditional wage and industrial relations data. In retrospect, the late 1970s were a golden age in which the two needs -- macro and micro -- both received adequate funding. But when the budget pressures of the early 1980s developed, a "revealed preference" for the macro side became apparent. The traditional price series were protected, a program of import and export price indexes was expanded, productivity measures were refined. Those wage and industrial relations data which were macro oriented were preserved and expanded. Micro-level indicators of industrial relations were cut back or eliminated.

## III. Basic Wage Indexes.

The macro-policy influence is clearly illustrated by the development of the Employment Cost Index (ECI) in the mid-1970s. Through the 1960s, hourly and weekly earnings data from the establishment survey were the prime measure of wage costs available from BLS. These data covered only production and nonsupervisory workers and omitted fringe benefits. They were affected by shifts of employment between industries and occupations and by changes in the mix of overtime and regular hours. For econometricians interested in aggregate wage-change equations, these deficiencies were unfortunate.

### i. The Employment Cost Index.

One solution was to use the more comprehensive measure of hourly compensation which included all occupations and fringe benefits. But this index, too, suffered from employment shift and overtime effects. Initially, the BLS offered its hourly earnings index (HEI) as a partial solution. The HEI controlled for interindustry shift and overtime effects in manufacturing. But as Table 1 shows, the ECI paints a different picture of wage trends than any of

Table 1

Alternative Earnings Indexes, 1980-83

Year	Average Hourly Earnings_a/ (1)	Hourly Earnings Index_a/ (2)	Employment Cost Index Wages and Salaries_b/ (3)	Total Comp- ensation_b/ (4)	Compensation Per Hour_c/ (5)
1980	8.8%	9.4%	9.0%	9.8%	10.8%
1981	7.5	8.2	8.8	9.8	9.0
1982	4.8	6.0	6.3	6.4	7.1
1983	3.7	4.2	5.0	5.7	4.8

\_a/ Production and nonsupervisory workers, private, nonfarm sector.

\_b/ Private, nonfarm sector.

\_c/ Nonfarm, business sector.

Note: Columns (1)-(4) are on a December to December basis. Column (5) is on a 4th quarter to 4th quarter basis.

Source: CURRENT WAGE DEVELOPMENTS, MONTHLY LABOR REVIEW, various issues.

Table 2

Wage-Rate Changes in Manufacturing, 1977-78

	1977	1978
Nonunion: WDM_a/	6.0%	6.8%
ECI	7.4	7.9
Union: WDM_a/	7.7	8.0
ECI	8.3	8.7
Major Union_b/	8.4	8.6

WDM = Wage developments in manufacturing survey

ECI = Employment cost index

\_a/ Production workers only.

\_b/ Agreements covering 1,000 or more workers.

Source: CURRENT WAGE DEVELOPMENTS, various issues.

Table 3

Union Wage-Rate Changes in Construction, 1975-1980

Survey	1975	1976	1977	1978	1979	1980
Major agreements_a/	8.1%	7.2%	6.5%	6.5%	7.1%	9.9%
Union wage rates_b/	8.0	5.9	5.5	5.9	7.0	9.9

\_a/ Agreements covering 1,000 or more workers.

\_b/ Cities of 100,000 or more inhabitants.

Source: CURRENT WAGE DEVELOPMENTS, various issues.

its predecessors.

The total compensation ECI shows a lower peak wage inflation rate than the more volatile compensation per hour index and a higher peak than the indexes which omit fringes. It also shows a higher rate of wage inflation by 1983 (after the economic slump had taken its toll) than the alternative indexes. With the addition of public-sector data in 1982, the ECI is plainly the best macro indicator of wage change available.

ii. Wage Developments in Manufacturing.

The ECI has also been helpful in spotlighting differences in union and nonunion wage trends. Prior to the ECI, the only time series available with a union/nonunion cut was a series on wage developments in manufacturing (WDM). But as Table 2 shows, the WDM series was seriously flawed. In the nonunion sector, the omission of "merit" pay adjustments was known to bias its estimate of wage inflation downward, as can be seen on the top two lines of the table. But as can be seen from the next two lines, it also apparently underestimated union wage inflation. Since the WDM series covered adjustments in small union units as well as the "major" agreements, it created the impression that "minor" union agreements were not keeping up with their major counterparts. After the ECI became available, this impression was contradicted.

Given its inaccuracies, it is not surprising that BLS abandoned the WDM series after 1978. But the WDM did offer information at the micro level not available from the ECI, namely information on the DISPERSION of wage decisions. Especially for the nonunion sector, lack of dispersion information is an important gap in monitoring wage developments.

iii. Abandoned Union Wage Series.

The abandonment of the WDM series was based on its deficiencies rather than on purely budgetary considerations. But other wage series, particularly in the union sector, were dropped during the budget crunch. And it could not be said for these that superior alternatives had become available. For example, Table 3 compares the now-abandoned series on union wage-rate changes in construction



with the still available series on effective wage adjustments in "major" construction union agreements.

During the latter half of the 1970s, construction wage settlements went through a period of comparative moderation after two earlier wage explosions. The two series -- when compared -- indicate that the wage moderation was more dramatic in the agreements covering relatively small numbers of workers. Construction has been a center of concession bargaining in the 1980s, but it is now not possible to make such comparisons with BLS data.\_4\_/

Also lost during that budget crunch were the various wage chronologies. These chronologies provided useful information on wages and other conditions in selected union-employer settlements. As econometricians became more interested in the micro side of wage decisions, the chronologies were used to provide insights not available from aggregate Phillips curves. Without the chronologies, researchers will have to use the original contracts (not always easy to obtain retroactively) and other sources such as CURRENT WAGE DEVELOPMENTS. Research efforts -- in short -- will be impeded.

As of 1980, almost eight out of ten private-sector wage earners were nonunion. Thus, if any criticism could be leveled at the wage chronology series, it was their exclusion of nonunion employers. Research interest in the personnel practices of large, nonunion firms grew in the 1970s. Thus, a widening of the chronologies to include such employers -- rather than their abandonment -- was indicated.

#### IV. Fringe Benefits and Nonwage Conditions.

The growth of fringe benefits as a proportion of total compensation is a well-known phenomenon. In recognition of this trend, the BLS initiated a survey in 1959 on Employer Expenditures for Employee Compensation (BEEC). The survey initially covered only manufacturing but was later widened to include the rest of the private, nonfarm sector. Information was available showing the level of employer expenditures on various types of fringes such as pensions, sick leave,

and severance pay. Various cuts of the data were published (union-nonunion, different establishment sizes, etc.). In addition, computer tapes were made available to researchers interested in more detailed information.

EEEC data have not been available since 1978. Thus, researchers interested in detailed fringe costs must turn to other sources, notably the Chamber of Commerce survey. However, as Table 4 shows, the Chamber's survey appears to be biased toward higher paying, more fringe-intensive employers. Less information is available on the Chamber's sampling methodology than could be obtained from BLS and a union-nonunion cut is not published. BLS has started publishing a new series showing the number of workers covered by various fringes. But this information is complementary to, and not a substitute for, the abandoned EEEC survey.

Until the budget crunch, the BLS had published periodic analyses of nonwage conditions offered in major union agreements, an endeavor which traces its roots back to surveys of "trade agreements" which began in the 1920s. By the 1970s, there were regular surveys of major contracts, plus detailed bulletins on particular types of contractual arrangements. This program has been abandoned. Some of the gap has been made up through surveys published by the private Bureau of National Affairs, an organization whose efforts to fill in for BLS are commendable.

As in the case of the chronology series, the pressing need was not for abandonment but for expansion to nonunion firms. There are various surveys of nonunion personnel practices available from private organizations. But questions of sampling and representativeness of the surveyed group haunt these studies.

#### V. Work Stoppages.

Collection of data on strikes dates back to the late 19th century. Regular (annual) surveys of such information began in the World War I period. The data gathered were not limited to aggregate tabulations. Detailed tables were

Table 4

Composition of Employee Compensation, 1977

	Bureau of Labor Statistics_a/	Chamber of Commerce_a/
-----		
Amounts:		
Total compensation	\$7.43	\$8.43_b/
Average hourly earnings	5.70	6.17
Straight time	5.56	5.76
Percent of Compensation:		
Legally-required benefits	6.9%	6.2%
Pensions	4.1	4.4
Life, accident, health insurance	4.0	4.4
Total benefits	23.3	26.9
-----		

\_a/ Hours-paid basis.

\_b/ Includes discounts on company goods and employee meals.

Source: U.S. Bureau of Labor Statistics, HANDBOOK OF LABOR STATISTICS, bulletin 2070 (Washington: GPO, 1980), p. 317; Chamber of Commerce of the United States, EMPLOYEE BENEFITS 1977 (Washington: 1978), pp. 12, 25.

Table 5

Work Stoppages Involving 1,000 or More Workers as  
Percent of All Stoppages, 1979-1980

Year & Type	Number of Stoppages	Number of Workers	Year & Type	Number of Stoppages	Number of Workers
-----			-----		
1979			1980		
T_a/	4.9%	59.1%	T_a/	4.8%	58.2%
F	2.1	42.9	F	1.2	17.4
R	5.2	64.9	R	5.7	63.6
D	6.8	42.9	D	6.1	46.7
O	3.9	44.5	O	3.7	31.5
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T = Total stoppages

F = Negotiation of first  
contract or recognition

R = renegotiation of contract

D = During term of contract

O = One-day stoppages

\_a/ Includes categories not shown separately.

Source: ANALYSIS OF WORK STOPPAGES, 1979 and 1980 issues.

available by industry, issue of the dispute, means of settlement, and so on. In 1982, however, reporting was cut back to disputes involving 1,000 or more workers and no detailed analyses have been published.

Limiting coverage to disputes involving 1,000 or more workers is in keeping with the macro emphasis. Table 5 shows the proportion of all recorded disputes in 1979-80 which involved that many workers. As can be seen from the table, such disputes accounted for just under 60 percent of the workers involved, but less than 5 percent of the disputes. Moreover, the proportions vary considerably by type of dispute.

Abandonment of comprehensive strike surveys has caused a loss of information which -- unlike the wage chronologies -- cannot be retrieved retroactively. One possibility for a substitute source -- the Current Population Survey (CPS) -- in fact is not satisfactory. CPS estimates of individuals not at work, or forced to work part time, due to an industrial dispute, fell well below the old work stoppage survey. Moreover, the CPS sample is too thin to provide industrial detail and contains no information on the issue of the dispute or the other categories previously collected.

#### VI. Union Membership.

The BLS began publishing directories of unions in the 1920s. During the post-World War II period, substantial statistical detail on union membership was added. Since the data were based on CLAIMED membership, their accuracy was questioned. In 1980, for example, the CPS estimate of labor organization membership was 20.1 million compared with a claimed membership of 23.9 million. However, the claimed membership data provided the only tabulation of membership by organization.

With the budget crunch, BLS dropped its union membership survey. In addition, no CPS data on union membership have been published since the May 1980 survey. The BNA has maintained part of the directory, but the detailed statistical tables have been lost. Ironically, this loss of information came at

a time when it appears that union membership fell dramatically. BLS' estimates of the number of workers under MAJOR private union agreements fell from 9.3 million in 1979 to 7.9 million in 1983. Thus, at a critical time for the collective bargaining sector, an important data source no longer exists on a continuous and comprehensive basis.

#### VII. Protection of Wage and Industrial Relations Data.

Faced with a budget crisis, BLS administrators had to make unpleasant decisions quickly. The purpose of this paper is not to second guess those decisions -- the author would probably have made similar choices under the circumstances -- but to document the loss and draw some lessons.

First, the budget crisis demonstrated that BLS has a reservoir of good will among users and in Congress. This reservoir prevented worse damage from being inflicted, once news of the BLS' predicament became known. However, BLS did not have structures in place which could act quickly enough to prevent significant harm to its programs.

Second, BLS reliance on labor and management practitioners to protect its programs and guide the establishment of what Commissioner Janet Norwood described as "a new data program for those engaged in collective bargaining" is too narrow. During the budget crisis, members of the BLS' labor advisory committee were supportive, but tended to focus their attention on data series which could be used to document real wage losses, such as family budgets and after-tax real weekly earnings (both discontinued). Management advisors were reluctant to criticize Reagan administration budget cuts and tended to view BLS data as largely of interest to unions.\_\_5\_\_/

Wage and industrial relations data, other than macro-oriented indexes such as the ECI, will not be vigorously defended by government policy makers. Management support for such information is not strong. Union support is stronger, but tends to focus on selected series of use in bargaining. The result is that during a crunch, BLS will find itself in a sideshow of labor-management

conflict. A third lesson of the budget crisis episode is that BLS needs to develop its contacts with, and tap the support of, the research community.

#### FOOTNOTES

1. Discussions of the IRRA Executive Board are reported in the PROCEEDINGS of December 1981 and 1982. The Board considered a resolution urging continued statistical service in industrial relations at BLS and other agencies. Although the Board voted to approve the resolution by 11 to 3, no official action was taken due to opposition by management members. The IR Center Directors' letter appears in the May 1982 IRRA NEWSLETTER.
2. U.S. Bureau of Labor Statistics, WHAT ARE LABOR STATISTICS FOR?, bulletin 599 (Washington: GPO, 1933), p. 2. The statement was made when Wright headed the Massachusetts bureau.
3. IBID, pp. 4, 9.
4. Related specialized wage series in other industries were also eliminated.
5. "BLS Wants to Develop New Program to Aid Collective Bargaining Parties," DAILY LABOR REPORT, May 13, 1983, pp. A7-A8.