Closing the Wage Gap: The War Labor Board's Effect on Inequality in the Short and Long Run

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Economists have developed a number of policy prescriptions to address growing income inequality. For example, Atkinson (2015) has proposed a "national pay policy" involving higher minimum wages and a "code of practice" for pay above the minimum to address the historic levels of inequality. Given the limited modern analogs to these policies, historical experience is our best and only source of evidence concerning the efficacy of these kinds of institutions. One such policy that economists, labor historians, and sociologists have long pointed to as central in the post-war evolution of American income inequality was the War Labor Board (WLB). Goldin and Margo (1992) contend the deliberate wage compression policies of the WLB lowered wage inequality by reducing the skill premium for more educated workers. Focusing on extremely high earners, Piketty and Saez (2003) argue that wartime wage compression patterns can "fairly easily be explained by the wage controls of the war economy." And yet while the WLB was the most ambitious wage-setting experiment in American history, there is very little micro-evidence on its efficacy. We plan to fill part of this gap by examining manuals of WLB-mandated wage changes. These manuals allow us to study the short- and long-run implications for wage inequality across industries, occupations, and local labor markets of the WLB's wage setting policies.

The individual firm level records of the WLB, located at the regional branches of the National Archives, provide the earliest standardized information on wage distributions across occupations, localities, and firms in the United States. Occupations were defined and sometimes subdivided into grades. The classification of jobs into standardized categories was made by field representatives of the BLS consulting with labor managers and foremen. This information was provided in an anonymized fashion to the regional WLB offices. For "key jobs" in covered industries and areas, the form provided a weighted average rate and a range of rates at establishments. These establishments were classified by size and unionization, to the extent this could be done without compromising anonymity. Because of a lack of other sources on historical wage data for this important period of U.S. economic development, it is remarkable that such detailed, nationally-representative records remain unstudied. We have already photographed the 20,000 records for Region IV[1] and have already transcribed the relevant manuals for this project.

Historical evidence suggests that the WLB engineered a decline in inequality by allowing substandard wages to rise, while attempting to hold down wage increases elsewhere in the

[1]Region IV consists of Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina, Tennessee, and Virginia.

wage distribution. The question then is whether the mandated wage changes during the war persisted into, say, the 1950s. To study this question we propose, in addition to collecting the establishment schedules, to collect and transcribe the WLB mandated wage "brackets," which were standardized wages imposed by the regional WLBs. By comparing wages in occupations prior to the quasi-exogenously imposed wage changes by the WLB, we can examine if areas which experienced more of an exogenously imposed decline in inequality had persistently lower inequality into the 50s and 60s. In addition, we can study whether any wage effects translated into employment effects. We will draw on IPUMS Census samples for 1950 and 1960 as well as the CPS starting in 1962 to examine these effects.

References

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