USE OF COST OF LIVING INDEXES AND BUDGET STUDIES IN WAGE ADJUSTMENTS*

A. ADJUSTMENT TO COST OF LIVING INDEX


Summarizes the whole debate over the use of the Bureau of Labor Statistics index to adjust wages, dividing it into the following principal stages: (1) labor attacks accuracy of index in Little Steel Formula, (2) President's Committee sustains index, (3) extensive use of index after V-J Day leads to spiral. The author points out that in using the index it is important to remember that it merely reflects price changes, not improvement in living standards.


A survey of business practices reveals that five out of six executives oppose tying wages to the cost of living. Reasons listed include: questionable accuracy of indexes, fear of "no reverse" policy, worker misunderstanding, distortion of wage structure. The bonus method met with as much disfavor as the direct escalator clause.


Cost of living indexes involve measurements of a qualitative character which must be thoroughly understood before they are used to deflate wage or price figures or to make inter-regional comparisons. When considered as a factor in wage adjustments, cost of living contracts should not distort the wage structures. The ideal is to stabilize real wages on a national rather than an individual basis.


A simple and graphic presentation of labor's argument that wages should match price increases, pointing out that post-war price rises beyond wages have substantially increased profits.

* Items from this list should be ordered directly from the publisher. Addresses are given in connection with each reference.

This survey of 130 companies presents detailed breakdowns of the policies followed in twenty-three different industry groups showing the extent of increase, the type, and its relation to the merit rating program.


After pointing out that cost of living adjustments are favored by labor only in inflationary times, this investigator finds that while 5% of contracts contained wage adjustment clauses in 1939, 70% did in 1946. Of the latter group, 5% were directly tied to the cost of living either by permissive clauses, which allow reopening when there is a given change, or automatic clauses which make specific adjustments. The majority simply provided for reopening at shorter intervals. Numerous sample clauses are quoted.


Reviews the Board's efforts to stabilize wages in accordance with the Little Steel Formula rather than by escalator cost of living clauses. Average straight-time hourly earnings from January, 1941 to October, 1944 actually outran the cost of living index, increasing 43% as compared with 29%.

**B. ADJUSTMENT TO BUDGET STUDIES**


Statting that labor has shifted emphasis from indexes of change in the cost of living to budgetary studies, this article summarizes the limitation of the two principal types of budgets.


The first two addresses summarize the steps in making up a budget: determination of standard, choice of articles, and pricing. The final speech presents the case for their use in wage negotiations both from a social and a practical point of view.

Points out that while it would take $1.75 an hour to provide for the BLS budget, the average industrial wage is $1.18. The budget is put forward as a wage argument on the assumption that four represents the typical family and that two earners per family are not common.


Directed “to find out what it costs a worker’s family to live in the large cities of the United States,” the Bureau of Labor Statistics constructed a budget based on scientific standards modified by purchasing practices. It professes to have arrived at a “social judgment as to what is necessary for acceptable living” for a family of four in any occupational group. The authors are careful to point out that this budget is a research tool rather than a wage criterion.


This brief report summarizes the statistical material on family budgets in a comprehensive yet practical manner. It points out that the average family consists of 3.07 persons not four, has 1.43 wage earners not one, that the budget is higher than the average earnings of most individual employees, and that it would require one-quarter more consumer goods than now produced. It outlines the adjustments needed if the budget is to be used.


The investigation seeks to establish living costs for a family of four at two levels, maintenance and emergency, both determined in a synthetic fashion by the investigating committee. The emergency budget, repriced in 1944 by the Textile Workers Union of America (*Substandard conditions of living, a study of the cost of the emergency sustenance budget in five textile manufacturing communities in January-February, 1944*) and adjusted to September 1946, comes to $1700.


The committee seeks “to define in terms of content and cost . . . current and commonly accepted standards of living,” for an executive, a white collar worker, and a wage earner.

**C. Sources and Methods**

In the course of refuting the Meany-Thomas charges against the Bureau of Labor Statistics and National Industrial Conference Board indexes, this article highlights the significant points made in the controversy by both protagonists and the Mills impartial committee. The evidence on price changes in food, rent, clothing, and furnishings all support the established systems.

The Conference Board publishes its "Consumers Price Indexes for Fifty-Seven Cities" monthly in the Conference Board Personnel Management Record. See also Study No. 228, Cost of Living in the United States, 1914-1936.


Describes methods used in compiling the Bureau of Labor Statistics and Conference Board indexes and suggests improvements. Points out the fact that they measure only time-to-time changes, not regional differences, and are based on budget studies of wage earners and low-salaried workers.


This publication of the Department of Commerce gives indexes of the National Industrial Conference Board and the United States Department of Labor, also prices received by farmers from the United States Department of Agriculture index, and the Department of Labor indexes for retail and wholesale prices.


In addition to a comprehensive summary of changes in the cost of living from 1913-1941, this report describes the construction of the new cost of living index.

The Bureau publishes its Consumers Price Index and Retail Food Prices in mimeographed form monthly and, with about a month's lag, in the Monthly Labor Review.


A comprehensive record of the controversy over the accuracy of the Bureau of Labor Statistics cost of living index including the original committee report supporting the index, the Meany-Thomas dissent, and the impartial Mills committee review which corroborated the original report. The discussion makes clear the meaning of the index, the methods by which it is computed, and its usefulness as a tool of policy.