

11. The proportion of value added going to production workers as opposed to the share of all employees, declined markedly from 42.7 percent in 1957 to 37.3 percent in 1956. Part of this decline was due to the rapid increase in the number of administrative and professional workers in industry. In 1947, salaried overhead labor made up 16.6 percent of the manufacturing work force. The proportion was up to 23.5 percent by 1956. The growth of salaried employment in manufacturing was 55 percent between 1947 and 1957, more rapid even than the increase in trade and service employment. The corresponding relative decline in the employment of production workers was almost sufficient to account for the fall in their share of value added; in addition, the current average annual earnings of nonproduction workers grew about 5 percent more rapidly over the decade. The increase in the share of value added that was paid out in compensation of employees over the period, then, was partly due to the shift to higher salaried administrative personnel; another part was due to the more rapid increase in the current earnings of salaried workers.

12. From 1947 to 1953, production workers' wages and administrative salaries increased at about the same rate. Then, in the 1953-54 recession, average wage earnings fell, while administrative salaries continued to rise. Some of the drop in wage earnings was the result of shorter hours and layoffs, of course, but even after the contraction ended, salaries rose more rapidly than production wages. This difference in behavior is symbolic of a number of changes that have taken place as a result of the change in proportions between wage and overhead employment. Total labor costs show much less flexibility over the cycle as the relatively fixed, overhead component increases. Similarly, the gap between unit labor costs and physical productivity measures becomes greater as occupational proportions shift. Unit payroll costs over the period increased to a significant extent as a result of the shift to higher paid administrative workers. One result is that year-to-year output/unit labor indexes become much less significant for the explanation of inflationary wage pressures. A second result of these shifts is that the downward rigidity of earnings levels is increased, adding to the general cost-push influence. For these reasons, the data on production and nonproduction workers have generally been kept separate in this study.

13. In the remaining paragraphs two questions will be answered. First, what were the mechanics of the change in the employees' share of value added in manufacturing? Second, what is the significance of these results, in terms of the pace of inflation? In the next section, we will consider wage changes, in terms of specific products.

14. In order to show how the wage and salary share moved in the postwar inflation, we will break the value added into its components and show mechanically how the different parts must move in order that the wage and profits shares should change. Value added by manufactures is measured by subtracting the cost of materials, supplies, containers, fuel, purchased electric energy, and contract work from the value of shipments of manufacturing establishments. What remains can be broken down roughly into compensation of employees on one hand, and profits plus depreciation, on the other. Let—