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THE EFFECTS OF UNIONS AND EMPLOYERS' ASSOCIATIONS ON PERSONNEL PRACTICES:
A STUDY OF THE SAN FRANCISCO BAY AREA LABOR MARKET

By

F. Theodore Malm*, [Preliminary draft]
[Berkeley, 1954]

With the growth of unionism and its influence in our labor markets, there has developed some concern about the impact of unions on managerial freedoms and "prerogatives."¹ There have been instances in which unions have attempted to prevent or restrict technological change. The Taft-Hartley Act's "prohibition" of the closed shop and union hiring halls

*The author is assistant professor of business administration, and assistant research economist in the Institute of Industrial Relations, University of California, Berkeley.

This paper is one of many Institute studies of the San Francisco Bay Area labor market. The others include several investigations of mobility patterns: one based on interviews with marginal workers; some based on interviews with principal wage earners in Oakland families; and another set based on interviews with San Francisco workers as part of the Six-City Mobility Survey conducted by the Social Science Research Council and seven cooperating university research centers.

The writer is glad to express his appreciation to: Chancellor Clark Kerr and Dean E. T. Grether, for their guidance and support in this project; Mrs. Margaret Thal-Larsen of the California State Department of Employment, William Smith of the Federated Employers of San Francisco, and William Goldner, who assisted in planning the sample; John Kleespies, Afife Sayin, and Markee Thomas, who aided in interviewing or coding; Maurice I. Gershenson, Chief of the Division of Labor Statistics and Research, State of California Department of Industrial Relations, who provided assistance in card-punching and tabulating; and those who will read drafts of this report and suggest improvements.

¹See, for example: Charles E. Lindholm, Unions and Capitalism (New Haven: Yale University Press, 1949), Chap. XII, "Management's Shrinking Domain"; Neal W. Chamberlain, The Union Challenge to Management Control (New York: Harper & Bros., 1948), Chap. 4, "Degree of Union Penetration of Managerial Areas"; John G. Turnbull, "A Study on the Management Prerogative Issue," Personnel, Vol. 25, No. 2 (September, 1948), pp. 106-124.

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gives evidence of a feeling that unions have restricted individuals in their search for jobs and employers in their free choice of prospective employees. Some commentators would have us believe that employers are hampered at every turn with union rules and restrictions in the hiring of employees, in promotion and layoff, and in the setting of wage rates.

And, especially in the widespread controversy over "industry-wide bargaining" since World War II, some individuals and business organizations have expressed serious concern over the role of employers' associations in industrial relations, and there have been proposals to limit or prohibit multi-employer bargaining.¹ It has been charged that such bargaining is monopolistic in nature, interferes with individual initiative, and increases strikes. Leo Wolman quotes with approval the language of a House of Representatives report:

Arrangements by which competing employers combine, voluntarily or involuntarily, to bargain together, and arrangements by which great national and international labor monopolies dictate the terms upon which competing employers must operate seriously undermine our free competitive system. They undermine, also, the rights of the men in the mines and in the shops, who find

¹For brief reviews of these proposals and careful analyses of the problems of multi-employer bargaining, see: Jesse Freidin, The Taft-Hartley Act and Multi-Employer Bargaining (Philadelphia: University of Pennsylvania Press, 1948); Sylvester Garrett and L. Reed Tripp, Management Problems Implicit in Multi-Employer Bargaining (Philadelphia: University of Pennsylvania Press, 1949).

For statements of the position of the National Association of Manufacturers, see: U. S. Senate, Committee on Labor and Public Welfare, 80th Cong., 1st. Sess., Hearings on S. 55 and S. J. Res. 22, Part I; testimony of Ira Mosher, pp. 955-957, and R. Smethurst, pp. 1790-1795 and 1807-1813.

For a summary of the NAM's views and a reply by the San Francisco Employers' Council, see "Statement of Almon E. Roth, President, San Francisco Employers' Council, on the subject of Multi-Employer Bargaining, before the Labor Relations Committee of the National Association of Manufacturers, August 31, 1948" (duplicated, 18 pp.).

their terms of employment determined not according to their circumstances and those of their employers but by arbitrary decisions of the national and international officers.¹

Because the labor market of the San Francisco Bay Area is strongly influenced by unions and employers' associations, we may ask what has been the effect there of these agencies on certain personnel practices: selection; promotion, training, and layoff; and wage administration. Do employers feel that these institutions have significantly restricted the freedom of individual enterprises? Are there differences in the effects felt in various industries?²

¹Leo Wolman, Industry-Wide Bargaining (Irvington-on-Hudson: Foundation for Economic Education, 1948), p. 11 (quoting House Report No. 245 on H.R. 3020).

²This report is based on a survey of 340 private employers in all major industry divisions and at all size levels, with interviews conducted in the San Francisco Bay Area during the first half of 1949 (a period of relatively depressed employment). The sample was stratified so that comparisons could be made among major industry divisions and among size groupings.

Our study did not cover all aspects of union policies or personnel practices, but rather focussed on those policies or practices affecting labor mobility.

With regard to the setting, the San Francisco Bay Area is a large and diversified metropolitan district, with only 19 percent of its employment in manufacturing. The average business unit is relatively small. The degree of unionization is very high, and the average wage and salary level is high, compared to other metropolitan centers of the country.

For further details on the survey and its setting, see F. T. Malin, "Recruiting Patterns and the Functioning of Labor Markets," to be published in the Industrial and Labor Relations Review, Vol. 7, No. 4 (July, 1954).

I. Strength of Unions and Employers' Associations

Earlier investigations have shown that the San Francisco Bay Area is characterized by a high degree of unionization, strong employers' associations, and the use of master contracts in collective bargaining,¹ and these findings are confirmed by the information we secured from firms which participated in our survey (Table 1).

The dominant unions in all major industry divisions are affiliated with the AFL, although in particular individual industries CIO or independent unions are dominant (the UAW-CIO in automobile assembly, the USA-CIO in steel, the ILWU in longshoring, etc.). The following industry divisions have high unionization, with 80 to 100 percent of the employers reporting coverage by union agreements: building and construction; nondurable goods manufacturing; durable goods manufacturing; wholesale trade; and public utilities, transportation, and communication. Substantial unionization, with 50 to 79 percent of employers unionized was found in retail trade and in service and miscellaneous. Only finance, insurance, and real estate could be classified under very low unionization, with less than 20 percent of employers unionized.

The great majority (80 to 100 percent) of firms in wholesale trade and in building and construction were affiliated with employers' associations. Substantial coverage (50 to 79 percent) by such associations was found in: manufacturing (both durable and nondurable goods); and

¹ See: Clark Kerr and Lloyd H. Fisher, "Multiple-Employer Bargaining: The San Francisco Experience," in Insights into Labor Issues, R. A. Lester and J. Shister, eds. (New York: MacMillan, 1948), pp. 25-61; James C. Nix and Laura C. Chase, "Employer Unit in Collective Bargaining," Monthly Labor Review, Vol. 71, No. 6 (December, 1950), p. 696; A. N. Jarrell, "Extent of Unionization in Major Labor Markets, 1951-52," Monthly Labor Review, Vol. 76, No. 1 (January, 1953), pp. 26-29.

TABLE 1
 UNIONIZATION AND EMPLOYERS' ASSOCIATION AFFILIATIONS,
 BY INDUSTRY DIVISIONS

Industry Division	Unionization		Affiliation With Employers' Associations	
	Degree ^a	Principal Union Group	Degree ^a	Principal Employers' Associations ^f
Building and Construction	High	AFL	High	Associated General Contractors and other special industry groups.
Nondurable Goods Manufacturing	High	AFL ^b	Substantial	San Francisco Employers' Council, United Employers, Distributors Association of Northern California, and special groups.
Durable Goods Manufacturing	High	AFL ^c	Substantial	California Metal Trades Association.
Wholesale Trade	High	AFL ^d	High	Distributors Association, San Francisco Employers' Council, United Employers.
Retail Trade	Substantial	AFL	Substantial	San Francisco Retailers Council, and special groups.
Finance, Insurance, and Real Estate	Very Low	AFL	Low	Special groups.
Service and Miscellaneous	Substantial	AFL	Substantial	San Francisco Employers' Council, United Employers', special groups.
Public Utilities, Transportation, and Communication	High	AFL ^e	Substantial	Draymen's Association, Distributors Association, Pacific Maritime Association, and special groups.

(continued on next page)

^a Industry divisions were classified as to degree of unionization (and affiliation with employers' association) on this basis: High, 80 to 100 percent of the firms reported that they were unionized (or affiliated with employers' associations); Substantial, 50 to 79 percent; Low, 20 to 49 percent; and Very Low, 0 to 19 percent.

^b The CIO had representation here with the Oil Workers' International Union.

^c The CIO is represented here with the United Auto Workers in automobile assembly plants, and the United Steelworkers of America in basic steel plants.

^d The warehousemen's locals of the International Longshoremen's and Warehousemen's Union (formerly CIO, now independent) have important coverage in this group.

^e The longshoring locals of the ILWU, the Communications Workers (CIO), and the Railroad Brotherhoods (Ind.) make up the main non-AFL unions in this division.

^f As area associations, the Federated Employers of San Francisco and United Employers, Inc., of Oakland, have membership in nearly all industry divisions. The associations listed in the table are those negotiating and administering important agreements.

public utilities, transportation, and communication. Only finance, insurance, and real estate reported low coverage by associations. It is clear that, on the whole, the employers' associations tend to be most prevalent in the industry divisions that are highly unionized.

Unions in the maritime trades and the skilled crafts of the San Francisco Bay Area were strong even before the turn of the century,¹ but the spread of unionization to other occupational groups came mainly after 1933. One particularly important organizing drive was the "march inland" of the warehouse locals of the ILWU (followed by countermoves of the Teamsters), which brought under union contract not only "warehouses" in the ordinary sense of the word, but also a wide variety of distributing, packaging, and manufacturing establishments. Employers' associations had long been used by waterfront employers as a counterunion device, and in the late 'thirties many of the smaller employers inland found it necessary to organize associations of their own to equalize their bargaining power vis-a-vis the strong unions with which they were confronted. These associations included "industry" associations such as the Distributors' Association of Northern California, the California Metal Trades Association, and others, and "area" associations such as the San Francisco Employers' Council and United Employers, Inc. (of Oakland).²

In January, 1953, the research and coordinating activities of the San Francisco Employers' Council were given separate status as the

¹For a thorough review of this period, see Ira B. Cross, A History of the Labor Movement in California (Berkeley: University of California Press, 1935).

²For a review of these developments by an official of the Employers' Council, see: George O. Bahrs, The San Francisco Employers' Council (Philadelphia: University of Pennsylvania Press, 1948).

Federated Employers of San Francisco. Other associations (such as the Distributors and the California Metal Trades) now maintain memberships with the Federated Employers rather than the Employers' Council; the latter is now primarily an "administrative" association, negotiating and administering several master agreements.¹

The most important master agreements² now negotiated by multi-employer bargaining in the San Francisco Bay Area include these:

1. The Distributors' Association of Northern California, and the warehouse locals of the International Longshoremen's and Warehousemen's Union (ind.).
2. The California Metal Trades Association, and the International Association of Machinists (AFL).
3. The San Francisco Employers' Council, and warehouse locals of the Teamsters (AFL).
4. The Pacific Maritime Association, and various waterfront unions, particularly the ILWU.

These agreements, relatively few in number, affect a substantial number of Bay Area firms and their unionized employees directly, and set the pattern indirectly for other employers and workers as well.

II. Recruitment and Selection

Recruitment.³ -- In contrast to most other studies of the functioning of local labor markets, which have indicated that unions are of relatively

¹Kerr and Fisher classify the administrative association as a sub-type in the older designation, negotiatory association. Clark Kerr and Lloyd H. Fisher, "The Administrative Employers' Association," in Unions, Management and the Public, ed. E. Wight Bakke and Clark Kerr (New York: Harcourt, Brace, 1948), pp. 346-350.

²The list which follows names only what appear to be the most important agreements. Each of the associations mentioned negotiates several contracts in addition to those specified.

³Employers were asked: "From what sources do you normally recruit for the principal groups of jobs within your company?" The responses of employers on recruiting problems are analyzed in greater detail in the article on "Recruiting Patterns" referred to above.

TABLE 2
 PERCENTAGE OF EMPLOYERS WHO REPORTED
 THE USE OF SPECIFIED SOURCES IN
 RECRUITING WORKERS IN FOUR
 OCCUPATION GROUPS

<u>Manual Workers</u> ^b (N = 284)		<u>Clerical Employees</u> (N = 323)	
1. Unions	71%	1. Private Agencies	62%
2. Direct Hiring ("at the gate")	38	2. Public Employment Service ,	55
3. Public Employment Service .	29	3. "Help Wanted" Ads	38
4. "Help Wanted" Ads	20	4. Direct Hiring	31
5. Friends and Relatives	18	5. Friends and Relatives	17
Other Sources	20	6. High Schools, Business Colleges, etc	13
		Other Sources	25

<u>Salespersons</u> (N = 215)		<u>Professional and Managerial Personnel</u> (N = 310)	
1. Direct Hiring	34%	1. From Within	68%
2. From Within	34	2. Friends and Relatives	29
3. "Help Wanted" Ads	26	3. Colleges and Universities.	26
4. Friends and Relatives	23	4. Private Agencies	22
5. Public Employment	21	5. "Help Wanted" Ads	20
6. Private Agencies	20	6. Direct Hiring	14
7. Unions	14	7. Public Employment Service.	11
8. Colleges and Universities.	11	8. Professional Associations and Journals.	10
Other Sources	7	Other Sources	10

^aEmployers could give more than one answer, so that the answers do not add to 100 percent. Only those sources mentioned by at least 10 percent of our sample are reported here.

^bThis classification includes production, operating, construction, maintenance, and warehousing employees.

little importance as a means of placing their members on jobs,¹ 71 percent of the employers in our sample reported that they normally use unions to fill manual jobs, and 14 percent indicated that they do so for sales persons as well (Table 2).² Even in the recruitment of clerical workers, a small minority of firms reported the use of unions and a few firms mentioned unions in connection with the recruitment of professional and managerial personnel.³ The reason for the contrast between Bay Area recruiting patterns and those found in the rest of the country, of course, lies in the degree and type of unionization found in this area. AFL unions predominate in this highly unionized area, and many of the enterprises are small: these two factors combine in many instances to stress the role of the "hiring hall" or more informal channels of union placement

¹ Charles A. Myers and W. Rupert Maclaurin, The Movement of Factory Workers (Cambridge: The Technology Press, and New York: Wiley & Sons, 1943), pp. 39, 43, 47, 53, 73.

Lloyd G. Reynolds, The Structure of Labor Markets (New York: Harper & Bros., 1951), pp. 50, 56, 84.

Charles A. Myers and George P. Shultz, The Dynamics of a Labor Market (New York: Prentice-Hall, 1951), pp. 47, 73.

Murray Edelman et al., Channels of Employment (Urbana: University of Illinois, Institute of Labor and Industrial Relations, 1952), p. 197.

Cf. also Walter D. Scott et al., Personnel Management (fifth edition; New York: McGraw-Hill, 1954), p. 619.

² Some confirmation for our data, based on employers' reports, is found in another Institute study of the Bay Area labor market. Joseph W. Garbarino, in his report on "marginal workers," states: "...it appears that about 60 percent of the union members regularly found employment through their unions." For white male union members, the figure is 73 percent. -- See "The Unemployed Worker during a Period of 'Full' Employment," Appendix D-1 in California State Department of Employment, A Sourcebook on Unemployment Insurance in California (Sacramento: California State Printing Office, 1953), p. 24.

³ For example, air line pilots and ship captains.

as an aid to the horizontal labor mobility¹ which is often so important here.

Employers' associations, on the other hand, have almost no effect on recruitment: only 1 to 2 percent of our sample mentioned using such associations in recruiting for the various types of jobs.

There are, of course, differences among various groups of firms in the use of unions as a means of recruitment. In the building trades, metal trades, and in warehousing and distribution, where workers are highly unionized and hiring halls are strong, there is relatively heavy use of unions in recruiting manual workers. ^{In} certain segments of retail trade, where "inside" salespersons are unionized, there is more frequent use of unions than in recruiting "outside" salespeople by other industry divisions. Larger firms in general are more likely to attract job applicants directly, so that they report less common use of unions in recruiting.

Most employers using unions to locate workers did not feel that unions had a restrictive effect on recruiting. Rather, they seemed to view the hiring hall or other union placement devices as a means of securing access to an organized labor pool; without the hiring hall, it would be quite difficult to recruit workers quickly (especially for jobs of short duration). This attitude was particularly characteristic in the construction industry. In other instances, however, where the hiring

¹ Movement from firm to firm at about the same skill level, as contrasted to vertical mobility which involves movement from level to level within a firm. For further discussion of the nature and importance of this distinction, see Clark Kerr, "The Balkanization of Labor Markets," an article which is scheduled to be published as part of a volume of essays on labor mobility sponsored by the Social Science Research Council.

halls have been established more recently, and where there are some sharp ideological differences between employers and the union, greater freedom in hiring would be preferred. (This seems to be true especially of the ILWU hiring halls in longshoring.)

Selection. -- The effects of unions and employers' associations on selection could appear in the form of job qualifications or specifications imposed by these institutions external to the firm, or in the form of restrictions on qualifications to be considered.¹

Most employers in our sample have not agreed to any job qualifications in their union contracts, nor do they feel that they are restricted by unions in the use of any factors in selection (Figure 1). It is true, of course, that certain limitations do appear -- apprenticeship, the hiring hall, the prohibition of medical examinations, and so on -- but in most instances their effects seem to be relatively minor. In certain trades where there is strong reliance on the hiring hall as a source of labor, the restrictive effect has been more noticeable; this is particularly true in some portions of the maritime trades and in warehousing and distribution.²

About 90 percent of our respondents indicated that employers' associations have no effect on job qualifications (Figure 2). In the other cases, the qualifications "suggested" by associations seem at the most

¹

The questions asked were these:

"In your negotiations with the union, have you agreed to any job qualifications?"

"Does your union agreement prevent you from using some qualifications?"

"Do you follow any job qualifications suggested by an employers' association?"

²

In 1953, the Distributors' Association granted a union shop provision to the Local 10, ILWU, in return for greater freedom for employers in selection. This represents a gain in security for the union at the expense of some of its members.

EFFECTS OF UNIONS ON JOB QUALIFICATIONS

(N = 305)

No union agreement on job qualifications. 59%

Agreement as indicated:

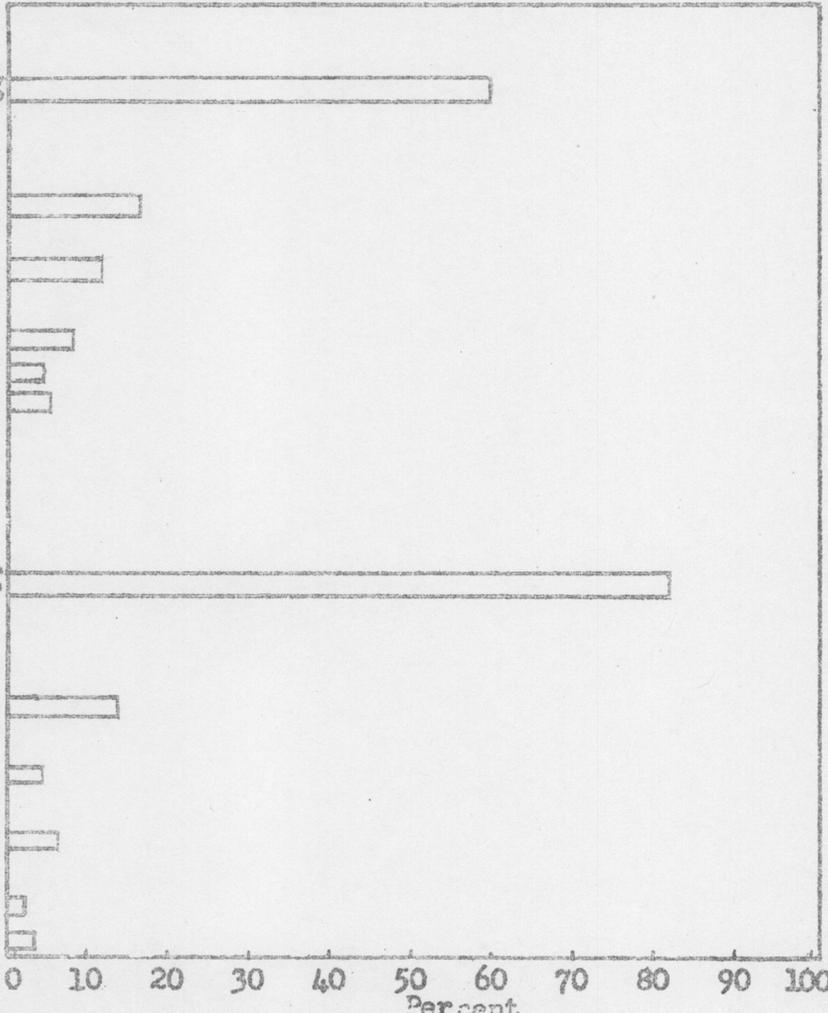
Union membership or permit card required. 17

Job descriptions or specifications in union contract. . . 13

Company relies on union to send out qualified men. 7

Apprenticeship requirement. 4

Not specified. 5



(N = 260)

No union restrictions on job qualifications. 81%

Restrictions as indicated:

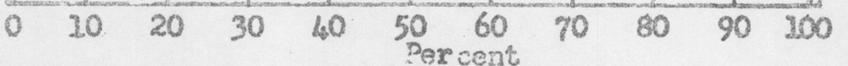
Operation of hiring hall prevents free choice by employer. . . . 12

Men dispatched by union must be given a trial. 4

Employer may not use medical examinations. 6

Employer may not use testing program. 1

Other, and not specified. . . . 3



NOTE: Total is more than 100/ because firms could give more than one response.

Employers' comments:

"The non-discrimination clause is the only qualification." -- Wholesale grocery

"[The union] specifies citizenship, or application for it." -- Bakery

"No discrimination between sexes [is specified in the contract]. Further, for mechanical employees, the union and the firm have agreed to use trade tests in determining fitness for promotion." -- Air line

"The union requires drivers to take a physical examination. If he fails, he is not eligible for the union pension plan." -- Laundry

"No medical examination is given, no qualifications as to physical condition; union agreement." -- General construction firm

"The job breakdown . . . prevents us from using handicapped workers." -- Millinery Co.

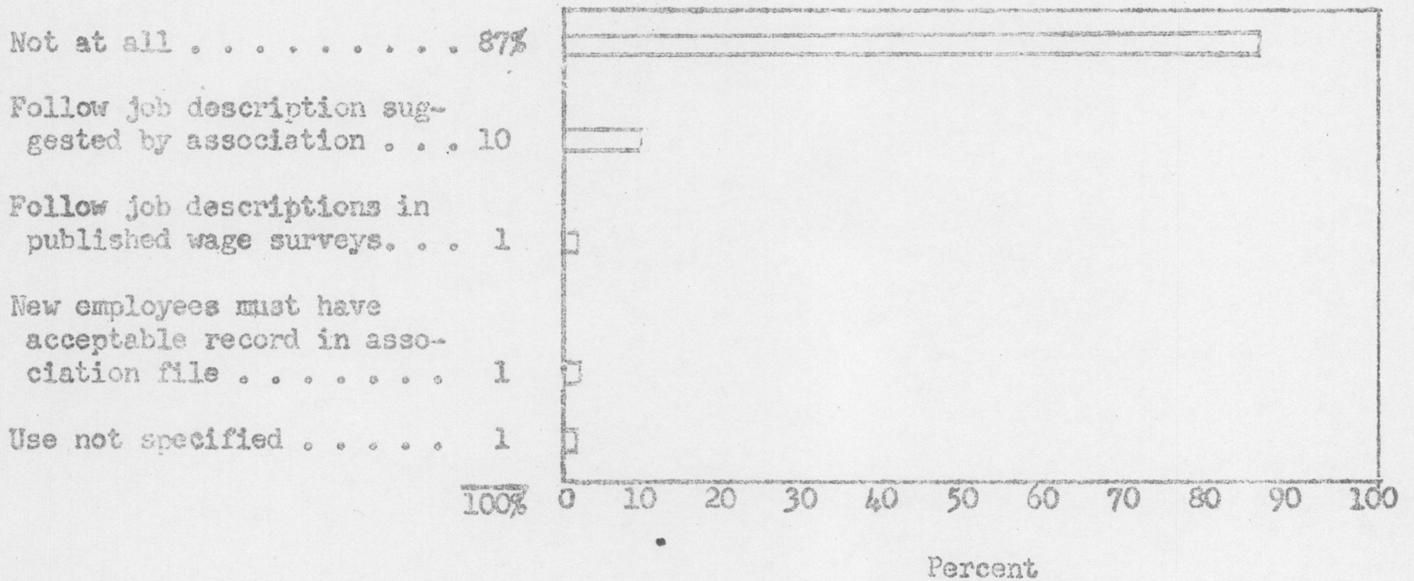
"[The hiring hall] may cause trouble, but as yet has not bothered our operation." -- Meat products distributor

"The firm requires that all personnel other than union people take a medical examination. [Also, the union] prevents the company from building up loyalty to the firm." -- Marine terminal

FIGURE 2

USE OF JOB DESCRIPTIONS OR QUALIFICATIONS SUGGESTED BY EMPLOYERS' ASSOCIATIONS

(N = 332)



Employers' comments:

"Our association has a suggested application form, and we send in a copy to them to check the individual's record." -- Manufacturer

"No, not an employers' association; but the professional associations set certain high standards." -- Certified public accountants

"No, we just use them [the association] for information." -- Structural iron products fabricator

"We follow the qualifications established in the job evaluation plan by the retail merchants council." -- Department store

to be the standardized job descriptions used in a centrally designed or administered wage administration plan or survey, except for the tiny number of cases in which it appeared that an association was maintaining a central file of records against which the names of new applicants might be checked.

III. Seniority Practices and Manpower Utilization

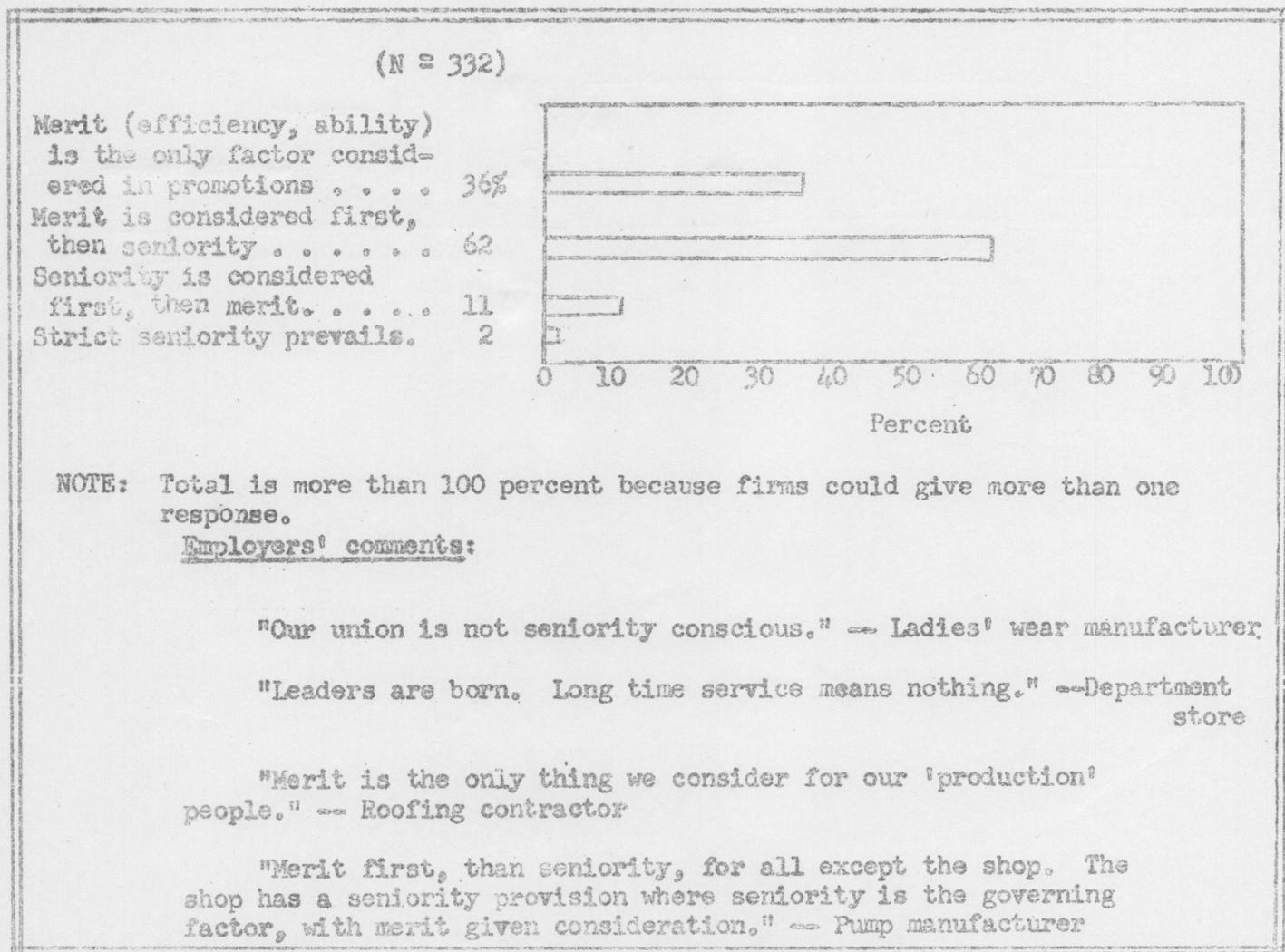
Seniority and Promotion from Within. -- It has been suggested that one important restrictive tendency in modern labor markets is a trend toward increased emphasis on promotion from within, and more use of seniority as a factor in selecting individuals for advancement.¹ If "strict" seniority and promotion from within should actually become dominant, labor mobility would be restricted in that employers would not have free choice in making promotions, and workers with seniority rights would be less likely to change jobs. This would be especially true for workers, if in shifting to other firms they should have to begin again at the bottom of the promotional ladder.

With regard to promotion from within,² most firms reported that they prefer to fill jobs at higher levels by promoting from among their present employees, but a substantial proportion will hire at all levels (Figure 3).

¹Chamberlain, The Union Challenge to Management Control, p. 81.
Reynolds, The Structure of Labor Markets, pp. 45, 54, 83.

²Employers were asked, "Do you commonly hire at all levels, or usually only at the lowest level and promote from within?"

FIGURE 4
SENIORITY AND MERIT IN PROMOTIONS



only if other factors are equal, although 11 percent of the sample indicated that seniority usually is considered first.

The pattern remains much the same in the detailed underlying tabulation comparing the responses by major industry divisions. "Strict seniority" is the least important basis of promotion in all divisions, and "seniority first, then merit" also ranks low throughout. The principal cases in which seniority was clearly established as the primary factor in promotions are found in the union contracts secured from railroads and airlines. Seniority practices have a long history on the railroads, and apparently were applied first in the choice of engines and other job assignments even before unionization.¹ The railway contracts now generally provide for strict application of the seniority principle in the choice of jobs or runs within a seniority unit, and in such promotions as from fireman to engineer. In contrast, the sample of contracts from employers in the construction industry made no reference at all to seniority; obviously, the principle cannot be applied effectively there because of the typical short-term employment relationships.²

Training.³ -- Training programs are useful to employers both in developing candidates for "promotion from within," and in improving performance on jobs currently held. About 70 percent of our sample reported that they employ some kind of nonsupervisory training for their employees, most commonly unplanned or informal on-the-job training (Figure 5). Only

¹ John A. Lapp, How to Handle Problems of Seniority (Deep River, Conn.: National Foremen's Institute, 1946), pp. 7, 170-188.

² Cf. ibid., p. 8.

³ Employers were asked, "Do you have a training program? Of what sort?"

FIGURE 5

USE OF TRAINING PROGRAMS

(N = 337)

For nonsupervisory employees:

No training program at all. .29%

Training program, as indicated:

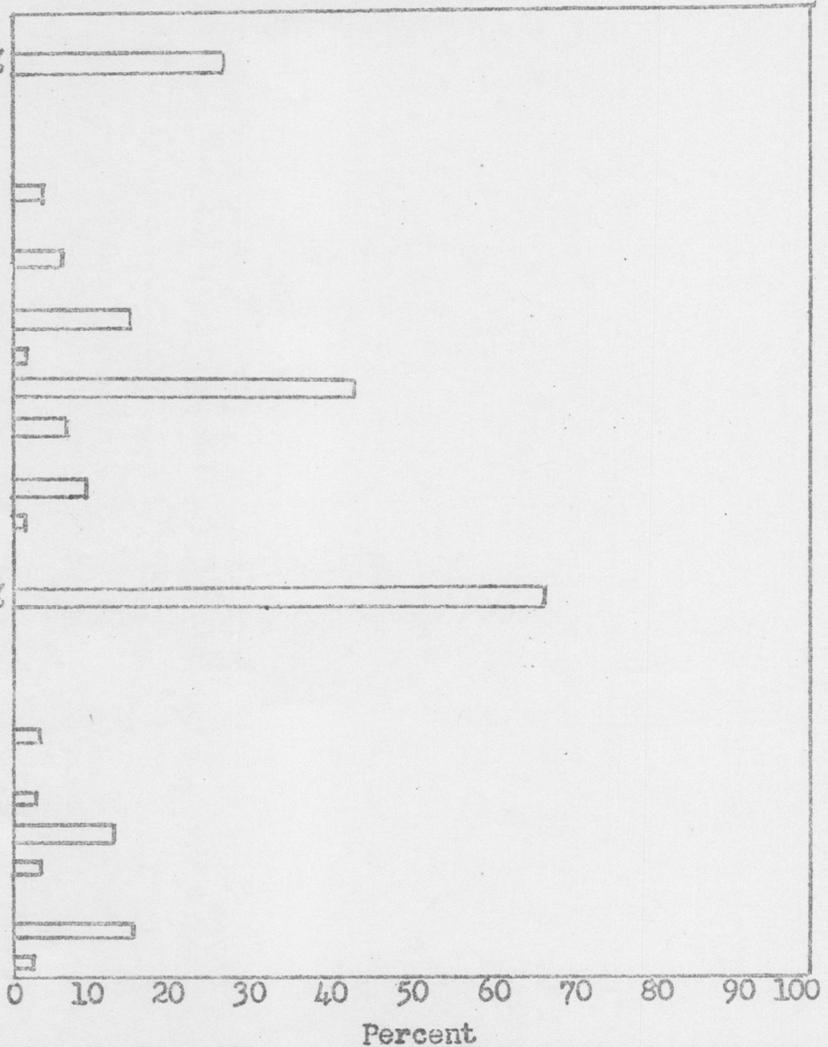
- Vocational schools 4
- Company "vestibule" program (entry level). 7
- Apprenticeship and other union programs. 18
- Home study courses. 1
- Informal on-the-job. 41
- Planned on-the-job. 9
- Company school (beyond entry level). 10
- Not specified. 1

For supervisors:

No training program at all. .65%

Training program, as indicated:

- Outside training (university extensions, etc.). 4
- Company training school for new supervisors. 3
- Informal on-the-job. 13
- Planned on-the-job. 3
- Conference program for present supervisors. 15
- Not specified. 1



NOTE: Total is more than 100 percent because firms could give more than one response.
Employers' comments:

- "Our training school consists of an evening lecture series: explanations and demonstrations, open to all employees. It's on their own time, and not compulsory." -- Steel products distributor
- "We have informal, on-the-job training for our seasonal workers." -- Cannery
- "We use the state apprenticeship training program through the public schools." -- Shipbuilding and repair firm
- "We use both vestibule and on-the-job. All new employees are placed in the main store for training and observation. After a certain period in the main store, they are shifted to the stores where they are needed." -- Food store chain
- "We have a 'management conference' program, which involves monthly meetings of supervisors in all our locations. This is quite valuable to us, both in terms of training these men, and in getting their views on policies and problems." -- Petroleum company
- "There's a foreman's meeting once a month." -- Filter manufacturer
- "No training program of any kind." -- General contractor
- "We have a company school program of merchandise training for supervisory levels; two terms of ten weeks each year." -- Department store

about one third of our respondents registered the use of supervisory training, with conferences and informal on-the-job programs most frequent.

Almost 20 percent of the firms mentioned the use of apprenticeship training, in cooperation with unions and the California State Division of Apprenticeship Standards, and the proportion was much higher in the industry divisions affected by the Building Trades Councils and the Metal Trades Councils of the American Federation of Labor: 60 percent in building and construction, and 45 percent in durable goods manufacturing. So far as we are able to judge from the quality of comments in interviews, the firms affected by apprenticeship consider it a natural solution to the problem of training qualified craftsmen in the skilled trades and do not view it as a restrictive union policy denying them access to prospective employees.

Supervisory training programs in our sample appear most frequently among big enterprises generally, and in certain industry divisions characterized by larger firms (especially in nondurable goods manufacturing, which includes sizable petroleum refiners and food processors). Neither unions nor the ordinary administrative employers' associations have much effect on the training of supervisors, for both these agencies are mainly concerned with the bargaining problems of other employees. Of course, personnel associations (the California Personnel Management Association and the California Training Directors' Association) and other employer groups (such as the American Institute of Banking and the Fire Underwriters' Association of the Pacific) have aided in training executives and supervisors, and the Federated Employers of San Francisco recently has cooperated with some firms on training problems.

In general, however, it appears that there is a real need among most small and medium-sized firms in the San Francisco Bay Area for more effective planning and operation of training programs -- a need that could well be met by employers' associations, possibly working through such established agencies as the University of California Extension and the adult education divisions of local school systems.

Seniority and Layoffs. -- Seniority provisions governing layoffs are more widely accepted than those determining promotion.¹ This contrast in practice is in part a recognition of the value judgment of workers that rights to job retention are built up with longer service, whereas rights to promotions do not so accrue.² Union contracts supplied by the employers in our sample indicate that when layoff policy is mentioned in an agreement, seniority usually is the major determining factor (Figure 6.)³

¹ Lapp, op. cit., p. x; Nix, op. cit.

² Bengtson reports the results of employee attitude surveys in 25 companies, 10 of which were unionized manufacturing plants. His results indicate that about 75 percent of the employees surveyed felt that "promotion and pay increases should be determined by individual merit rating" rather than through length of service. -- Eugene J. Bengtson, "What Workers Think About Merit Rating," Factory Management and Maintenance, Vol. III, No. 2 (February, 1953), pp. 310-312.

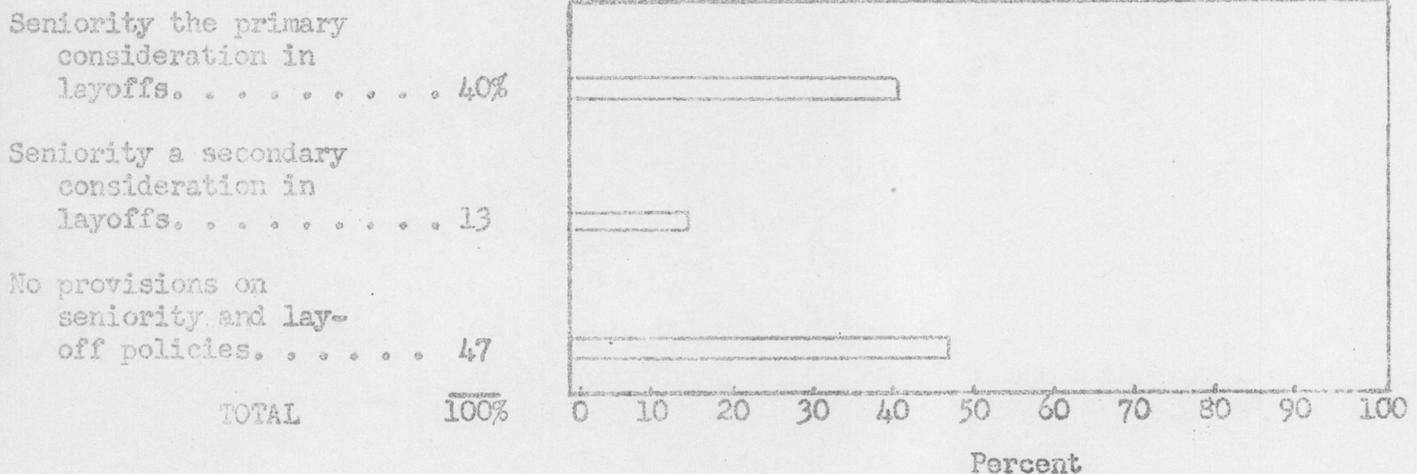
For a union statement questioning seniority as the sole factor in promotions, see Brotherhood of Papermakers (AFL), Labor Unrest and Dissatisfaction (Albany, 1944), pp. 47-50; referred to by Paul Pigors and Charles A. Myers, Personnel Administration (2nd ed.; New York: McGraw-Hill, 1951), p. 208.

³ This tabulation is based on an analysis of 149 separate and distinct collective bargaining agreements collected from our sample of employers, but it was necessary to use an adjusted weighting to compensate for contract coverage. Thus, for example, several contracts for the various crafts on a large railroad were counted as one; and the DANC-ILWU master warehousing contract was given multiple weight because it applied to several firms. In most instances we were unable to secure data on the number of employees covered by these contracts.

FIGURE 6

UNION CONTRACT PROVISIONS ON SENIORITY AS A FACTOR IN LAYOFFS

(N = 149)

Illustrative contract clauses:

"Employer recognizes the principle that length of satisfactory service should be rewarded by proportionate job security and opportunity for promotion . . . as follows: Where merit and ability are approximately equal in the judgment of the Employer, seniority shall govern in all cases of lay-off, rehire, transfer, and promotion." -- Warehouse employer

"Seniority shall be the only consideration in layoffs and rehiring except . . . In special cases employees whose abilities are vital to production but who could not be retained by the application of the seniority principles stated above may be retained in the event of a layoff without regard to seniority." -- Drug products manufacturer

"The employer is obligated to recognize the principle of seniority in laying off or rehiring employees. The principle of seniority shall prevail and control in such layoffs or rehiring where, in the judgment of the employer, merit and ability are equal. In exercising such judgment, the employer is obligated to do so fairly, reasonably, and impartially with full consideration being given to all of the records and further information in the disputed case. The employer is further obligated to take into consideration the relative merit and ability of employees with experience in the type or types of work under discussion and such consideration shall not be limited to the employee in the particular department affected." -- Department store

"In each plant, employees eligible for seniority status shall be divided into two groups as follows: (1) Regular Employees--those who have worked in the plant at least forty weeks during the preceding calendar year. (2) Seasonal Employees--those other than regular employees who have worked in the plant at least 60 per cent of the total number of 'operating days' of said plant during the preceding calendar year....

"In observing seniority principles for filling jobs, rehiring, and layoffs of employees, it is recognized that the company shall be the sole judge of the qualifications of the employee to perform the work available, but it is also recognized that seniority workers are entitled to primary consideration...." -- Cannery

There often are qualifying statements requiring that the more senior employees must be capable of performing the work of the junior persons who are to be "bumped" downward or laid off, and in a few cases there was special provision for regular employees (as compared to seasonal) or for those "whose abilities are vital" for efficient operation of the plant.¹

Substantial differences are found, of course, in the practices of some industry divisions as compared to others. In manufacturing (both durable and nondurable goods), in wholesale trade, and in public utilities, transportation and communication, seniority is usually primary in layoffs. The seniority rule is applied most strictly in the railroad and airlines contracts. In contrast, seniority is unimportant or unmentioned in the agreements from the construction industry and from longshoring.

In many firms, then, seniority is an important factor determining priorities in layoffs and in rehiring. Job transfers or "bumping" required by the seniority rules, especially where the seniority unit is a broad one including many jobs or crafts, may cause a great deal of disruption and inefficiency in operations.² Where such seniority rights exist, there may be a tendency for workers to be restricted in their

¹There are many problems in the operation of seniority programs, including the definition of seniority units, measuring length of service, and others, which cannot be analyzed here. For further discussion, see: Robert L. Aronson, Layoff Policies and Practices (Princeton: Princeton University, Industrial Relations Section, 1950); Frederick H. Harbison, Seniority Policies and Procedures as Developed through Collective Bargaining (Princeton: Princeton University, Industrial Relations Section, 1941); Lapp, op. cit.; Leonard R. Sayles, "Seniority: An Internal Union Problem," Harvard Business Review, Vol. XXX, No. 1 (January-February, 1952), pp. 55-61.

²Daniel Bell, "The Bumpy Road," Fortune, Vol. XLIX, No. 3 (March, 1954), pp. 69-74.

inter-area or inter-firm mobility. Men who have been temporarily released because of lack of work may be reluctant to seek jobs from other firms (either in the same community, or elsewhere), because they expect or hope momentarily to be restored to their jobs.¹ This is particularly true for men with long terms of service and substantial seniority rights in their present employment.

However, it is difficult to form a balanced judgment on the restrictive effects of union-imposed seniority practices in layoffs, for against these restrictions we must offset certain qualifications. It is clear that emphasis on seniority rules is not invariably associated with strong unionism. Some union contracts indicate that seniority is secondary, rather than primary. In construction and in longshoring, industries characterized by a high degree of unionization, union policies have placed relatively little emphasis on seniority, but instead have stressed systems of dispatching to jobs through central hiring halls (which in certain respects improve the mobility of labor in these trades with short-term employment relationships). The union agreements in the construction industry usually make no reference to seniority at all, and it appears from interview comments that the employer ordinarily is free to make his own choice in layoffs. On the other hand, in banks and insurance companies, with low unionization, seniority often plays an important role. It would seem that the recognition of seniority rights tends to develop, with or without unionism, in those industries where

¹This behavior of workers in the current "readjustment" period has been reported in Business Week and elsewhere.

the occupational structures and the employment relationships lend themselves to such policies.

In addition, it is not necessary that all workers have completely unrestricted mobility in order that our labor markets be able to adjust to changing economic conditions. It is necessary only that a marginal number of workers be willing and able to shift away from areas of contracting employment toward those in which employment is expanding. If unemployment is widespread, of course, unimpeded labor mobility cannot by itself create full employment!

On balance, it appears that seniority rules may create pools of workers with restricted mobility, particularly among semiskilled personnel laid off in manufacturing industries and in warehousing and distribution, but in the Bay Area this is offset somewhat by the operation of union hiring halls which help the worker to locate jobs within his trade if any are available. In most other industry divisions, seniority practices in layoffs do not seem to be seriously restrictive, but seniority rules of promotion and layoff in railroading may be excessively strict.

IV. Wage Administration

The San Francisco Bay Area is what may be termed a strongly "institutionalized" labor market, in which wage rates are determined quite largely by a few key bargains negotiated by administrative employers'

associations and by large firms with particularly important unions.¹ It has been argued, especially by Kerr, Fisher, and Ross,² that wage-setting under master agreements is determined by political factors (such as the growth and survival needs of employers' associations and unions), as well as by the usual economic factors: the cost of living, wages in the industry, wages in the area, and ability to pay.

From the viewpoint of individual employers in such a setting, it would seem that wage rates are determined by forces mainly beyond their control and that supply and demand adjust to that wage rate rather than determining it. One of the objectives of our study was to establish whether this was so.

The Wage Market, the Product Market, and the Job Market. -- In attempting to analyze the process of wage determination from the individual employer's point of view, we gathered information on the effects of product competition and labor supply conditions.³

¹Examples of key Bay Area master agreements were mentioned in Section I above.

Pattern-setting national agreements affecting the Bay Area include: the United States Steel Corporation and the United Steelworkers of America (CIO); and the "big three" automobile companies and the United Auto Workers (CIO).

For further discussion of the nature and importance of key wage bargains, see: John T. Dunlop, Wage Determination Under Trade Unions (2nd ed., New York: Augustus M. Kelley, 1950), p. vi; Reynolds, The Structure of Labor Markets, p. 231; Arthur M. Ross, Trade Union Wage Policy (Berkeley and Los Angeles: University of California Press, 1948), pp. 50-74.

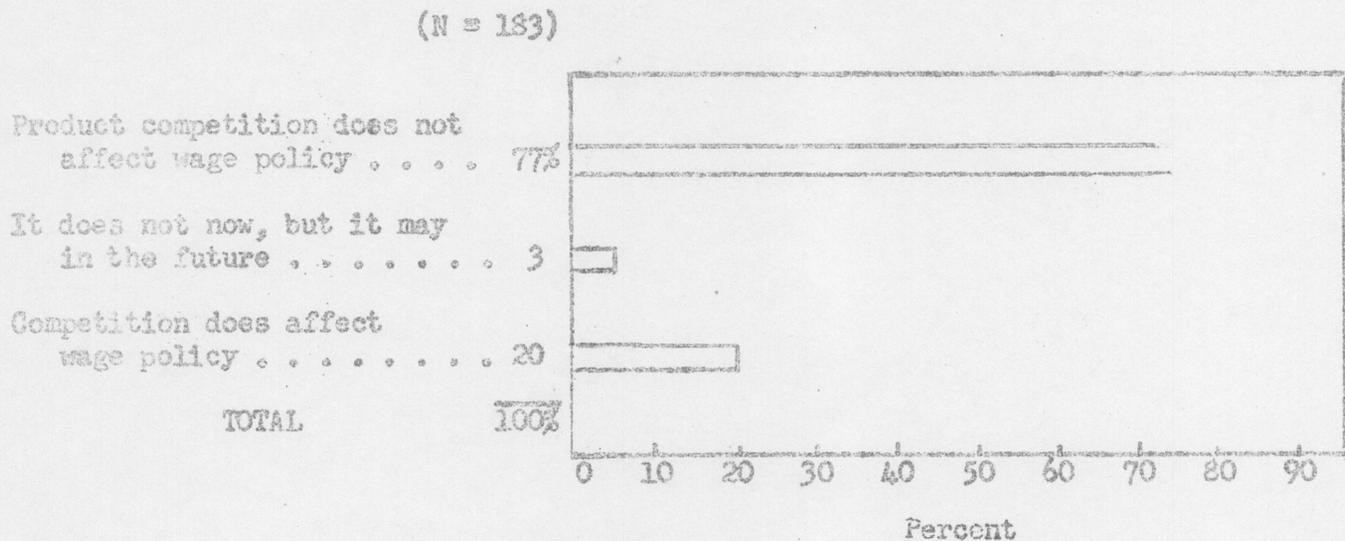
²Clark Kerr and Lloyd H. Fisher, "Multiple-Employer Bargaining: The San Francisco Experience," op. cit., Ross, op. cit., Chap. II.

³Employers were asked: "Does competition in selling your product affect your wage policy?"

"If applicants for jobs are either plentiful or scarce, is this considered in setting wage rates?"

FIGURE 7

THE EFFECT OF PRODUCT COMPETITION ON EMPLOYERS' WAGE POLICIES

Employers' comments:

"No, we are a public utility, and our rate structure is determined by government agencies." -- Warehousing firm

"The ICC governs our rates, so there's not much chance." -- Interstate trucking firm

"Yes, because 85 percent of the candy is produced in the East." -- Candy manufacturer

"We're unable to make certain garments because the cost is too high or the price too low -- shirts, blouses." -- Ladies' wear manufacturer

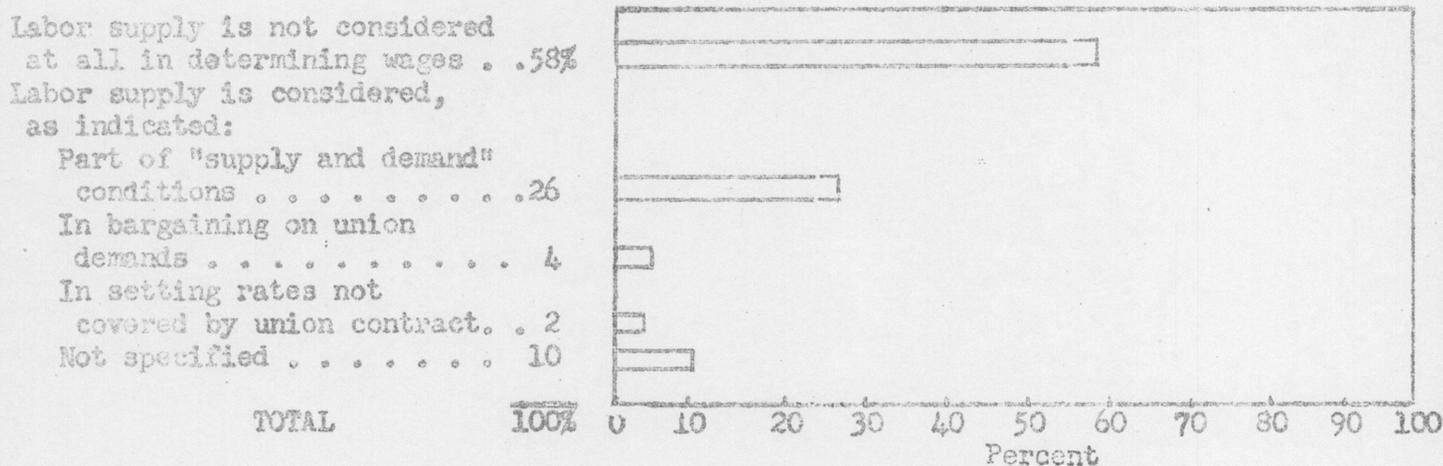
"Competition in selling definitely affects the wage policy. Production workers are under union contract, and these wages are quite uniform. However, all other workers are in overhead cost, and the firm must be very conscious of this overhead cost when bidding on jobs. The vitality of the corporation depends on the success of the bidding, with the result that overhead wage costs are constantly studied." -- General construction firm

"If rates got too far out of line, we'd have to go out of business." -- Roofing contractor

FIGURE 8

EFFECT OF LABOR SUPPLY CONDITIONS ON EMPLOYER WAGE POLICIES

(N = 298)

Employers' comments:

"There is no yes and no answer. For production workers, maybe, but probably not, since rates are based on union negotiation which is in turn based on the cost of living index. With an increased number of applicants, the difference might show up in higher qualified people accepting the rates which have been established all along and less qualified people accepting lower rates." -- Cannery

"Yes, in setting premium rates, but not for the base rates, which are beyond the control of the employer." Food products processing firm

"Labor scarcity might mean we would have to move up higher in the bracket [i.e., the rate range] to get a wage that would attract people." -- Electrical products distributing firm

"Yes, it exerts upward pressure, but not downward. For example, the Ediphone operator rate went higher and higher because there were not enough of them available." -- Insurance company

It has been suggested by wage theorists that the relationship between wage rates and selling prices in most industries is a long and tenuous one,¹ and the opinions of the employers in our sample tend to support this: about three-fourths of them felt that competition in their product markets was something apart from their behavior in the wage market (Figure 7). However, building and construction differed from other major industry divisions in that a significantly higher proportion of firms reported that sales competition did affect wage policy; this is a grouping in which labor costs are a large part of total costs, and also in which bid prices must often be set carefully on each contract in attempting to win jobs. This suggests that if we could isolate for analysis other relatively homogeneous groups of firms in highly competitive industries, we would find other cases in which price policy and wage policy are closely linked.²

With regard to the relationship between the job market and the wage market,³ almost 60 percent of our respondents indicated that labor supply conditions are not considered in setting wage rates (Figure 8). However, several employers pointed out that although the base rate or the rate range is beyond the control of the individual firm, there is the possibility of paying a rate higher than the base or minimum in order to attract or to hold good workers. Under these circumstances, the

¹Ross, op. cit., p. 80; cf. Dunlop, op. cit., pp. 96, 217.

²The size of our sample did not permit any more such groups to be identified.

³For further discussion of the importance of distinguishing between the job market and the wage market, see Clark Kerr, "Labor Markets: Their Character and Consequences," Papers and Proceedings, American Economic Review, Vol. XL, No. 2 (May, 1950), pp. 278-279.

quoted (or nominal) wage rate would remain unchanged while the effective rate would shift with changing conditions in the labor market.

Employers' Associations and Master Agreements.¹ -- About 55 percent of the firms in our sample indicated that their wage rates are affected by master agreements negotiated by employers' associations (Figure 9). Most commonly, these master contracts were said to provide specific rates for individual jobs, without rate ranges, but in almost as many cases the contracts were reported to specify only the minimum or starting rates for various jobs.²

In response to another question probing at the degree of rigidity in wage rates controlled by employers' associations,³ about 35 percent of the firms subject to master agreements replied that they are not

¹Employers were asked these questions:

"Does the employers' association to which you belong affect your wage rates?"

"Does the association negotiate your contract?"

"Does the association negotiate grievances?"

²In nearly all instances where master agreements are effective, they have been drawn up so as to include all individual employers as members of the associations. However, there are a few cases in which the firm follows the association pattern even though it technically is not covered by the master agreement, sometimes signing a similar or identical contract "negotiated" independently.

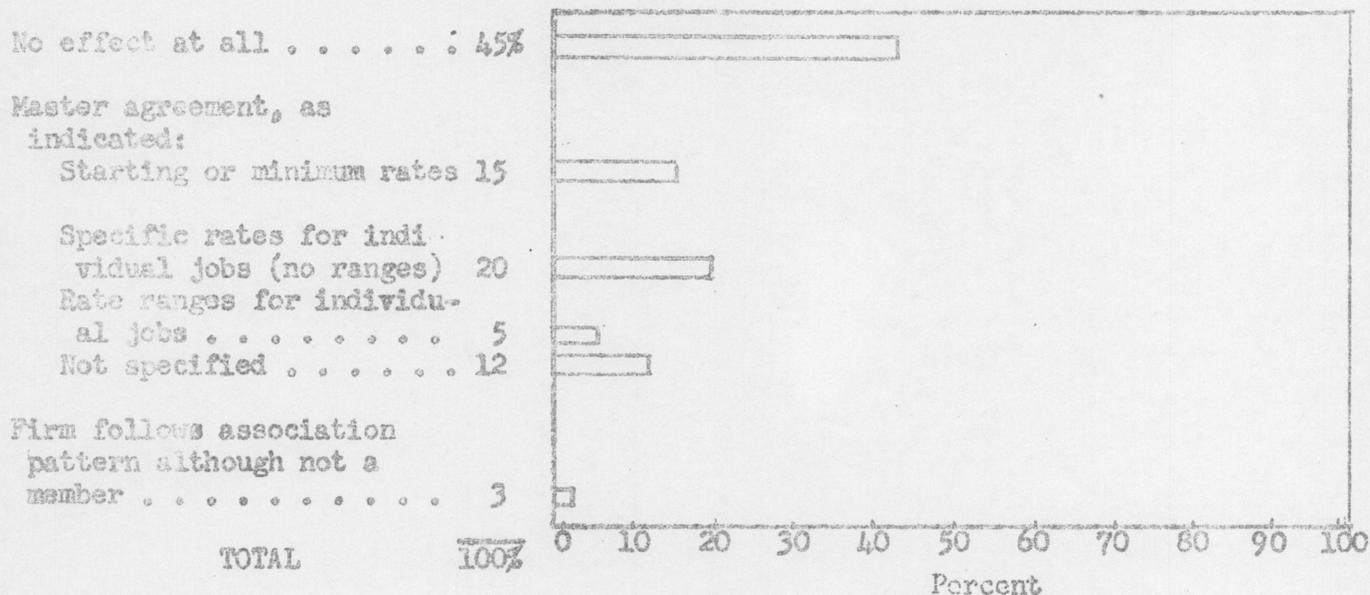
Almost 60 percent of the firms affected by associations indicated that their associations are administrative; that is, the association is charged with the adjustment of grievances, the processing of arbitration cases, and other matters involved in the continuing administration of labor agreements, as well as acting for the firm in the negotiation of the contract. This practice is important when many firms in the associations are weak in bargaining power relative to the unions with which they deal. For the protection of the association as an institution, the right to adjust grievances must be reserved to the association; when this is not done, the concessions which unions secured by "whipsawing" individual firms endanger the structure of the contract.

³Employers were asked, "Are 'premium' or 'personal' rates allowed?"

FIGURE 9

EFFECT OF EMPLOYERS' ASSOCIATIONS ON WAGE RATES

(N = 318)



Employers' comments:

"A minimum wage is set for journeymen, foremen, and permit men." -- Roofing contractor

"No, we are members only for information purposes." -- Soap manufacturer

"The Local 6 [ILMU master contract for warehousemen] rates are minima, but anything over them is discouraged by the association." -- Coffee distributor

"We use rates they recommend through the publication of a survey. We try to pay better than the median." -- Investment house

permitted to pay any "premium" or "personal" rates higher than those specified by the contracts. A few employers reported that such a practice is permitted only for certain special cases:

"We have some 'red circle' rates going to people who were getting more than the standard rates negotiated in the association's first master agreement, back in 1938. They'll get those differentials as long as they're still with us." --
Pharmaceuticals distributor.

A majority of the respondents on this question indicated that premium rates were "allowed," but often with the additional comment that the practice was avoided (either because of the firm's own judgment, or because the association discouraged such rates).

"It's allowed, but we never do it [referring to the payment of wage rates higher than the contract rates], because the union uses it as a lever to get more." -- Hotel

But, even though the quoted wage rate remains fixed during the contract period, other changes may operate. So long as there is some unemployment in the local labor market, as Reynolds has pointed out, it may be possible for the employer to hire additional units of labor of the same quality at the same rate.¹

As we have reported elsewhere, however, employers are likely to change both their recruiting practices and their hiring standards with changes in the tightness of the labor market.² As the labor market tightens and it becomes more difficult to locate qualified personnel, the employer may have to use more expensive techniques of recruiting (as in recruiting over a broader area), and he may have to lower his hiring

¹The Structure of Labor Markets, p. 229.

²See F. T. Malm, "Recruiting Patterns and the Functioning of Labor Markets," op. cit.

standards. As this is done, although the quoted wage rate remains the same, the actual cost per unit of equivalent manpower will rise.

Job Evaluation.¹ -- In contrast to certain other surveys which suggest that systematic job evaluation procedures are typical of present day personnel practices,² only 25 percent of our sample reported that job evaluation plans were in effect (Figure 10). Point plans were mentioned most commonly, with factor comparison ranking next. It is clear that job evaluation is more likely to be employed by larger firms, for there is a sharp increase in the proportions using job evaluation in those size groupings where personnel or industrial relations specialists are likely to be available. Only 4 to 7 percent of very small and small firms report using job evaluation, whereas 23 to 52 percent of medium and large firms do so.

For small and medium-sized firms in this highly unionized labor market area, an orderly and controlled wage structure may best be secured under multiple-employer bargaining; thus, membership in an employers' association and coverage by a master agreement are likely to determine a set of wage rates sufficient in number to cover all or most of the job classifications within the firm.³ However, large firms commonly have more complex occupational structures, with many specialized job

¹Employers were asked, "Is a job evaluation plan in effect?"

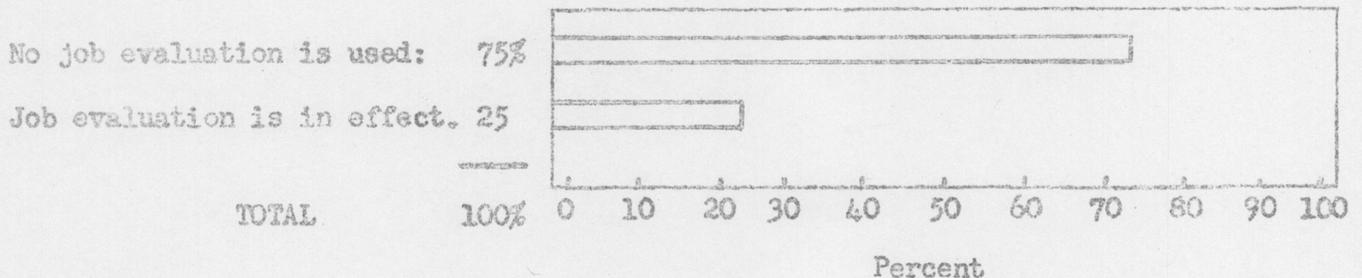
²See, for example, Walter D. Scott et al., Personnel Management (fifth edition, New York: McGraw-Hill, 1954), p. 631; Richard C. Smyth and Matthew J. Murphy, Job Evaluation and Employee Rating (New York: McGraw-Hill, 1946), p. 11.

³In certain instances, associations use some form of job evaluation to prepare for the negotiation of master agreements, so that certain firms under such agreements may be following job evaluation without recognizing it.

FIGURE 10

USE OF JOB EVALUATION PLANS

(N = 318)

Employers' comments:

"Yes, a simplified point system. The company set up the job evaluation plan because it was felt that this was not a matter for joint determination. This is one of the management prerogatives about which we feel quite strongly." -- Food canners and distributors

"The War Labor Board cooperated with us in setting up a plan, and the store still uses it as a basic pattern." -- Supermarket

"None, except maybe the job classifications in the contracts." -- General contractor

"We have a point plan for office help. For the factory, we follow the union specifications." -- Business forms printer

classifications (some unique to the firm). Some of these larger firms find it helpful to use certain master agreement rates as "peg points" or "benchmarks" in wage administration, thus setting "key job" rates which may serve as reference points for other rates which must be determined internally to the firm (because there is little or no market evidence of their value).¹ Job evaluation procedures then are employed to make comparisons between the key job rates and other rates within the firm so that the whole wage and salary structure of the firm will be consistent both internally and in relation to the "going rates" of the labor market area.

Sources of Wage and Salary Information.² -- The interest of employers in learning about "going rates" is indicated by the varied methods and sources of information used to gather wage and salary information (Figure 11). In fact, the comments of some employers emphasizing the importance of "standard practice" and "usual procedure" might lead one to think that no firm ever acts independently to establish a different pattern or level of wages. This is not the actual case, of course, for although these firms and their associations are sometimes checking current conditions carefully so that they may match the practices of other firms, in other cases these reports on "going rates" will be used as a point of departure in determining what their own practices will be.

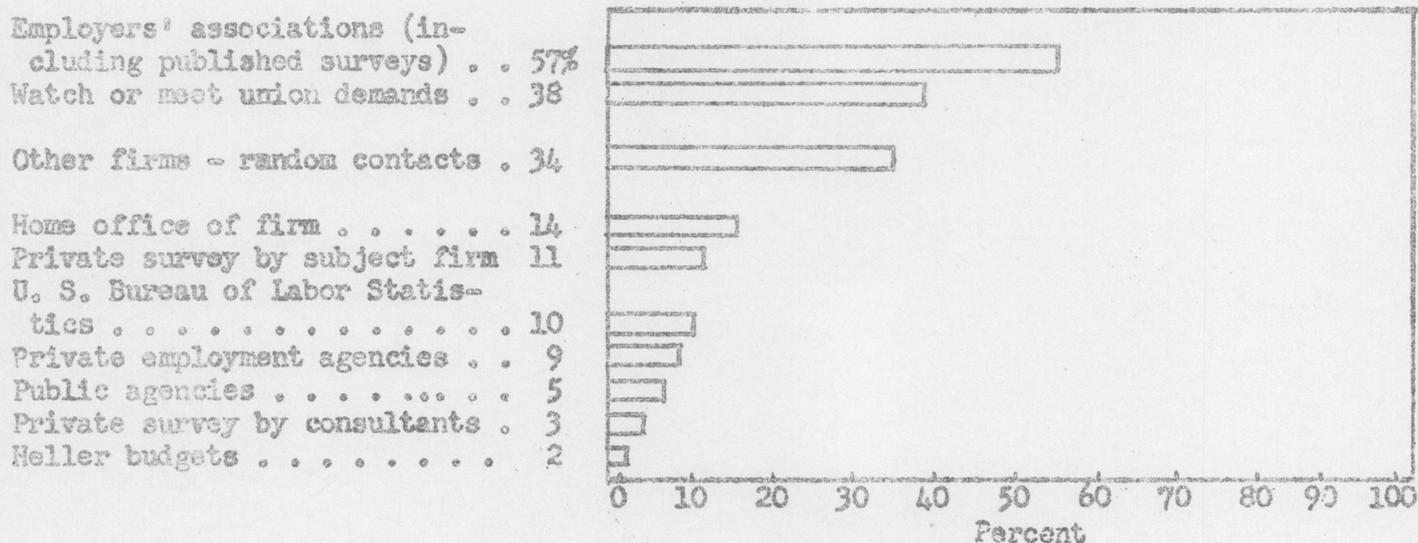
¹The "thinness" of the market for certain job rates, and the consequent use of job evaluation by some firms, has been mentioned by Dunlop, op. cit., p. 215.

²Employers were asked, "Where do you get the information used in setting wage rates?"

FIGURE 11

SOURCES OF WAGE RATE INFORMATION

(N = 331)



NOTE: Total is more than 100 percent because firms could give more than one response.

Employers' comments:

"We watch surveys published by the city, the county, and the state." — Heavy construction firm

"I study a large number of union contracts and 15 union newspapers in the area." — Paper products manufacturer

"We keep an eye on the national pattern of the cost of living, and so on. A wage pattern develops as negotiations are carried on throughout the country." — Steel fabricator

"We get the published wage surveys put out by the San Francisco Employers' Council and others." — Pharmaceuticals distributor

The importance of employers' associations and unions in this labor market area is reaffirmed by the frequency with which they are mentioned here.

The associations which supply wage and salary information include both the regular administrative associations such as the San Francisco Employers' Council, United Employers (of Oakland), the Distributors' Association of Northern California, and certain specialized or semi-professional associations such as the Federated Employers of San Francisco, the California Personnel Management Association, and the California Training Directors' Association. All of these groups hold meetings and conferences at which information is exchanged (sometimes informally), and most of them publish bulletins and are available for telephone or written inquiries.

The watching of union demands is important to many firms; this is sometimes done by observing published reports in newspapers and the labor services, and also by listening to presentations by labor representatives in collective bargaining.

The use of the data published by the United States Bureau of Labor Statistics or otherwise available from government sources was mentioned rather rarely by our sample. Most employers apparently prefer to use the sources of information with which they feel most closely allied, the employers' associations, and feel that in this way they are securing the most up-to-date data arranged and classified to suit their needs.

Unions and the Wage Structure.¹ -- It has been suggested that the policies and political structures of some unions have affected wage structures so that, for example, with the growing influence of semiskilled workers in powerful industrial unions, there has been a flattening of the rate structure caused by wage increases which have been relatively greater for job classifications at the lower end of the wage scale.² However, over 60 percent of the employers in our sample apparently accepted as equitable the rate structures under which they were operating, although a minority vote indicated that certain union rates were felt to be inequitable in one manner or another (Figure 12). Some employers reported that wage rates in the San Francisco Bay Area were so high that they could not operate profitably, although the general feeling among the personnel and industrial relations men whom we interviewed was that Bay Area rates, while being high, were at least standardized to some extent for all employers in the area. In addition, some commented that the quality of labor available here, and the good working and living conditions, make it possible to secure a high level of efficiency which

¹ Employers were asked, "Are any rates out of line due to union pressures or union politics (either internal or inter-union)?"

In wage and salary administration, rates are considered "out of line" if the amounts being paid for certain jobs do not correspond to the relative value of those jobs, which may be determined by various criteria: the pooling of opinions in a job evaluation committee, the negotiation of key job rates in a union contract, a survey of the rate structure in the appropriate labor market area, or the arbitrary judgment of management. Inevitably, the concepts of "relative value" and "out of line" are determined in the final analysis by subjective judgments.

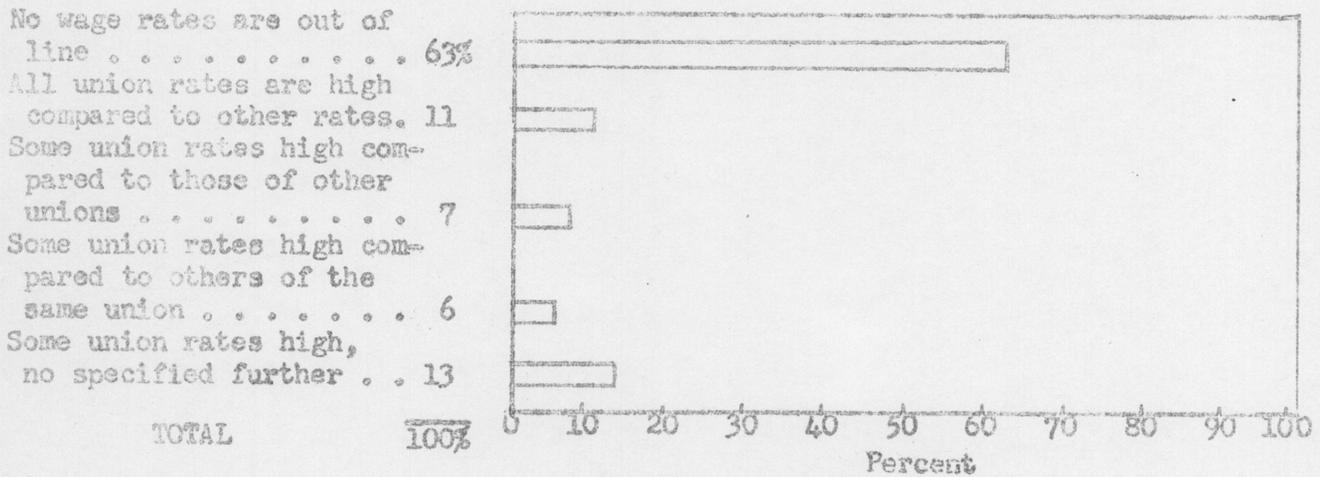
² Harry Ober, "Occupational Wage Differentials, 1907-1947," Monthly Labor Review, Vol. 67, No. 2 (August, 1948), pp. 127-134; see also Richard A. Lester, Labor and Industrial Relations (New York: Macmillan, 1951), pp. 55, 67.

For a discussion of the situation in one industry, see F. T. Malm, "Wage Differentials in Pacific Coast Longshoring," Industrial and Labor Relations Review, Vol. 5, No. 1 (October, 1951), pp. 33-49.

FIGURE 12

WAGE RATES OUT OF LINE DUE TO UNION PRESSURES

(N = 236)



Employers' comments:

"The entire setup is out of line as compared with the beverage industry nationally." -- Soft drink bottling company

"Well, we're closing down this San Francisco operation because the warehouse union has pushed our costs too high." -- Clothing and household goods wholesale house

"I can't think of any." -- Leather goods manufacturer

"In a few specific cases. For example, the delivery boy under the warehousemen's contract makes more than a salesperson, and the elevator operator makes more than people at the call desk. It should be the other way around." -- Men's and boys' clothing store (under contract with several unions)

compensates for the high wage rates as compared to other parts of the country.

V. Conclusions

From our survey of certain major personnel practices in this institutionalized labor market, it is evident that unions and employers' associations generally have had relatively little restrictive effect on employers in their selection, promotion, and layoff practices, although these bargaining agencies have definitely affected the patterns of wage administration.

In recruitment and in the design of job specifications, most employers do not feel that unions have had a restrictive effect, even in highly unionized industries, and the influence of employers' associations has been negligible. A large proportion of firms make use of unions as a means of locating prospective workers, particularly for manual jobs but to some extent also for sales work. The hiring halls and other (informal) means of union placement are seen by the employer as aids to management in securing an adequate labor supply, although it must be pointed out that in certain cases he would prefer a freer hand in recruiting and selecting his employees. This conflict appears especially in those cases where job control through the hiring hall has been a vital issue in union security, and where there are sharp ideological differences between unions and management; the main examples both involve the left-wing International Longshoremen's and Warehousemen's Union -- its longshore locals bargaining with the Pacific Maritime Association, and its warehouse locals bargaining with the Distributors' Association of Northern California.

On promotion and training practices, employers' associations have had negligible effects. Unions affect training programs mainly in the apprenticeship programs of the skilled building trades and metal trades, but again most employers view these practices as an aid to the maintenance and control of the labor supply rather than as having a restrictive effect. Seniority in most instances has not come to be the major influence in determining promotions, even in highly unionized industries. Union seniority practices affect layoffs and rehires in manufacturing and in distribution, but do not seem to cause serious concern generally; at least partly because many firms recognize the seniority principle even when not required to by union contract.

In wage administration, however, the freedom of the individual firm definitely has been restricted by the actions and policies of unions and employers' associations. In most industries of the San Francisco Bay Area, the typical firm is unionized, and many firms have found it desirable to participate in multiple-employer bargaining in order to improve their bargaining power. Unions, of course, normally will not permit employers to pay less than the standard contract rates for those jobs specified in the agreement, and there is a tendency for employers' associations to attempt to prevent pay rates which are higher than the standard. Some employers would prefer to have greater freedom to recognize individual differences.

So far as we can judge from the reports of individual employers, our findings are mainly in accord with the suggestions of Kerr, Reynolds, and others that the short-run labor supply curve is horizontal. In this highly institutionalized labor market area, there is a strong tendency