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EMPLOYER PRACTICES AND LABOR MOBILITY:

A STUDY OF THE SAN FRANCISCO BAY AREA LABOR MARKET

by

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Labor mobility - the ability of workers to change jobs and to move freely from firm to firm, area to area, and industry to industry - is important both for the welfare of the economy as a whole, and for the well-being of individual workers. Effective operation of our economic system is dependent to a great extent on the ability of the labor force to adjust to changing conditions;¹ and the interests of workers as individuals are involved, because it is ordinarily through free access to employment opportunities that they win the economic returns and the psychological rewards associated with being job-holders and income receivers.

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The present paper is one of a number of Institute studies focusing on various aspects of the San Francisco Bay Area labor market. The others include several studies 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.

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Several recent books have analyzed the functioning of local labor markets, particularly: the Fitchburg monograph of Myers and MacLaurin; the New Haven report by Reynolds; and the Nashua project of Myers and Shultz.² These studies, which were concerned mainly with factory workers and large manufacturing firms, have stressed the importance of certain restrictive practices: the prevalence of seniority rules and promotion from within, the existence of "gentlemen's agreements" to avoid labor piracy, and others. However, these reports have attached relatively little importance to other institutional factors affecting labor mobility, particularly the influence of unions, private employment agencies, and the public employment service as placement channels in the job market.

Are the practices discovered in New England labor markets indicative of the characteristics to be expected elsewhere, or do labor market patterns vary with local circumstances? Is the mobility of workers generally impeded by gentlemen's agreements, by seniority rules, and by promotion from within? Which recruiting channels are used by employers to fill various types of jobs, and what worker characteristics are considered in hiring? Are the patterns similar for all firms, or do they vary with size and industry characteristics?

A recent survey of employers in the San Francisco Bay Area sheds additional light on some of these problems of labor mobility, and it should be of particular interest because of the highly institutionalized character of this area where unions, employers' associations, and some large firms have substantial influence on the operations of the labor market. The major objectives of this field project were to analyze the nature and effect of employer practices affecting labor mobility in the San Francisco

Bay Area, and to learn something about the impact of strong unions and employers' associations on the job market.

The method chosen was an interview survey covering 340 private employers, with contacts stratified by industry division, size of establishment, and location within the Bay Area.³ The sample was planned so that the number of employing units included in each major industry division was proportional to the number of persons actually employed in each division.⁴ The interview schedule included questions on recruitment, selection, training and promotion, and wage administration.

This paper summarizes the major findings and certain conclusions from our study of employer personnel and industrial relations practices, together with some comparisons with the reports of other local labor market studies.⁵ We begin by describing briefly some important characteristics of the Bay Area labor market.

I. Some Characteristics of the San Francisco Bay Area Labor Market

In its size, degree of industrialization, average size of establishments, unionization and multi-employer bargaining, and level of wage rates, the San Francisco Bay Area differs from most of the other local labor markets in which studies focussing on employer policies and practices have been made.

The City of San Francisco is the focal point of a large and diversified metropolitan area, which includes the cities of Oakland, Berkeley, Richmond, Alameda, San Leandro, Hayward, and other communities, most of them within a radius of about 15 miles. The population of the San Francisco-Oakland Standard Metropolitan Area⁶ numbered 2,240,767 in 1950, in contrast to Fitchburg (42,691), New Haven (264,622), and Nashua (34,669).

Despite increasing industrialization in recent years, in 1950 the San Francisco Bay Area had only 19 per cent of its employment in manufacturing, a proportion which is relatively low compared to other major metropolitan areas such as Boston (29 per cent), Chicago (38 per cent), Detroit (47 per cent), Los Angeles (24 per cent), New York (30 per cent), and Philadelphia (36 per cent).⁷ The other labor market studies mentioned above reported the proportion of employment in manufacturing to be: in Fitchburg, 56 per cent; New Haven, 39 per cent; and Nashua, 59 per cent.

The typical firm in the San Francisco Bay Area is small, and there are relatively fewer large-scale employing units than are found in some of the major cities of the East and the Midwest.⁸ In manufacturing, the average number of workers per establishment in 1947 was only 45--among the very smallest for the major metropolitan centers of the country.⁹ (In trade and service, the average size of establishments does not vary much from one metropolitan area to another.)¹⁰ In the other labor market study areas, the average number of workers per manufacturing establishment in 1947 was: Fitchburg, 114; New Haven, 72; and Nashua, 161.¹¹

With regard to collective bargaining, the San Francisco Bay Area is characterized by a very high degree of unionization, strong employers' associations, and the use of master contracts in collective bargaining.¹² The more important unions are affiliated with the AFL, except in a few instances where CIO (steel, autos) or independent unions (longshoring, railroads) are dominant. In contrast, Fitchburg and New Haven were very lightly unionized, although unionization was high in Nashua.

Finally, the levels of wages and salaries in the Bay Area, although of course varying from one industry division to another, are generally among the highest for all the major labor markets of the United States.¹³

II. Findings of the Bay Area Study

Because it is impossible to report in detail here on all the personnel and industrial relations practices as we found them in the various industry divisions and size groupings, we can only highlight our major findings under the following headings: (1) the stratification of the labor market, (2) the relationships between wage determination and product markets and job markets, (3) the influence of size and industry, and (4) the effect of unions and employers' associations.

1. The Stratified Job Market: As with other local labor markets, the San Francisco Bay Area constitutes not one labor market but many, set off into parts or submarkets by certain boundary lines--boundaries which are neither sharp nor impossible to traverse, but which resemble resistance zones making it more difficult for workers to shift in some directions than in others.¹⁴ These submarkets have significance, of course, in that if the local labor market area is subdivided, rather than comprising a single relatively homogeneous unit, it may be necessary for some purposes to analyze the supply and demand for labor in each of several "compartments," rather than considering the area as a whole. Thinking of the region as a unit may give a false impression of the functioning of the Bay Area labor markets. Persons do not move freely throughout the whole area, nor are wage rates determined for this area simultaneously. People move within sectors of the area, and wage rates are negotiated or determined to some extent independently for particular segments of the market (sometimes over a very wide area beyond the local labor market, as when a national agreement is signed by General Motors and the UAW).

From the point of view of employer practices, the stratification takes several forms: the market is stratified (a) occupationally, (b) industrially, (c) geographically, and (d) by the social characteristics of workers (particularly their age, sex, and race). Concerning occupational factors, it is notable that different sources or means of recruitment are used by San Francisco Bay Area employers to fill various types of jobs (Table 1). Unions serve to place production or operating personnel (particularly in certain trades or crafts -- the building trades, warehousing, and longshoring),¹⁵ while clerical workers are most commonly found through private employment agencies, which long have specialized in filling jobs of this sort.¹⁶ For both these groups, the public employment service is important as a secondary source.¹⁷ Managerial positions are most often filled from within, particularly in larger firms which have greater internal labor pools on which to draw. It may be noted here that workers at all occupational levels in the Oakland labor mobility study reported finding jobs through friends and relatives far more often than employers reported so filling openings, so that we may suspect that many candidates who seem to turn up independently "at the gate" are actually following leads picked up from friends, relatives, or casual acquaintances.

With regard to industrial factors in stratification, most employers in our sample reported that they prefer applicants with experience in the same industry or line of work, although when questioned further they usually admitted that it was the specific occupational background rather than the general industrial experience which is more important. The two kinds of experience are often interrelated, in that certain tasks, tools,

TABLE 1. PERCENTAGE OF EMPLOYERS USING CERTAIN SOURCES
IN RECRUITING SPECIFIED TYPES OF WORKERS^a

<p><u>Production Workers^b</u> (N = 284)^c</p> <ol style="list-style-type: none"> 1. Unions 71% 2. Direct Hiring ("at the gate") 38 3. Public Employment Service 29 4. "Help Wanted" Ads 20 5. Friends and Relatives 18 Other Sources 20 	<p><u>Clerical Employees</u> (N = 323)</p> <ol style="list-style-type: none"> 1. Private Agencies 62% 2. Public Employment Service 55 3. "Help Wanted" Ads 39 4. Direct Hiring 31 5. Friends and Relatives 17 6. High Schools, Business Colleges, etc. 13 Other Sources 25
<p><u>Sales Persons</u> (N = 215)</p> <ol style="list-style-type: none"> 1. Direct Hiring 34% 2. From Within 34 3. "Help Wanted" Ads 26 4. Friends and Relatives 23 5. Public Employment Service 21 6. Private Agencies 20 7. Unions 14 8. Colleges and Universities 11 Other Sources 7 	<p><u>Professional and Managerial Personnel</u> (N = 310)</p> <ol style="list-style-type: none"> 1. From Within 68% 2. Friends and Relatives 29 3. Colleges and Universities 26 4. Private Agencies 22 5. "Help Wanted" Ads 20 6. Direct Hiring 14 7. Public Employment Service 11 8. Professional Associations and Journals 10 Other Sources 10

^aEmployers were asked, "From what sources do you normally recruit. . .?" and they could give more than one answer, so that the answers do not add to 100 per cent. Only those sources mentioned by at least 10 per cent of our sample are reported here.

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

^cIn all tables, "N" refers to the base on which percentages were computed; i.e., the number of firms responding.

and materials (the components of job skills) are most characteristic of certain industrial situations (obvious examples include the construction crafts in Building & Construction and the foundry workers and machinists in Durable Manufacturing). In general, however, the occupational factor is probably the more important, for there are many skills which can be transferred across industry lines (for example, typing and other office routines, certain kinds of selling, much building service and mechanical maintenance work, and so on).

As to geographical boundaries, it is clear that the great bulk of recruiting activity takes place within a relatively restricted area: almost entirely within a 50-mile radius (Table 2). Bay Area employers are similar to those in other areas in their tendency to hire locally.¹⁸ However, recruiting effort is proportionate to the need, and is often adjusted to changing conditions in the market; production workers and clerks usually are hired at the plant or office, but junior executives may be sought as far away as Harvard or M.I.T.

In the San Francisco Bay Area as in other local labor markets, certain social characteristics of workers -- age, sex, and race -- have a strong and often a determining influence on their job opportunities.¹⁹ About three-fifths of the employers we interviewed preferred or specified that job candidates be less than 45 years old.²⁰ In most firms, women are limited to certain kinds of work (usually clerical, but also semiskilled production or operating jobs in manufacturing plants and others), and find it quite difficult to break into other fields even though they may possess some real competence or ability.²¹ Some employers clearly discriminate against certain minority groups: most severely against nonwhites

TABLE 2. PERCENTAGE OF EMPLOYERS
RECRUITING WITHIN CERTAIN
AREAS FOR SPECIFIED TYPES
OF EMPLOYEES

	Production Workers (N = 279)	Clerical Employees (N = 322)	Sales Persons (N = 218)	Professional and Managerial Personnel (N = 291)
Within the Metropolitan Industrial Area or 50 Mile Radius	93 %	96 %	90 %	73 %
Throughout California or Nationally	7	4	10	27
TOTAL	100 %	100 %	100 %	100 %

(particularly Negroes, but also those of Oriental descent, and those who are Mexican nationals),²² and to some extent against Jews. These employment patterns related to age, sex, and race are partially the result of prejudice, but they also follow from predominantly haphazard and unplanned methods of setting job specifications. The officials in charge of hiring reported most commonly to us that they relied on "experience" or on the requests of supervisors for whom a job was being filled. Determination of job specifications through systematic job analysis and validation of hiring predictions against success on the job were characteristic only of large, well-managed firms.

Some employers, in considering candidates for jobs, are concerned with the "pooling of judgments" made on an individual in his whole career in the labor market, and conceivably even before entry into the marketplace.²³ The individual employer, unsure of his ability to "size up" an applicant completely in the relatively short time involved in the selection process, is interested in supplementing his own opinion by reference to other decisions or experiences attached to the candidate. The interviewer is able to find some help in such items as these: (1) The current feelings of other employers on the desirability of the worker as a prospective employee, as indicated by the length of time he has been out of work, and his explanation for unemployment. A worker's chance of securing a job is likely to diminish as his period of unemployment grows longer.²⁴ (2) The worker's current value on the labor market, as indicated by his past earnings, and his current earnings expectations. Particularly in certain low-wage industry divisions, some employers mentioned that wage history is considered in order to avoid "comedowns" --- that is, the problems

encountered when a man has to readjust from a high earnings level to a low one.

The evidence reported here is consistent with certain data obtained from workers in the Oakland labor mobility study. It was found there, for example, that in some occupational groups the worker's first job is a fairly good predictor of his whole career pattern: a person who starts his career in manual employment is likely to stay in work of that sort, although many who start as unskilled workers are able to move up to semiskilled or skilled jobs, and so on; and one who begins in clerical work, or in professional employment, is likely to continue in the same field. Kerr has pointed out that the man who enters a large firm as an unskilled youth may well experience most of his mobility vertically within that firm, while another who works his way into a craft union which controls certain jobs of an area may move horizontally at a given skill level from one firm to another.²⁵

Other factors restricting labor mobility emphasized in other studies of local labor markets--- the prevalence of gentlemen's agreements to avoid labor piracy,²⁶ and the importance of seniority and promotion from within²⁷--- were not found to dominate the San Francisco Bay Area. Most of the employers in our sample indicated that they would hire persons who were already working elsewhere, either without question, or on condition that the applicant give reasonable notice to his present employer (Table 3). A very small minority of our subjects commented that they would "go anywhere to get a man we want." The difference in practices for our sample as compared to other studies of employer policies is probably due to the relative size of the communities. The San Francisco Bay Area is

TABLE 3. CONSIDERATION OF APPLICANTS ALREADY
EMPLOYED ELSEWHERE

(N = 326)

	Percentage
Employers who do not hire applicants already employed elsewhere	35
Employers who do hire applicants already employed elsewhere, under these conditions:	
Will hire anyone who asks for a job. . .	15
Will go anywhere to get a needed man . .	7
If there is a good reason for leaving the present employer	10
Applicant must give adequate notice to present employer	12
Present employer must give "release" . .	11
Except from employers in the same industry or area	4
No restrictions specified	43

NOTE: Percentages add to more than 100% because
employers could give more than one response.

quite large and diversified as compared to Fitchburg and New Haven, and most employers here are not likely to be in as close contact with one another as in smaller communities; although we have noticed that in some instances there are quite close and cooperative relationships among certain employers in the same industry or in the same immediate area, another aspect of the partitioning of labor markets. Communication among employers on labor supply conditions is most effective within restricted industry or area segments of the market. In one particular outlying district of the San Francisco Bay Area, several large employers do seem to observe a "gentlemen's agreement."

Promotion from within was favored by a majority of the firms in our sample, but many respondents stated that they would hire at all levels to fill certain jobs, or that they were forced to do so because they could not find promotable manpower within their own organizations. Their statements also indicated that in fact little was done to make effective their "policies" of promotion from within. Job posting or other means to inform employees about promotion opportunities were rarely utilized, and planned training programs (even on-the-job programs of the simplest sort) were relatively scarce. In general, the practice of promotion from within is applied mainly to ^{supervisory and} managerial personnel in large firms, and although it has some application in other job groups, on balance it seems to be a restrictive factor of somewhat minor importance.

If seniority should be the dominant factor in promotions, labor mobility would be restricted in that employers would not have free choice in making job assignments, and workers with accumulated seniority rights might be less likely to change jobs. Actually, an overwhelming majority

of our sample indicated that "merit" or "ability" is usually the determining factor in promotions, rather than length of service (Table 4). The pattern is much the same in all major industry divisions in our sample, regardless of the degree of unionization.²⁸ "Strict seniority" (Col. 2) is the least commonly reported practice, and "seniority first, then merit" (Col. 3) is also relatively rare. "Merit first, then seniority" (Col. 4) is the predominant practice for most of our groupings, although "merit only" ranks high in Building & Construction (with high unionization) and in Retail Trade (with substantial unionization).

2. The Job Market in Relation to Product Markets and Wage Determination: Although some businessmen recognize interrelationships among product markets, wage markets, and job markets, the opinions of most employers in our sample support the notion that these markets may function quite independently, or with rather weak linkages between each and the others. About three-fourths of our respondents indicated that competition in selling their products or services does not affect their wage policy, although there were differences from one industry division to another. More than half of the firms indicated that the supply and demand of labor were not considered in setting wage rates.²⁹ Most of the key rates, particularly for unionized workers, are set by master contracts in which the supply and demand for labor are only two of several factors considered, and probably not even the most important.

In this highly organized or institutionalized labor market, so far as most individual employers are concerned, the key wage rates result from the bargaining process, and the supply and demand for labor then adjust to those rates, rather than determining them.³⁰ Firms tend to raise

TABLE 4. SENIORITY AND MERIT AS FACTORS IN PROMOTION PRACTICES,
BY INDUSTRY DIVISIONS AND SIZE GROUPINGS

Column	Base (1)	Strict Seniority (3)	Seniority First, Then Merit (4)	Merit First, Then Seniority (5)	Merit Only (6)
TOTAL, ALL FIRMS	332	2 %	11 %	62 %	36 %
INDUSTRY DIVISIONS					
Building & Construction	26		4	50	50
Non-durable Manufacturing	54	2	19	63	41
Durable Manufacturing	43	2	19	74	28
Wholesale Trade	41	7	10	56	41
Retail Trade	48	2		48	50
Finance, Insurance, & Real Estate	36			83	17
Service & Miscellaneous	45		2	67	33
Public Utilities, Transpor- tation, & Communications	39	3	15	67	23

horizontally

NOTE: Percentages may add to more than 100% because firms could give more than one response, particularly as applied to different groups of employees (unionized v. nonunionized).

their selection standards when workers are easy to find, and conversely become less selective as the market tightens (Table 5). Recruiting techniques are modified too; when workers are easy to find, they are hired "at the gate," at the very site of the plant. When they are hard to locate, labor scouts may be sent out to scour the countryside (Table 6).³¹ The effect on the supply curve for labor is this: the quoted or administered wage rate gives a horizontal supply curve, as Reynolds has suggested, within the range that additional workers of about the same quality may be hired within a given area. Beyond that point, although the quoted rate is unchanged, the effective supply curve (for equivalent units of manpower) would rise because of the lowered hiring standards and the additional recruiting costs.

3. Size and Industry as Factors Affecting Personnel Policies:

(a) Size: The size of a firm, both in absolute terms and relative to other firms in the labor market, definitely affects certain of its personnel and industrial relations problems, and the solutions which it works out to these problems. Larger firms simply are more "visible," in that they are likely to be better known and more prominent in a community. (It is true that a small firm which advertises very intensively, or which produces a common consumer good with a well-known brand name, might be better known than a larger firm which produces an industrial commodity unadvertised to the general public, but such cases are unusual.) The effect of this "visibility" is twofold: (1) Larger firms attract more job applicants through direct hiring, and so need to rely relatively less on unions, employment agencies, and other placement channels in order to recruit workers. (2) The "public relations" or "community

TABLE 5. CHANGING OF EMPLOYERS' HIRING STANDARDS
WITH THE TIGHTNESS OF THE LABOR MARKET

(N = 217)

	Percentage
Employers reporting no change in hiring standards .	15
Employers raising their standards when the market is "loose," and lowering them when the market is "tight".	85
TOTAL	100 %

TABLE 6. CHANGES OF RECRUITING PRACTICE WITH
THE TIGHTNESS OF THE LABOR MARKET

(N = 263)

	Percentage
Employers reporting no change in recruiting practice	49
Employers reporting some change	51
Use different means of recruiting.... 38	
Use different areas in recruiting.... 22	
TOTAL	100 %

NOTE: The figures reported for "different means" (38%) and "different areas" (22%) do not add to the subtotal for "some change" (51%) because some employers mentioned both types of changes.

relations" effects of personnel and industrial relations policies may be considered somewhat more carefully, so that the large firm, for example, is less likely to say that it is unwilling to hire such minority groups as Negroes, Orientals, or Jews.

Another factor related to size is the internal job structure of the firm. There are more possibilities for transfer and promotion in the large firm, more possibilities for succession and advancement from one job to another. Following from this, there is a tendency to think more in terms of hiring at lower levels and promoting from within, justified partly by reference to morale, and partly by the needs for training and experience. Larger firms think of the hiring process more in terms of career decisions for the applicants, looking toward relatively long job tenure.

Still another factor related to size is found in the complexity of the work process and the organization structure of larger firms. As a company grows in size, tasks can be subdivided and grouped to gain the advantages of specialization.³² A procedure or technique which might have been impossible or inadvisable in a smaller firm may become feasible or advisable in the larger enterprise. A personnel technician in the big company may be able to use tests and carefully scored application blanks in his selection procedure, while the office manager in a small firm may be unable to do more than give the applicant a cursory interview. In large firms, procedures generally are more formalized, more technical; they more commonly use job analysis, testing, planned training programs, job evaluation as a method of wage-setting, and so on.

(b) Industry: The products and processes, and the goods and services with which a firm deals have a significant influence on its industrial relations problems and practices, although this may not be entirely independent of size. In petroleum refining and in public utilities, the nature of the processes gives some substantial advantages to the larger firm, and the typical firms in these industry groupings are rather large; on the other hand, in retailing, in service, and in the construction trades, the lesser firm seems to be able to operate quite successfully, and the average firm size here is smaller.

The effects of industrial affiliation may be felt in terms of the processes and skills, and thus in the kind of work force which is required by the firm in order to carry on its activities. The company operating with some of the traditional crafts and skills, particularly those acquired through apprenticeship, is likely to accept the union as a means of access to the labor supply, as in the metal trades and the construction trades. The employer making use of semiskilled workers who can learn their jobs in a relatively short period of time, or with jobs specialized to the individual firm, may prefer to maintain control over the hiring process, possibly developing the necessary skills and abilities through training and experience in the firm itself (as in warehousing or in the automobile assembly plants using mainly semiskilled workers).

And, despite the comments of employers mentioned earlier, the competitive situation in the industry and the traditional wage structure may be related to problems in recruiting and promotion. In retailing, particularly, there is a rather high degree of sales competition, and the salaries offered for the ordinary sales force have been relatively low.

The skill and experience requirements for much of the selling work also appear to be rather low, and a large part of the sales force in many establishments can be hired on a part-time or temporary basis. Even the permanent employees among the sales force may not be of the caliber desired for executive and supervisory jobs, so that in order to secure managerial material some of these firms have turned to specialized recruiting and training programs which are not open to the average sales applicant.

Problems of unionization are also related to the industry position of the firm, since so many union jurisdictions are related either explicitly to industrial classifications, or to job skills or classifications found particularly in certain industries.

4. Unions and Employers' Associations: Both unions and employers' associations are important influences in this labor market, and in many instances it is difficult or impossible to disentangle the importance which each has separately. As it happens, the unions usually come first, and the associations then developed largely as protective devices of employers to equalize the bargaining position of individual firms vis-a-vis the unions. Without the associations, large firms might successfully stand alone, but smaller employers acting individually have found themselves vulnerable to the whipsawing tactics of unions, and so have banded together to maintain uniform conditions.

In some cases -- certain skilled crafts, casual trades, and others in which the movement of workers is primarily from firm to firm (especially small firms) -- an important objective of the union has been to secure control over job opportunities through the use of hiring halls or other

dispatching arrangements. These are found among the Building Trades unions, the Longshoremen and Warehousemen, the Teamsters, and others. By and large, these hiring arrangements are accepted by employers and their associations at the present time, although there are some protests about the quality of the manpower which can be secured in this way.

In other instances -- particularly in larger firms with extensive job hierarchies in which there is a good deal of vertical job mobility possible within a single firm -- the union has been concerned more with conditions of promotion, transfer, layoff, and rehire within the firm. Such cases include the Auto Workers, the Oil Workers, and the Steelworkers. Again, these practices usually are acceptable to employers, and many programs of shared administration have been worked out.

In still other cases, where mobility of both types may be important within a given group of firms, the union exercises influence both over entry to the firm and over job conditions within the firm. Such patterns may be found with the Metal Trades union, the Milk Drivers and Dairy Workers, and others.

Employers' associations have their influence mainly in the determination of wage rates and closely related benefits for union members. About 60 per cent of our sample reported being covered by a master agreement, and this percentage was even higher in our "medium" size group (100-499 employees), where associations have their main strength. The usual master agreement, although it includes many other items, sets specifically the minimum rates of pay which apply to certain standard jobs, and one major objective of associations is to prevent certain employers ("chisellers") from undercutting those rates. However, the agreement also is aimed at

preventing differential treatment by individual firms (which might open the way to whipsaw bargaining tactics by the unions, or which might result in wasteful competitive bidding for a given labor supply), and so premium rates higher than those specified in the master agreement are generally discouraged. On the other hand, nonwage benefits were considered by most employers to be within their control and not subject to restraint by the associations. On all personnel and industrial relations problems, the industry associations and their top or "peak" area associations are key centers of communication for employers -- especially on wage rates, but also on other personnel and industrial relations practices and policies.

III. Conclusions

Variations in Employer Practices from Area to Area. The findings of the San Francisco Bay Area study of employer personnel and industrial relations practices are consistent in some ways with those of other labor market studies, but differences appear with respect to certain practices. These contrasts are attributable to several factors: our investigation covered employers in all major industry divisions (whereas some other researchers have focused particularly on manufacturing), and it was conducted in an area which differs in a number of important respects from those in which other employer policy studies have been carried on -- in its size, in its industrial structure, in the size distribution of its firms, and in the relative strength of unions and employers' associations.

Certain properties of labor markets seem to be fairly consistent from one metropolitan area to another, but others vary according to the industrial and institutional characteristics of particular localities, as has been shown by our study. The common or consistent characteristics include: (1) the separation, at least in the short run, of the processes of wage determination and of labor mobility; and (2) the segmenting or stratifying of the labor market. However, the relative importance of the various submarkets differs substantially from one area to another, and these differences have an important bearing on whether particular personnel practices will turn out to be the predominant ones in a given area. The relevance of geographical barriers within a labor market area will be affected by employers' locations relative to residential areas and commuting routes. The practices followed in a moderate-sized community which is dominated by large manufacturing firms will not necessarily represent the prevailing patterns in a large, industrially diversified metropolitan area.

In addition, there are many institutional factors which will give rise to local variations in employer practices. In highly unionized areas (particularly with craft-type AFL affiliates using hiring halls or other job-dispatching arrangements), unions may be an important means of filling jobs. In large metropolitan centers, where the public employment service and the private employment agencies have a concentrated market for their activities and have adapted their services to local needs, these placement agencies may be quite important. Where governmental units are themselves large employers, they may be significant as pattern-setters as well. Of course, the influence of unions may extend to many aspects of management in addition to recruiting, but our evidence suggests that the mere fact of unionization does not necessarily mean that managerial "prerogatives" will be hampered materially in such matters as selection and promotion.

Weaknesses in the Job Market. The labor market is beset by many imperfections, and it is difficult to say how these should be corrected: whether by government regulations, by education and enlightenment, by leadership from employers' associations, or by the independent action of individual firms.

For example, the practices of employers toward certain "minority" groups (nonwhites, Jews, women and older workers) may deny them access to some excellent job applicants, and the net social cost to the nation as a whole may be quite large. And yet, while fair employment practices (FEP) legislation appears to have worked well in some areas, employers here seem bitterly opposed to it, and it may not be much consolation to them to point out that if the same FEP rules apply to all, the burden felt by any individual firm should not be too serious. However, during the last decade of high-level employment, many gains have come for some of these minority groups, gains which need not

all be credited to such FEP regulations as we have had during that time.³³

It may be that the best long-range way of bringing about improved employment conditions for minority groups is through a full-employment (i.e., anti-depression) national policy, through education and training of both employers and workers, and through "gradualism."

Looking at other aspects of employment practices, it must be noted that in many firms selection processes are quite informal and haphazard. Criteria of choice sometimes seem ill-designed, and almost never validated against actual success on the job. However, for many firms the best selection test may be actual trial on the job, and this may be the most fair arrangement for both parties -- if there is a clear understanding about the nature of the trial period, and the rights of the individuals involved.

In recruiting, business firms could make more conscious use of "friends and relatives" than they now are doing. Workers place more emphasis on this means of placement than do employers, and job-seeking through personal contacts seems likely to continue. Also, on the grounds that morale can be improved by the building of congenial work groups, it may be argued that recruiting in this manner should be recognized and utilized as effectively as possible. To do this, we would recommend the posting of job openings and using other means to pass on to present employees some notice of positions which could be filled by their friends and relatives.

Possibly a more serious finding is our conclusion that most firms are not doing much to make it possible for their employees to move from one job to another. These employers say that they support a policy of promotion from within, yet planned training programs are relatively rare. There are many resources which could be tapped by individual firms to make their training programs more effective: local and state school systems, university

extension divisions, and others. Also, the posting of job opportunities (or job descriptions and wage schedules) could be used to better advantage, so that workers could learn something about job characteristics and requirements, and about promotional opportunities and related training programs.

It may be suggested that employers' associations could help many of their members substantially by suggestions on personnel programs, as well as by negotiating and administering union agreements.

Labor Mobility in Relation to the Problems of Economic Flexibility and Individual Satisfaction. Finally, these few words of general evaluation may be offered relating to the two major functions of labor mobility mentioned at the beginning of this paper: (1) The general function, whereby the movement or transfer of manpower between industries, occupations, employers, and areas permits the adjustment of the economy to changing conditions; (2) The individual function, whereby particular persons are able to gain access to job opportunities suited to their training, experience, and aptitudes.

Despite various institutional restrictions impeding both horizontal and vertical mobility, it does appear that there has been sufficient flexibility in the utilization of our manpower resources to permit our economy to adjust to the changing requirements of war and peace, new product and process development, and so on. With changing conditions in the labor market, employers may raise or lower their hiring standards, they may recruit over narrower or broader areas, and they may lessen or intensify their training and promotion programs. Altogether, a great deal of flexibility is present, and employers have found effective means of adjusting to changing circumstances.

On the other hand, the individual is sometimes blocked by institutional

barriers from job openings which could give him greater income or status, and which might permit him to contribute more to the national product than in his present employment. While union membership requirements and employer prejudices in hiring at present seem to warrant criticism more with respect to their individual effects than their general effects, nevertheless the results following from individual restrictions probably cause some net reduction in national output.

FOOTNOTES

1. Over time, of course, the labor force can also adjust through the shifting of new entrants to the labor market, and with changing levels of national income and employment there may be shifts in and out of the labor force or between employment and unemployment; however, these dimensions of labor mobility are beyond the scope of this study. For further discussion, see Herbert S. Parnes, "The Mobility of American Workers: A Critical Review of Recent Research in Labor Mobility" (New York: Social Science Research Council, 1953; duplicated), Chapter 1.

2. The full citations for these local labor market studies are listed here, in order of publication:

(1) The Fitchburg study: Charles A. Myers and W. Rupert MacLaurin, The Movement of Factory Workers: A Study of a New England Industrial Community, 1937-1939 and 1942 (Cambridge: The Technology Press, and New York: Wiley & Sons, 1943)

(2) The New Haven study: Lloyd G. Reynolds, The Structure of Labor Markets: Wages and Labor Mobility in Theory and Practice (New York: Harper & Bros., 1951).

(3) The Nashua study: Charles A. Myers and George P. Shultz, The Dynamics of a Labor Market: A Study of the Impact of Employment Changes on Labor Mobility, Job Satisfaction, and Company and Union Policies (New York: Prentice-Hall, 1951).

Some reference is also made below to:

(4) The New Haven-Charlotte study: E. William Noland and E. Wight Bakke, Workers Wanted: A Study of Employers' Hiring Policies, Preferences, and Practices in New Haven and Charlotte (New York: Harper & Bros., 1949).

(5) The Illinois study: Murray Edelman et al., Channels of Employment: Influences on the Operations of Public Employment Offices and Other Hiring Channels in Local Job Markets (Urbana: University of Illinois, Institute of Labor and Industrial Relations, 1952).

3. Although the San Francisco-Oakland Standard Metropolitan Area includes Solano County, we excluded it from our sample partly because a large proportion of the employment there is in government (Marine Island Navy Yard and Benicia Arsenal, particularly), and partly because of the travel time which would have been required to reach some portions of the county.

The interviews were conducted mainly during the first half of 1949, a period of high but somewhat declining employment.

4. Our sample was based on firms covered by the California Unemployment Compensation Act, under which the principal exclusions are: casual and seasonal workers in agriculture, domestics, and government employees. In general, the Act covers all non-agricultural employers with one or more

employees.

Our industry weighting was reasonably close in most instances, so that a reporting of the number of responses by the employing units in our sample on any one of our questions is fairly representative of the area so far as the industry representation is concerned, although there is some overweighting of firms in Durable Manufacturing and in Finance, Insurance, & Real Estate, and some underweighting of firms in Retail Trade and in Service & Miscellaneous.

So far as size representation is concerned, sufficient representation was obtained in each of several size brackets to permit comparisons of personnel and industrial relations practices by size of firm, although this resulted in interviewing a relatively greater number of the larger firms than would be appropriate in a strictly representative sample. This was done partly for the sake of "efficiency," in the sense that a given number of interviews would thus cover as many employees as possible, and partly to insure that there would be sufficient responses for the largest firms to facilitate the testing of differences for statistical significance.

5. A research program aimed at a complete understanding of the functioning of labor markets may require the use of several research methods, focusing on:

(a) The supply side: e.g., analysis of the career histories of workers, ordinarily secured directly by interviewing the workers themselves, but sometimes indirectly from the records of employers.

(b) The "marketing agencies": studies of the policies and activities of unions, governmental bodies, and other institutions (such as private employment agencies).

(c) The demand side: analysis of the nature and impact of employer practices, including governmental units.

We are concerned here mainly with the labor market as seen by private employers, and this method of approach clearly has some limitations. Employers ordinarily cannot furnish detailed data on the mobility rates of individual employees, and employers' accounts of the nature and effects of their policies and practices may be subject to biases just as are materials gathered from workers. Nevertheless, information secured from employers may add something to our total understanding of labor market processes.

6. The San Francisco-Oakland Standard Metropolitan Area as defined by the U. S. Census Bureau includes these six counties: Marin, San Francisco, San Mateo, Contra Costa, Alameda, and Solano. See U. S. Department of Commerce, Bureau of the Census, 1950 Census of Population, "Characteristics of the Population of the San Francisco-Oakland, California Standard Metropolitan Area: April 1, 1950," Series PC-5, No. 45 (Washington: U. S. Bureau of the Census, June 6, 1951).

7. Ibid., "Summary of Characteristics of the Population of Standard Metropolitan Areas: April 1, 1950," Series PC-7, No. 4, (Washington: U.S. Bureau of the Census, 1951), p. 10.

8. For some discussion of the effect on collective bargaining problems, see: Clark Kerr and Lloyd H. Fisher, "Multiple-Employer Bargaining: The

San Francisco Experience," in Insights into Labor Issues, ed. by R. A. Lester and J. Shister (New York: Macmillan, 1948), pp. 25-61.

9. Using data from the 1947 Census of Manufactures, we computed the number of workers per manufacturing establishment for each of the 13 largest metropolitan areas (each with over 100,000 employees in manufacturing). Only in Los Angeles (37) and in New York (33) were the averages smaller than in the San Francisco-Oakland Area. In all others, the averages were larger, particularly in Rochester (115), Detroit (117), Pittsburgh (152), and Youngstown (197).

See U. S. Department of Commerce, Bureau of the Census, Census of Manufactures: 1947. Vol. III, "Statistics by States" (Washington: U. S. Government Printing Office, 1950). Computations are based on separate tables for each state, pp. 90ff, passim.

10. Using the same 13 metropolitan areas referred to in the preceding footnote, we computed the mean sizes of establishments for retail trade, wholesale trade, and the main service category in the 1948 Census of Business. In retail trade, the range of mean size of establishments was only from 4 to 8 employees; in wholesale trade, the range was from 9 to 13; and in service, the range was from 2 to 4.

See U. S. Department of Commerce, Bureau of the Census, United States Census of Business, 1948, Vols. III, V, and VII.

11. Computed from tables for each state in Census of Manufactures, 1947, Vol. III, pp. 279, 120, and 380.

12. Kerr and Fisher, op. cit.; 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," ibid., Vol. 76, No. 1 (January, 1953). pp. 26-29.

13. Toivo P. Kanninen, "Wage Differences Among 40 Labor Markets," Monthly Labor Review, Vol. 75, No. 6 (December, 1952), pp. 620-623; Frank C. Pierson, Community Wage Patterns (Berkeley and Los Angeles: University of California Press, 1953), Chap. 1, and pp. 46-49.

14. The most extreme emphasis on the subdivision of markets may be found in the statement of Reynolds that there is "virtually a separate labor market in each plant," because most persons who are already working are quite firmly attached to their employers, and would not consider other jobs until after losing their present positions. -- Reynolds, op. cit., p. 83.

The existence of submarkets has also been mentioned by: Myers and MacLaurin, who stress the barriers to movement between one industry and another in Fitchburg (op. cit., p. 45); and Myers and Shultz, who identify four main submarkets in the market for factory workers in Nashua (op. cit., pp. 154-155).

15. Our findings on the importance of unions in the labor market stand in some contrast to reports on the functioning of other, less unionized labor markets.

Myers and Maclaurin reported "Little evidence that the introduction of union rules had any immediate effect on movement."--Op. cit., p. 53.

Reynolds indicated that only about 20 per cent of the workers in his sample use unions as a means of getting information about jobs, and there seems to be no reference to employer use of unions as placement agencies.--Op. cit., p. 84.

Edelman found that about 20 per cent of Illinois employers relied on unions for part of their work force.--Op. cit., p. 197.

16. Private employment agencies seem quite insignificant in the accounts of Myers and Maclaurin (op. cit., p. 47), Reynolds (op. cit., p. 84), and Myers and Shultz (op. cit., p. 53), although Edelman reported that these agencies exist "in the large, complex markets" (op. cit., p. 197).

17. Government agencies played a minor role in other local mobility studies, filling mainly semiskilled and unskilled jobs, and serving only a small proportion of employers: Myers and Maclaurin, op. cit., pp. 47, 73; Reynolds, op. cit., p. 56; Myers and Shultz, op. cit., p. 48; Edelman, op. cit., p. 197.

The relatively high use of the public agencies in the San Francisco Bay Area is probably the result of the adaptation of offices to specialized needs (clerical, professional, junior, etc.), and the program of employer contacts and education. See: Arthur P. Allen, Unemployment Insurance in California (Los Angeles: Haynes Foundation, 1950), p. 100; Don H. Roney, "Administrative Implications of Mobility in the Labor Force," in Proceedings of Fourth Annual Meeting, Industrial Relations Research Association (Boston, December 28-29, 1951), p. 123.

18. Myers and Maclaurin, op. cit., pp. 26, 45; Reynolds, op. cit., p. 50; Myers and Shultz, op. cit., p. 81; Edelman, op. cit., p. 39.

19. Noland and Bakke, op. cit., p. 10 and passim.

20. Reynolds indicated that workers older than 45 or 50 may expect serious difficulties in finding new jobs.--Op. cit., p. 83.

Other studies report similar results. E.g.; "In the U. S. A., there is common agreement that the age is 45 for men when restrictions become generally noticeable. . ." -- Albert J. Abrams, "Discrimination in Employment of Older Workers in Various Countries of the World," in Age Is No Barrier, report of the New York State Joint Legislative Committee on Problems of the Aging, Legislative Document No. 35 (1952), p. 80.

21. Similar patterns were found in New Haven and Charlotte.--Noland and Bakke, op. cit., pp. 12-15.

22. Minority groups evidently were unimportant in Fitchburg (Myers and Maclaurin, op. cit., p. 45) and Nashua (Myers and Shultz, op. cit., p. 27). Cf. Noland and Bakke, op. cit., p. 10 and passim.

as part of the American wage earner's way of life. A good case can be made for the argument that the philosophy of the wage formula -- that money wages should be regularly increased to offset price increases and to provide for a higher living standard -- has tacitly acquired the status of an informal national wage policy. The current assumption that annual wage increases are part of an inimitable pattern of industrial relations rests on a number of bases, but no one of them is more directly responsible for its acceptance than the 1948 GM-UAW contract, its successors and imitators.

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for wage rates and salaries to be considered fixed during the contract period, with labor supply and product market conditions relatively unimportant as factors affecting the quoted or nominal wage rate during that period. (At the time of reopening of wage agreements, of course, such factors would almost certainly be taken into account in bargaining on new wage rates, whether through employers' associations or otherwise.) As conditions vary during a contract period, employers may adjust by changing their recruiting practices or by modifying their hiring standards, and in general the labor market appears to retain substantially the flexibility required for adjustment to changing circumstances.

Unions and employers' associations have affected personnel practices in many ways, but there are some important differences associated with the size and industry characteristics of employing firms. Both unions and employers adapt their policies to the labor market circumstances which confront them, including such factors as skill requirements, employment relationships, occupational structures, and the tightness of the labor market.