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A Nonunion Market for White Collar Labor

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THIS is a report on the labor market for female clerical employees of banks and insurance companies in Boston. The research is part of the broad effort to appraise the operation of labor markets in the United States so that their strengths and limitations as wage-determining and labor-allocating devices are better understood, and so that policy suggestions can be based on a firm factual foundation.

More specifically, study of a white collar labor market serves these purposes: (1) The field is important for its own sake, since this occupational group is large and growing, and there has been little previous wage research in the white collar field.¹ (2) The conditions that prevail here offer important contrasts to those encountered in many recent wage studies, which have concentrated on collective bargaining in manufacturing industries. Orme Phelps, for example, has suggested the importance of concentrating on differentiation if research is to be relevant to the whole labor force rather than only to manufacturing or to unionized situations.² (3) Studies of nonunion labor markets can contribute to efforts to isolate the effects of unions on wages. For the most part, studies of the impact of unions have proceeded without

NOTE: The research reported here was conducted by the author in collaboration with Irwin L. Herrnstadt and Elbridge S. Puckett when all three were associated with the Department of Economics and Industrial Relations Section, Massachusetts Institute of Technology. The research was completed in 1956 and reported in summary fashion at the Tenth Annual Meeting of the Industrial Relations Research Association (September, 1957) in a paper entitled "Wage Determination in a Non-Union Labor Market." The present paper draws freely on the earlier one, while reporting the research results in greater detail. Carol Fernstrom provided editorial assistance and help in preparation of the tables and Douglass V. Brown valuable comments on the manuscript.

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¹ Subsequent to the date of the Conference on Labor Economics, a study of the clerical labor market in Madison, Wisconsin, became available. The findings of this more recent study are strikingly similar to those reported here. See Eaton Hall Conant, "Wages and the Behavior of Firms and Workers in a Clerical Labor Market," University of Wisconsin, Ph.D. Dissertation, 1960.

² Orme Phelps, "A Structural Model of the United States Labor Market," *Industrial and Labor Relations Review*, April 1957, pp. 402-423.

the benefit of extensive information about nonunion labor markets in the United States today. (4) Nonunion labor markets predominate in the United States, and it is important to understand how they work as a basis for decisions on a wide range of economic issues. As an example, much of the discussion of the wage-push inflation question assumes that wage changes are transmitted almost automatically from one sector of the economy to another, from the union to the nonunion sector, without reference to particular labor market conditions. Knowledge about the mechanisms of a market such as the one under review can test this assumption.

The pages that follow present a description of the research approach, methods, and sources of data; information about employment and wages in the field during the period studied; an analysis of the reaction of the firms studied to their labor market; information on the characteristics and market behavior of their employees; a view of the role of various market intermediaries in this situation; and general conclusions.

Research Methods and Sources of Data

The limited research resources available for this study were spread over both the demand and supply sides of this labor market in order to obtain a comprehensive view and draw together two areas of theory and research that are too often treated separately: wage studies focusing on demand conditions and collective bargaining on the one hand, and, on the other, labor force and labor mobility analysis.

Concentration on one type of industry makes it possible both to trace a broadly identifiable set of demand conditions through the wage policies and actions of a related group of firms and to get an understanding of the labor market behavior of employees in the industry and of the labor supply conditions facing the firms. Limited research resources and a desire for fairly comprehensive information led to concentration on the banking and insurance industry groups and on female clerical workers as areas for research.

The data in Table 1 show both the strength and weakness of this selection. The banking and insurance industries are quantitatively significant in the Boston area and clerical employment dominates these industries, but other industries employ even larger numbers of clerical workers. The sample of employees interviewed as part of the research was drawn from those employed by banking and insurance firms and

TABLE 1
CLERICAL WORKERS BY INDUSTRY, SEX, AND PROPORTION OF INDUSTRY EMPLOYMENT,
BOSTON METROPOLITAN AREA, 1950

Industry	Employment		Industrial Distribution of Clerical Workers		Clerical Workers, by Proportion of Industry Employment	
	All Workers	Male Clericals	Males	Females	Males	Females
Construction	53,113	728	1.3%	1.3%	1.4%	2.7%
Manufacturing	262,010	14,944	26.9	20.3	5.7	8.4
Transportation, communication and other public utilities	77,741	7,621	13.7	12.7	9.8	17.7
Transportation	48,725	5,501	9.8	2.5	11.2	5.6
Communication	14,974	751	1.4	8.4	5.0	60.7
Other public utilities	14,042	1,369	2.5	1.8	9.7	13.8
Wholesale and retail trade	200,968	9,259	16.7	18.1	4.6	9.8
Finance, insurance and real estate	53,242	5,228	9.4	20.0	9.8	40.8
Banking and other finance	17,247	3,365	6.0	7.0	19.5	44.0
Insurance and real estate	35,995	1,863	3.4	13.0	5.1	39.3
Business and repair services	24,872	927	1.7	2.5	3.7	11.1
Personal services	55,090	601	1.1	2.1	1.1	4.0
Professional and related services	104,931	1,692	3.1	12.3	1.5	12.8
Public administration	54,556	13,852	25.0	8.7	25.4	17.2
Other ^a	28,430	612	1.1	2.0	2.1	7.8
Total	914,953	55,464	100.0%	100.0%	6.1%	11.9%

SOURCE: 1950 United States Census of Population, Massachusetts, Bulletin P-C 21, Department of Commerce, Bureau of the Census, pp. 277-278.
^a Includes agriculture, forestry and fishing, mining, entertainment and recreation.

therefore may not represent the supply side of the whole market for clerical workers in Boston. We are dealing here, then, with a submarket, a part of the general market for clerical employees.

Basic descriptive and statistical information about the Boston area and about banking and insurance is available from state and federal government sources and from various private financial services. These data provided the general background for our more detailed research. The detailed study is based for the most part on information supplied by 13 banks and insurance companies in the area and by 158 of their employees.³ Most of the data were collected in 1954, 1955, and 1956, though some use is made of information referring to later years. Each of these firms supplied a list of its female, nonsupervisory employees, from which 15 in the case of large firms and 10 in the case of small firms were drawn at random. Tables 2 and 3 provide data on the size of firms in the study compared with all banking and insurance establishments in the area.

Each firm was asked for a wide range of factual information about its operations, particularly with respect to wage and employment matters. While the information obtained from the firms varied considerably in both quality and quantity, it was sufficient in every case to be useful and, in some cases, was voluminous and most helpful. On the basis of this information interviews were held with individuals in each firm in an effort to obtain judgments on policy questions and interpretations of the data collected from their firm.

Each employee was interviewed privately by a member of the research group and was assured that the responses were confidential. Most interviews took place at the respondent's home, but some were conducted at other convenient places such as an office in the Massa-

³ The 13 firms were selected to assure that each would have a significant number of female clerical employees and that the unit studied would be responsible for its own policies. This led to elimination of all firms with fewer than 100 employees in all and those with home offices outside the area. The total possible number of firms was thus reduced from some 674 (including 417 offices of insurance agents) to 27, accounting for 54 per cent of the employment. These 27 firms were then separated by size (more and less than 750 employees) and by industry (banking, life insurance, and insurance other than life). Two large firms and 3 small ones were then selected from each industry, though 2 of the smaller firms were later dropped from the study. In one case, the firm decided to shift its operations to a suburban location just as the study was getting under way and preferred not to be involved simultaneously in a move and a study of employment problems. In the other case, the firm decided not to be involved in the study, apparently because of reluctance to permit interviews with a random sample of its employees. Where there was any choice in selecting firms, it was made at random.

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chusetts Institute of Technology or a downtown coffee shop. The company cafeteria of one firm was used, and the quality of the interviews obtained there indicated that the results were not biased because of the location. Each employee was asked for considerable demographic and household information and for a fairly detailed work history. The

TABLE 2

TOTAL BANKING AND INSURANCE ESTABLISHMENTS IN BOSTON AND BROOKLINE (A) COMPARED WITH FIRMS HAVING HOME OFFICES IN BOSTON OR BROOKLINE AND EMPLOYING MORE THAN 100 PEOPLE (B), SEPTEMBER 1953

<i>Industry</i>	<i>Establishments in A</i>		<i>Firms in B</i>		Employees in B as Per Cent of Total in B
	Number of Units	Number of Employees	Number of Units	Number of Employees	
Banking	90	9,739	14	8,354	86%
Insurance	584	27,998	13	12,211	44
Life	47	10,932	5	6,921	63
Other than life	120	11,981	8	5,290	44
Agents	417	5,085	0	—	—
Total	674	37,737	27	20,565	54% ^a

^a Excluding agents, this is 63 per cent.

interviews were conducted informally, with interviewees encouraged to talk freely, but in areas relevant to the study.

Information was also obtained from interviews with representatives of private employment agencies, private clerical schools, public and parochial high schools, and from the Massachusetts Employment Service. These interviews focused on the scope of the placement activities of these organizations and the ways in which the counsellors worked with employers and those seeking work.

General Information About the Area and Industry

The period 1948-56 was one of generally full employment for clerical workers in the Boston area, as in most other areas of the United States, though the situation in Boston eased perceptibly in 1949 and 1954. Reports on job openings listed by the State Employment Service (SES), voluminous newspaper advertisements for clerical help, the testimony of employment managers, high school guidance counsellors and other observers, and data on employment and the number of commercial-

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TABLE 3
BANKING AND INSURANCE FIRMS WITH HOME OFFICES IN BOSTON OR BROOKLINE,
EMPLOYING MORE THAN 100 PEOPLE COMPARED WITH FIRMS STUDIED, 1953

Industry	Firms in Area (100 or more employees)			Medium-Sized Firms (100 to 749 employees)			Large Firms (750 or more employees)					
	All Firms Studied	Number Employed	All Firms	Number Employed	Firms Studied	Number Employed	All Firms	Number Employed	Firms Studied			
Banking	14	8,354	5	4,745	11	2,456	3	547	3	5,898	2	4,198
Insurance	13	12,211	8	9,028	7	2,001	4	1,070	6	10,210	4	7,958
Life	5	6,921	4	6,329	3	971	2	379	2	5,950	2	5,950
Other	8	5,290	4	3,126	4	1,030	2	691	4	4,260	2	2,435
Total	27	20,565	13	13,773	18	4,457	7	1,617	9	16,108	6	12,156

course graduates seeking work each year all confirm this general characterization of employment conditions. More particularly, this was a period of rising employment in the finance sector of the Boston economy, reflecting the dominant theme of growth in demand for their services experienced by the great majority of firms, including 11 of the 13 covered in this study.

Estimates made by the U.S. Bureau of Labor Statistics show that employment in finance rose by about 12 per cent between 1951 and 1956. In contrast, the rate of increase in nonfarm employment in the Boston area was about 4 per cent and in manufacturing employment was about the same in 1956 as it had been in 1951.⁴ Moreover, personnel turnover among clerical workers is high, as the young girls who make up the bulk of employees move into and out of the labor force as well as among jobs. Even a firm with stable clerical employment, on the average, will constantly need to attract new employees.

Data compiled by the BLS indicate that clerical rates of pay in the Boston area rose by about 55 per cent between 1948 and 1956, a gain larger than for production workers in the manufacturing industries of Massachusetts and of Boston.⁵ The year-by-year increases in clerical rates are shown in Table 4. Note that the rate of increase was smaller between 1949-50 and 1954-55 than for other yearly intervals.

The wage structure for office occupations in banks and insurance companies is broadly the same throughout the country, as shown in Table 5. In addition, as Chart 1 indicates, the structure of rates has been stable in Boston from 1948 through 1958. These facts may be accounted for in part by the broad similarity of the basic occupational skills used by firms in office work. While a given job tends to have a somewhat wider content in a small firm than in a large one, and the employee in the small firm probably develops more job knowledge

⁴ *Employment and Earnings*, Bureau of Labor Statistics, Annual Supplement, June 1957, p. 81.

⁵ Average weekly earnings of production workers in manufacturing in the Boston area rose by about 21 per cent between 1951 and 1956 compared with a 32.4 per cent rise in the standard weekly salaries of women office workers in finance, insurance, and real estate between the same years in the area. Over the entire period, 1948 to 1956, average weekly earnings of manufacturing production workers in Massachusetts rose by about 40 per cent. The rise for women office workers in the Boston area for the same period was 54.6 per cent. Production worker percentages were computed from data appearing in *Ibid.*, p. 127 and the May, 1954 issue, p. 110. The wage concept used is not strictly comparable with that for the computations of changes in wages for women office workers. The differences in magnitude of movement are great enough, however, to substantiate the general statement made in the text.

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TABLE 4

STANDARD WEEKLY SALARIES OF WOMEN OFFICE WORKERS IN THE FINANCE, INSURANCE, AND REAL ESTATE DIVISION IN BOSTON, JANUARY 1948 TO SEPTEMBER 1956

Item	Jan. 1948	Jan. 1949	Jan. 1950	Mar. 1951	Apr. 1952	Mar. 1953	Mar. 1954	Apr. 1955	Sept. 1956
Index ^a	77.1	80.9	84.0	90.0	95.3	100.0	104.9	107.8	119.2
(1953=100)	1948	1949	1950	1951	1952	1953	1954	1955	1948
	to	to	to	to	to	to	to	to	to
Per cent of increase	1949	1950	1951	1952	1953	1954	1955	1956	1956
	5.0	3.8	6.9	5.9	5.0	4.9	2.8	10.6	54.6

NOTE: Salaries are based on the following selected jobs: Bookkeeping-machine operators, class B; comptometer operators; file clerks, class A and class B; order clerks; payroll clerks; key-punch operators; office girls; secretaries; general stenographers; switchboard operators; switchboard operator-receptionists; tabulating-machine operators; general transcribing-machine operators; and typists, class A and class B. Since data were not collected for secretaries, key-punch operators, and tabulating-machine operators in 1948, 1949, and 1950, data for those years are based on the 12 other jobs. Data for comparable jobs were used to make the link between 1950 and 1951.

^a In computing the indexes and percentage increase, the average weekly salaries for each of the selected occupations for each year were multiplied by the average of March 1953 and March 1954 employment in the job. These weighted earnings for individual occupations were then totaled to obtain an aggregate for each year. Finally, the ratio of the aggregate for a given year to the aggregate for the base period (March 1953) was computed and the result multiplied by the base year index (100) to get the index for the given year. There were changes in the minimum size of establishments covered between January 1950 and March 1951 (26 to 21) and between April 1952 and March 1953 (21 to 51), and no adjustment was made in the data to make average weekly earnings comparable for all periods. The use of constant employment weights, however, eliminates the effect of changes in the proportion of workers represented in each job included in the data.

that is strictly organizational in nature, the basic skills involved are easily identifiable, commonly used, and transferable from one firm to another. This does not mean, however, that individual performance on a given job is uniform; indeed, substantial quality differences appear to characterize work on these jobs.

This uniformity of job content helps to explain the clustering of rates of pay for particular jobs. For example, 80 per cent of the establishments employing inexperienced typists in Boston in the winter of 1957-58 and having a specified minimum hiring rate fell within a 30 per cent rate range; 60 per cent of the establishments fell within a 12½ per cent range. Furthermore, some of this dispersion is explained by

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TABLE 5
COMPARISON OF WAGE STRUCTURES IN THIRTEEN CITIES, OFFICE OCCUPATIONS OF WOMEN IN FINANCE,
WINTER 1957-58
(in numbered rank of occupation in salary structure)

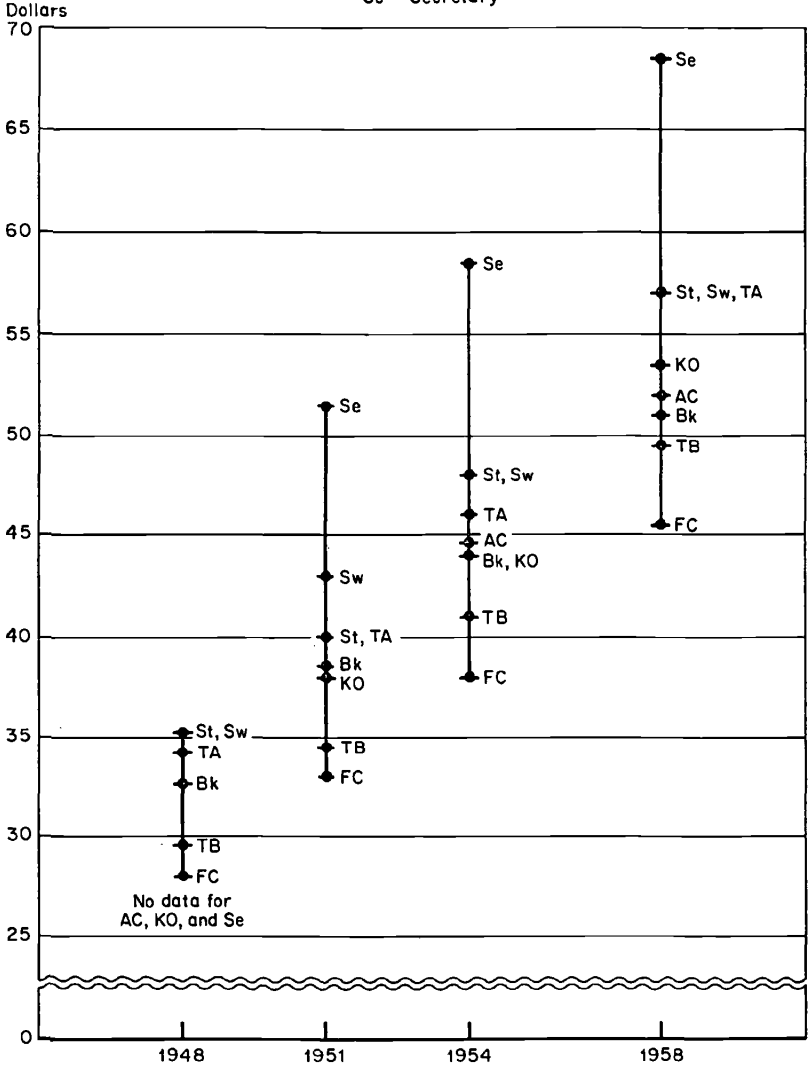
Cities	Bookkeeping- Machine Operators, Class B	Account- ing Clerks, Class B	File Clerks, Class B	Key- punch Operators	Secre- taries	Stenog- raphers, General	Switch- board Operators	Typists, Class A	Typists, Class B
Northeast									
Boston	7	6	9	5	1	2-4	2-4	2-4	8
Newark	7	6	9	3	1	2	4	5	8
Jersey City	5-7	5-7	9	5-7	1	3	2	4	8
New York City	6	7	9	5	1	2-3	2-3	4	8
Philadelphia									
South									
Atlanta	5	7	9	6	1	3	2	4	8
Baltimore	7	6	9	4	1	2-3	5	2-3	8
Dallas	7	5-6	9	5-6	1	2	3	4	8
North Central									
Chicago	5	7	9	6	1	2-3	2-3	4	8
Cleveland	6	5	9	7	1	3	4	2	8
Minneapolis- St. Paul	7	4	9	6	1	3	2	5	8
West									
St. Louis	6	7	8-9	3-5	1	3-5	2	3-5	8-9
Los Angeles- Long Beach	7	6	9	4	1	2	3	5	8
San Francisco- Oakland	7	6	9	5	1	2	3	4	8

SOURCE: *Wages and Related Benefits*, Bureau of Labor Statistics, Feb., 1959.

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CHART 1

Bk = Bookkeeping machine operator, B
 FC = Clerk, file B
 St = Stenographer, general
 Sw = Switchboard operator, general
 Se = Secretary
 TA = Typist, A
 TB = Typist, B
 AC = Clerk, accounting, B
 KO = Key-punch operator



dispersion in scheduled weekly hours. Table 6 shows that weekly hours are shorter in finance than in most other industries. In finance, most workers are on a 36¼- or 37½-hour week. These differences in hours of work tend to offset the differentials in weekly rates of pay by industry

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TABLE 6

SCHEDULED WEEKLY HOURS OF OFFICE WORKERS IN BOSTON, BY INDUSTRY,
WINTER 1957-58
(per cent of employment)

INDUSTRY	Under 40 HOURS					40	Over 40
	35	36¼	37½	38¾	Total ^a		
All Industries	8	10	25	8	66	34	1
Manufacturing	9	2	15	9	36	63	2
Public utilities	3	—	55	—	58	42	—
Wholesale trade	—	8	31	4	51	49	—
Retail trade	12	7	19	6	78	22	—
Finance	9	22	28	11	94	6	—
Services	19	6	13	—	56	43	1

SOURCE: *Wages and Related Benefits*, BLS, Feb., 1959.

^a Includes weekly schedules other than those shown separately.

group, so that, on an hourly basis, finance would move up in the community wage structure, and the width of the band of rates for particular jobs would be narrowed (see Table 7). Nevertheless, the weekly take-home pay in finance is relatively low.

TABLE 7

WEEKLY PAY FOR WOMEN IN OFFICE JOBS IN BOSTON, BY INDUSTRY, WINTER 1957-58
(dollars)

Occupation	Manu- facturing	Non- Manu- facturing	Public Utilities	Whole- sale Trade	Retail Trade	Finance	Services
Bookkeeping, class B	61.00	54.00	—	62.50	52.00	51.00	—
Accounting clerks, class B	60.50	55.50	62.00	59.00	51.50	52.00	60.00
File clerks, class B	50.50	46.00	48.50	49.50	44.50	45.50	48.50
Key-punch operators	59.50	56.00	62.00	63.50	53.00	53.50	—
Secretaries	74.50	70.50	85.50	74.50	69.50	68.50	66.00
Stenographers, general	64.00	59.50	64.50	67.50	55.50	57.00	55.50
Switchboard operators	66.50	56.50	67.00	63.50	55.00	57.00	49.00
Typists, class A	57.00	60.00	—	72.00	—	57.00	61.50
Typists, class B	54.00	50.00	50.50	55.00	49.00	49.50	48.50

SOURCE: *Wages and Related Benefits*, BLS, Feb., 1959.

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Comparison among areas of weekly wages for women office workers in finance shows that Boston ranks about tenth among thirteen cities for which data are available (Table 8). However, weekly hours are sharply lower in Boston than in most cities,⁶ so that on an hourly basis Boston would move up to about the middle of the distribution.

UNIONIZATION

The employee groups involved in the study were not unionized in 1956, nor were there any serious attempts to unionize them in the post-World War II decade on which this study concentrated. From time to time, general statements about white-collar organizing drives were issued from a federation headquarters or the office of a national union, but nothing concrete took place in Boston banking and insurance offices. By the winter of 1957-58, the only industry group in which a high proportion of office workers was organized was public utilities (switchboard operators are classified as office workers, and most telephone company employees in Boston are members of independent unions). For all industries, 15 to 19 per cent of office workers were employed in establishments where their occupations were covered by collective bargaining agreements.⁷ White-collar labor, then, may be characterized as a nonunion labor market.

SERVICE-RENDERING INDUSTRIES

Banking and insurance firms are essentially service rendering rather than goods producing in their functions. It is characteristic of these firms that, while wage costs are small in relation to the total amount of money handled, they are large in relation to the cost of the service rendered. Firms use, as one measure of their own effectiveness, ratios of labor cost to total costs and such ratios are often used by public examiners. Thus, wage rates, as a central element in wage costs, are of far more than passing importance to banks and insurance companies.

Operating policies tend to reflect the responsibility as trustees for large amounts of the public's money, which is exercised by these firms.

⁶ U.S. Bureau of Labor Statistics, *Wages and Related Benefits, Nineteen Labor Markets, 1957-58*, BLS, Bulletin No. 1224-20 (issued Feb. 1959), p. 55.

⁷ The individual industry percentages were: manufacturing, 20-24; public utilities, 75-79; wholesale trade, 15-19; retail trade, 10-14, and services, 0-9. The survey did not have sufficient coverage to warrant separate presentation of data for finance, insurance, and real estate, but information collected in the course of this study suggests that finance falls in the 0-9 per cent group. The all-industry percentage for plant workers was 70-79 (*ibid.*, p. 48).

TABLE 8
WAGE LEADERSHIP AMONG THIRTEEN CITIES, OFFICE OCCUPATIONS OF WOMEN IN FINANCE, WINTER 1957-58
(in numbered rank of city in payment of wages)

City	Bookkeeping Machine Operators, Class B	Account- ing Clerks, Class B	File Clerks, Class B	Key- punch Operators	Secre- taries	Stenog- raphers, General	Switch- board Operators	Typists, Class A	Typists, Class B
Northeast									
Boston	10	9	9-10	9-10	12	11	11-12	7-8	7-8
Newark-									
Jersey City	7	6	6	5-6	6	6	6	6	6
New York City	2-3	5	3	4	2	4	2	5	4-5
Philadelphia	8	8	9-10	8	10	9	10	7-8	9
South									
Atlanta	6	11-12	11	12-13	9	8	7-8	11	10-11
Baltimore	13	11-12	13	9-10	11	13	13	12	13
Dallas	12	10	12	12-13	7	7	7-8	9-10	10-11
North Central									
Chicago	1	1	1-2	1	1	1	1	1	1
Cleveland	2-3	2	1-2	5-6	4	5	5	2-3	2
Minneapolis- St. Paul	9	7	7-8	11	8	10	9	13	7-8
West									
St. Louis	11	13	7-8	7	13	12	11-12	9-10	12
Los Angeles-									
Long Beach	4-5	4	5	2	3	2	4	4	4-5
San Francisco-									
Oakland	4-5	3	4	3	5	3	3	2-3	3

SOURCE: *Wages and Related Benefits*, BLS, Feb., 1959.

These organizations are touched throughout with the public interest, and there is a long history of regulation by state and federal governments to remind management of its obligations. The impact on wage policy of these public interest and regulatory aspects of banking and insurance businesses may be indirect and somewhat elusive, but—particularly for firms writing policies required by law, as workmen's compensation or automobile liability insurance—the direction of pressures is clear. The atmosphere within which many of the firms work out their wage policies can be summed up: money held in trust must be handled conservatively; increases in costs must be justified in terms of public service rendered at the minimum possible cost.

Despite many broad similarities in their immediate environment and operating problems, firms in this sector also vary in important respects. Some are stock companies and others mutual companies; the public's stake in the efficiency of their operations varies; some are quite small in size and others are huge in the scale of their operations; the markets they serve vary in rate of growth, number of competitors, and in other ways. While all variations have implications for their operations in the labor market, this is a market characterized on the demand side by firms touched with the public interest and accustomed to moving slowly and conservatively on matters affecting costs of operations.

The Firms and Their Wage and Employment Policies

William Bowen,⁸ at the beginning of his summary of the findings of certain labor market studies, states, “. . . perhaps the most dominant theme of these studies . . . is their emphasis on the diversity of ways in which individual firms react to changes in the ‘scarcity’ of labor.” The elements of this diversity and how various courses of action develop may be expressed in general terms before turning more specifically to the findings of this study.

⁸ William G. Bowen, *The Wage-Price Issue: A Theoretical Analysis* (Princeton University Press, 1960), pp. 94-95. His full discussion runs from pp. 93-103. The labor-market studies on which he relies and from which I, too, have drawn are: R. A. Lester, *Hiring Practices and Labor Competition*, Industrial Relations Section, Princeton University, 1954; *idem*, *Adjustments to Labor Shortages; Management Practices and Institutional Controls in an Area of Expanding Employment*, Industrial Relations Section, Princeton University, 1955; Charles A. Myers and George P. Shultz, *The Dynamics of a Labor Market*, New York, Prentice-Hall, 1951; and Lloyd G. Reynolds, *The Structure of Labor Markets; Wages and Labor Mobility in Theory and Practice*, New York, Harper, 1951.

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MODEL OF A FIRM'S RESPONSE TO CHANGES IN ITS LABOR MARKET CONDITIONS

It may be useful to start with the growing consciousness of the firm that it has problems on its hands as it faces a tightening labor market. The firm's need for labor may be growing rapidly, as it was for many of the firms included in this study. Even without growth in demand, employment of a labor force characterized by high turnover means that hiring is a constant activity. Let the labor market tighten and problems appear for the firm, particularly at the hiring level. If the firm is accustomed to paying low rates for the labor it hires and to a market where jobs are scarcer than people, it is likely to view with alarm the gradual rise in the rates it pays.

Growing consciousness of the problem leads to increased effort to deal with it. A personnel department is formed with responsibilities for policy as well as for routine employment. Information is sought about rates paid by other firms and the methods they use to deal with the problem. Many of these methods may substitute for, or at least provide an important complement to, increases in wage rates—advertising, visits to high schools, more careful employment interviewing, and other means. The tastes of present and prospective employees may be cultivated by provision of special features in working conditions. Quality standards may be changed, at least on certain jobs, and efforts may be made to see how part-time help can be used or used more effectively. These measures serve to enlarge the labor pool from which the firm draws. It may be necessary also to reorganize jobs. To some extent capital expenditures for laborsaving equipment may be substituted for labor where there is great and apparently lasting scarcity in a particular occupation. The personnel department is the prime originator and administrator within the organization of this nonwage response.

The firm may also be forced to change its wages, especially as its competitors' demands on the market increase. Strategies may vary, depending in part upon employment needs and success with nonwage appeals. The firm may decide to be a wage leader, hoping to attract a high quality of applicants; conversely, it may plan on high turnover and low quality as a result of lagging wages, in favor of hoped-for lower costs.

In deciding on the relative weight to put on nonwage and wage forms of adjustment, there are a number of factors to be borne in mind.

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As Bowen states,⁹ "the basic economic appeal of these non-wage forms of adjustment is that they may permit a rather subtle yet a profitable form of wage discrimination." Thus, a wage increase at the hiring level is visible and will have an impact on the balance of the wage structure. Within limits, this is not true for many non-wage methods of adjustment. In addition, the firm may consider the reversibility of its actions should market conditions change. It is much easier to reduce buying effort than to cut wages. The responses of a firm to variations in labor market conditions, then, are likely to be quite diverse. Wages are an important element of response but are far from the only one.

COMPANY PERSONNEL POLICIES

The emergence and development during the decade following World War II of explicit personnel policies in the firms studied and of organizational arrangements for administering them is one of the clear findings of this study. The general tightness of the labor market, following an era in the 1930's and early 1940's when the supply of labor was generally ample and when the job security offered by banks and insurance companies gave them a preferred position in the labor market, not only influenced wage levels and wage policies, but also precipitated a complete re-evaluation of personnel policies. With the exception of two of the smaller firms, one or more of the following changes were evident in all the firms studied.

1. Advent and expansion of personnel departments. In several of the smaller firms where the need for personnel departments had never been felt, additional resources were allocated to the tasks of procuring and maintaining an adequate labor force. In the case of one company, too small to bear the cost alone, a personnel department was set up to serve two companies which were related in a financial and geographic sense. In all the companies, personnel problems were accorded more attention at the policy-making level. In some cases, specific responsibility devolved upon a man also engaged in other policy problems. In other cases, especially in larger firms, a man of policy-making calibre was given the status of a high company official and the full-time job of organizing the personnel function in the firm.

2. New methods of recruiting labor. With the exception of one of the larger firms, the pre-world War II practice had been to rely on walk-in applicants to fill the company's personnel needs. Reliance on walk-ins

⁹ Bowen, *The Wage-Price Issue*, p. 96.

and informal channels of recruitment now proved insufficient and was supplemented by more active efforts to find workers and to impress them with the merits of working for the particular company. The larger firms developed active recruitment efforts for members of high-school graduating classes and, in some cases, combined this recruiting with opportunities for part-time work in the last part of the senior year. Smaller firms increased sharply their use of employment agencies and, to a somewhat lesser extent, their use of newspaper advertising.

3. Cooperation with other companies. The tradition had been to regard wage and other personnel practices as confidential within the firm and among firms. This policy of secrecy was scrapped, and all the firms are now involved in efforts to develop a common pool of information about the labor market.

4. Expansion of the labor pool from which employees are drawn. The larger firms, especially, formerly relied exclusively—and still rely primarily—on high-school graduates as the source of labor. But hiring standards have been relaxed in various ways. Firms that had employed only single girls relaxed that policy (one personnel manager mentioned that “we even hired a sailor’s wife”). In five firms, conscious effort was made to identify jobs suitable for handicapped persons and to find people to fill these jobs, an effort described as having quite satisfactory results. In at least three cases, jobs were set up for part-week and part-day employment. In two cases, a so-called “following” of workers has been developed to help meet seasonal needs for extra workers.

5. Increased cultivation of employee tastes. Although the physical appearance of the offices of the firms studied seemed much more pleasant in some cases than in others, all the firms emphasized their working conditions in employment interviews, contrasting them with the less “nice” working conditions and fellow employees in “trade” and “factories.” A company-financed dance at a prominent hotel may help promote this notion. Other efforts include the maintenance of subsidized cafeterias and the adjustment of working hours to ease the burdens of traveling to and from work. Of course, where some special condition exists, such as the existence of a new air-conditioned building, that fact is called to the attention of prospective employees.

6. Efforts to deal more effectively with grievances. These efforts are in part preventive. Ten of the firms have developed formal wage structures, in seven cases through use of job evaluation. Training programs for supervisors have been designed to develop an appreciation of com-

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pany policies and of the employees' view of the organization. The beginnings of formal grievance procedures were apparent in two or three companies, but this development did not appear to have gone very far.

7. Substitution of capital for labor. Dictating machines and large typing pools are widely used, although the consequent depersonalizing of work relationships has caused problems in some instances. Only the higher executives seem entitled now to the well-rounded secretary. The period of this study preceded widespread installation of modern electronic computers to perform clerical tasks in offices such as those studied. These laborsaving devices have doubtless been welcomed in part because they ease personnel requirements.

8. Changes in the quality of labor expected. There are two dimensions to the "quality" problem. On the one hand, the tightness of the labor market has an impact on hiring standards, as expressed in such variables as intelligence, technical skill, and personal appearance. On the other, discipline is affected, and expectations about individual performance are altered. The discipline dimension of quality is especially obvious to firms whose wages are on the low side of the market. In one such case, the wage position of the firm was shifted in part to give supervisors a stronger hand in insisting on good performance, including low absenteeism and promptness.

These changes in personnel policies are related more or less directly to the tightness of the labor market. Increased turnover, increased difficulty in filling vacancies, and knowledge by the companies that their employees could readily obtain jobs elsewhere were all factors underlying the changes. In response to these pressures, the firms invested in a variety of nonwage appeals to new employees and in organizational arrangements to implement these appeals. They approached the labor market with increased sophistication and buying effort.

WAGE STRATEGIES

Increased buying effort did not relieve banks and insurance companies of the necessity of increasing wage rates, for clerical rates in the Boston area rose by about 55 per cent between 1948 and 1956. Except for the two smallest firms in the sample studied, the primary emphasis in company wage policy was on the hiring rate for inexperienced workers. The great majority of accessions were at that level, reflecting policies of promotion from within, the location of turnover, the concentration of

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employment on routine jobs, and the nature of the largest increment in the labor pool—each year's high school graduates.

In general, the approach of firms to increases in hiring rates was conservative. Within the firm the burden of proof fell largely on those individuals who advocated an increase. The success of these companies in preventing an explosive upward movement of hiring rates is suggested by the fact that their rates were just above the minimum wage at the time when the minimum was raised to 75 cents and later to \$1.00 per hour. Indeed, three companies decided on rate increases in anticipation of the minimum wage change, which thus performed a sort of mopping-up function in this labor market. Nevertheless, as will be developed below, the wage changes studied here were made primarily in response to labor supply problems.

The focus of pressures about hiring rates was on individuals in the personnel department. These were the people making contacts with high schools and employment agencies. They interviewed applicants, trying to attract them by the "net advantages" of working for the firm; they received the complaints of operating departments about the poor quality of labor hired and complaints from outside the firm about any inadequacies of their hiring rates. For the most part, the personnel department took the initiative in proposing changes in pay scales or in arranging systems to make the initial rates to be offered more flexible. They were forced to develop their case and argue it through a top management that almost universally took a "show me" attitude. Even if the personnel department did not make policy, it played a strategic role in initiating, administering, and often suffering with policy.

Data on minimum hiring rates were collected for a period of nine years, 1947-55. In six of the nine years at least 10 firms reported their minimum hiring rates. At most, the top rate in a given year was 12 per cent higher than the bottom rate and, generally, the band was under 10 per cent. In some cases, predominantly for firms in the low end of the band, the minimum hiring rate was the bottom of a range within which hiring could take place. The purpose was to give more flexibility in bidding for labor, and the effect was to narrow the actual band of rates. In part, the narrowness of the band reflects the fact that the large firms included in this study were points of reference in wage surveys for all the firms studied. In general, the larger the firm, the broader the coverage of wage comparisons it made (Table 9).

Small firms, which hired against specific openings for the most part,

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TABLE 9
ELEMENTS OF RECRUITING AND WAGE POLICIES, THIRTEEN COMPANIES

Company Size	Primary Source of Labor	When Recruit	Primary Knowledge of Market Condition	Range of Comparison	Formal or Informal Structure	Job Evaluation	Pro-motion from Within
L	A	A	A	B	B	B	A
L	A	A	A	D	A	A	A
S	A	A	C	B	B	B	A
S	B, D, E	B	C	B	B	B	A
L	A	A	C	B	A	A	A
L	A, D, E	B	B	D	A	B	A
S	B, C, E	B	A	B	A	A	A
S	B, E	B	B	D	A	B	A
L	A	A	B	D	A	A	A
L	A	A	B	A	A	A	A
S	B, C	B	B	A	A	A	A
S	B	B	B	A	B	B	A
S	B, C, D, E	B	B	A	A	B	A
Totals	A=7, B=6, C=3 D=3, E=5	A=6 B=7	A=3, B=7 C=3	A=4, B=5 C=0, D=4	A=10 B=3	A=7 B=6	A=13 B=0

KEYS: L=large S=small
 A=high school B=private agency C=S.E.S. D=walk-ins and referrals E=advertising
 A=spring B=against openings
 A=own survey B=regular survey (BLS, FRB, NOMA, etc.)
 C=informal contacts
 A=key firms in own industry B=key firms in own and other industries
 C=all finance D=market
 A=formal (specified rate ranges) B=informal
 A=yes B=no

tended to follow market movements. Small and large firms seeking a high quality of help generally made rate changes on an analytic basis. They had established a desired position for themselves and, on the basis of wage survey information, sought to maintain that position. Firms with a low wage-low quality strategy, however, tended to demand more than wage-survey evidence for a change in their rates, in part because of distrust of the survey results. They looked for evidence in their own experience with recruiting and turnover to supplement the findings of wage surveys.

Most of the larger firms engaged in heavy recruiting efforts in the spring, trying to hire "our share of this year's crop" of high school girls. If a large firm missed out on this market, it would tend to have personnel difficulty for the balance of the year. As a result, the very structure of labor supply forced upon the firm an analytical problem. It was necessary to anticipate in policy on hiring rates what the so-called "going rate" would be. Firms could still pursue varying wage-quality strategies, but even the firm with the low wage strategy apparently could not afford to be very far off the pace. Interviews with recruiters from such firms are full of references to adverse comments, made by high school guidance counsellors, about their rates of pay.

Two general observations stand out most clearly from the interviews with management people. The first is the conviction that significant quality differences exist in this labor supply and that the average quality hired will be related to the firm's place in the wage structure. The wage-quality relationship seems to take shape over a period of time. Firms with lagging wages may not at first notice much difference in the number and quality of applicants, but they do notice a difference in their ability to hire these applicants. They could fill their openings without raising the wage but only by lowering hiring standards. A firm that is contracting its employment could, therefore, lag in wages for some time without feeling much effect. On the other hand, an expanding firm with jobs opening up at higher skill levels must attract a relatively high percentage of promotable girls. Firms in such a position seem to find a high wage strategy of critical importance in their ability to select the kind of work force they desire.

The other general observation concerns the power of labor supply forces as these forces appeared to the firms. The changes in hiring rates in all these firms were unquestionably responses to tight labor supply conditions. As one personnel director put it, "We have to at least keep

up with the salaries of the other banks and insurance companies. Everyone is howling for girls and the kids are not dumbbells. They go where they pay more." This is not to overlook the importance of nonwage appeals. Rather, a hiring rate above a certain minimum seemed to be a necessary, though not a sufficient, condition for successful recruitment. In some cases firms established a "going-rate" policy that did not wait on specific indicators of recruiting trouble. In other cases, the firm's policy of waiting for adverse experience of its own before changing rates provided an almost steady stream of internal evidence that low wages and labor supply troubles are related.

Another important aspect of wage policy involves the structure of wages in the firm. The point has already been made that the firms moved during the post-World War II decade toward more formal wage structures and, in about half the cases, to a job evaluation system of some sort (Table 9). The reasons for this development did not seem to differ much from those found elsewhere: the inequities and chaos that can develop within firms from a random and uncontrolled rate structure; the procedural difficulties of making rate comparisons without some sort of plan; the stimulation of War Labor Board and Wage Stabilization Board regulations; and the general tendency to imitate what is being done elsewhere. Underlying these general reasons in the firms studied, two others appeared to be important. Emphasis on hiring rates led to a tendency for compression in the wage structure unless this problem was dealt with explicitly. Compression, as experienced by a number of the firms, was deplored because faithful employees with limited mobility were apparently being neglected with a generally bad effect on morale, including the morale of their immediate supervisors. In addition, since jobs throughout the wage structure have many common elements among firms, people can move readily to good alternative employment. These problems are forcefully expressed in an internal memorandum on wage policy distributed in 1951 to the top management of one of the firms studied.

The financial problems of these groups [in jobs above the hiring level] have an adverse effect on the morale of all members at non-supervisory levels as well as on the managers with whom they discuss their affairs. These groups have relatively long service with a low turnover ratio. In general, they have acquired skills which are valuable to the Company and they constitute the backbone of our non-

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supervisory office force. They have roots in the Company and have little desire to seek employment in new fields.

We are thus beginning to be a training school which furnishes skilled employees to other industries. For example, we are hiring semi-skilled Burroughs machine operators in the range from \$30 to \$35.21 per week. After six months to a year, these girls as skilled operators can earn \$40 a week or better in other industries. We have verified these rates with Burroughs. Several girls have proved it for us by leaving for better paying jobs.

A job evaluation and job classification system, if approved by the Government and adopted by the Company, could enable us to price our wage rates competitively. It would permit us to re-classify employees who have successfully learned skills in the Company.

At the present time, the Personnel Department has notice of fifteen to twenty girls who are considering jobs in other companies. Many of these girls do not easily make the decision to quit. They feel that there are many advantages in working for us; they have many personal ties in the departments where they now work. Cost of living and merit increases, plus notice that the Company is actively seeking a plan which will permit wage adjustments, will persuade many girls in this situation to remain with the Company.

In summary, the wage strategies pursued by firms could all be classed under the general heading, "pay whatever the market forces you to pay," but this was interpreted in different ways by different firms. The differences in approach apparently were related to differences in size, type of business, and immediate employment trends. The dimensions of difference were the quality of help desired, as related to position in the community wage structure, and the extent to which the firm tried to anticipate or follow general rate changes.

EXCERPTS FROM THE EXPERIENCES OF INDIVIDUAL FIRMS

A Prominent Insurance Company

This firm's employment of clerical help increased moderately between 1945 and 1950 but then rose sharply, by about 20 per cent, between 1951 and 1953. Employment at the end of 1950 was below the level of a year earlier, but this reflected inability in the last half of the year to get the quality of help desired rather than a slowing

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down of the firm's need for additional people. Traditionally the firm maintained individual rates with no over-all plan for the wage structure. The hiring rate was consistently among the lowest for the firms surveyed in this study.

The organization began to change during World War II and, by the end of the war, the employment department had been expanded to a small personnel department with its main emphasis on recruiting activities. The firm occupies a prominent building, and in the immediate postwar years was able to fill the bulk of its jobs from a steady stream of walk-in applicants. Gradually, however, the firm was forced to seek other sources of labor. This need was dramatized for the firm by the end of 1950 in the form of many unfilled vacancies. In 1951, the personnel department was again reorganized and one of the important operating men was given the full-time job of personnel director, a post at the policy-making level with access to the firm's top management group.

His early efforts to move the firm's hiring rate to a higher position in the community wage structure were rebuffed. Concern within the firm for the impact on other rates of changing the hiring rate forced him to present an over-all plan for the firm's wage structure. The arguments against it ran: "we can't make rapid increases in clerical rates when our policy holders pay fixed premiums"; and "turn-over is high among our employees for reasons unrelated to wage rates." Arguments such as these prevailed for several years but eventually gave way, as an accumulation of evidence led to a rather dramatic shift in wage policy.

The evidence behind the policy shift was of several types. Quantitative information on personnel shortages was kept. Interviews with job applicants nourished the suspicion that the walk-in applicants were increasingly people who had been "picked over" by other firms. Operating supervisors complained about low quality and the increasing difficulty of maintaining standards for attendance, punctuality, and tidiness. Efforts to recruit actively in the high schools met with only fair success. Company recruiters reported remarks of high school guidance counsellors, such as, "Why should they go to you when they can get more somewhere else?" An analysis was made of turnover which showed that one-fourth to one-third of voluntary quits were connected directly or indirectly with unfavorable wage comparisons. This percentage exerted considerable leverage in a period of labor shortage.

Finally, an extensive and detailed wage survey was made for the firm by an outside group, and its results were expressed in the rate changes in the new wage policy.

For this firm conditions in the labor market forced a broad reconsideration of company personnel policy, including wage policy, on a somewhat reluctant management. The personnel director of the firm is careful to point out that "money isn't everything" and that the changes made were far more extensive than a simple change in the hiring rate. Nevertheless, there is no doubt that wages were an essential part of the over-all package of "net advantages" this firm was selling to its employees, and that satisfactory sales were most difficult to achieve without a relatively attractive hiring rate.

Another Large Insurance Company

This firm experienced slow growth in permanent clerical employees in the decade following World War II but did expand considerably its use of part-time workers to meet seasonal needs. Personnel work at the company had been carefully organized during World War II and the activities were in the hands of responsible men in the firm. The firm's over-all wage-quality strategy was more carefully thought through than in most of the other firms, and it illustrates an important strategy alternative.

The firm consciously pursued a policy of paying a little below what it regarded as the market rate, knowing that the average quality of its people might suffer somewhat as a result. Its experience showed, however, that some good-quality girls came there "by chance," so that enough promotable material usually was available to the firm. Where this was not the case, it did not hesitate to hire from outside the firm. An effort was made to organize most jobs so that they required little training. On the whole, the firm felt that others paying high rates had a higher average quality than they could use fully and were really wasting money.

The firm participated in wage surveys made by other firms in the area but relied primarily on surveys made by the Bureau of Labor Statistics on the grounds that BLS surveys were broader and more systematic. It did not change rates, however, on the basis of survey results alone. The survey helped to decide how much to change, but a change was not made unless the firm's own experience suggested the need for it. A primary indicator was "bleeding" in the rate ranges.

When they found that they could recruit a high proportion of girls only at the hiring rate reserved for "exceptional" people, a need for a change in the rate range was indicated. In addition, the firm recorded such indicators as the number of interviews per hire, the turnover, and the number of unfilled vacancies. The personnel people were a little suspicious of their own figures on unfilled vacancies and felt that perhaps the vacancies were not really there—until loud complaints came from department managers. The same could be said about quality standards for new people. At any rate, they relied heavily on indicators from the firm's own experience before grudgingly moving the wage rate up.

A Large Bank

This firm ranks among the larger and more rapidly growing employers of clerical labor in the area. To fill its large accessions each year, the firm has turned to and relied primarily on the supply of labor entering the market each year from high schools. Its well-organized personnel department makes numerous visits to high schools each year to persuade teachers, high school guidance counsellors, and students that this bank is a good place to work.

In the view of the personnel department, the firm's large-scale and aggressive recruiting demanded a hiring rate slightly above average. In addition, the timing of the firm's hiring made it difficult for the firm to await adverse experience of its own before changing its rates. It was deemed essential to make a large proportion of the yearly accessions out of the group graduating each year from high schools. Thus, the firm felt it necessary to follow an anticipatory and analytical approach to wage changes.

The firm estimated each year the labor requirements of major firms in the area and the number of high school graduates who would be looking for clerical work. On the basis of these estimates and a "feeling" of what was happening to wages as seen by other employers, employment agencies, and high school guidance counsellors, the firm decided upon the rate range with which it would enter the market. The objective was to appear in a leadership role. This wage policy was aggressively supplemented by other nonwage appeals and by efforts to bring girls into the firm before graduation on a part-time basis.

In addition to general efforts to keep costs down, two types of restraining forces were operating in this case. First, there are only a few

really large firms recruiting in the Boston area high schools, and they feared that really aggressive bidding for the high school graduates would only run up the price. This possibility was discussed among personnel people and no doubt served to moderate the forces of competition. The other restraining force was the problem of maintaining an equitable internal wage structure in the firm. Rapid increases in hiring rates would mean either increases all along the line or growing discontent among longer-service employees. Such a situation, it was felt in this firm, could easily lead to unionization of these employees, an outcome clearly viewed as most undesirable.

All in all, however, the firm was a wage leader both in timing and level. Its wage policy illustrates an adaptation to the structure of supply on which it drew in a period of labor shortage.

A Small Bank

This firm employed a little over 100 people in 1956 and had experienced a slow growth in the decade following World War II. Consequently, it hired only a small number of people each year. Its hiring rate was consistently about average among the firms covered by the study, and turnover was the lowest of any firm included in this study. Adjustments in rates were made from time to time on the basis of wage survey material collected by large employers and made available to those who cooperated in the survey. The firm relied almost entirely on internal recruiting, using its own employees as its best sources of information and advertisement. It had no personnel department and no labor supply difficulties and was, to a certain extent, a little bewildered by all the shouting about labor shortages.

Patterns of Job Choice Among Clerical Workers

Information about employer personnel policies and wage decisions was supplemented by study of the labor force activities of a sample of clerical workers. Work histories were collected by interviews with 158 employees of the thirteen firms studied, each at the time on the payroll of a bank or insurance company. The names were drawn at random from lists supplied by the firms, with 10 names selected from each small firm and 15 from each large one.

As shown in Table 10 those interviewed were predominantly under twenty-four years of age, single, and residents of households headed by parents, guardians, or other relatives. A significant minority, one-

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TABLE 10
STATISTICAL DESCRIPTION OF THE SAMPLE

	Number	Percentage
AGE DISTRIBUTION		
Under 20	33	20.9
20-24	64	40.5
25-34	32	20.3
35-59	29	18.3
	158	100.0
MARITAL STATUS		
Single	117	74.0
Married	33	20.9
Widowed, Separated, or divorced	8	5.1
	158	100.0
HOUSEHOLD CHARACTERISTICS		
Head of household	27	17.1
Not head of household		
With parents, guardians or other relatives	106	67.1
With husband	25	15.8
	158	100.0

fourth to one-third, were over twenty-five years of age and had important responsibilities for maintenance of the household.

ORIENTATION TO CLERICAL WORK AND CONFIDENCE IN ITS AVAILABILITY

These 158 people had held jobs in 411 firms since leaving school and 343 of these jobs (83 per cent) were in clerical work. Of them, 122 had held jobs exclusively in clerical occupations since leaving school. In contrast, before leaving school, 80 per cent of these individuals had held nonclerical jobs, for the most part, in retail sales in stores or service work in drugstores, ice cream parlors, or similar establishments. The interviews were full of unsolicited adverse comments about jobs in trade and service industries and, to a less extent, about jobs in factories (see Appendix A for examples).

The experience of those interviewed in making job shifts fostered confidence in the ready availability of work (Table 11). About 80 per cent of the job shifts were voluntary. An increase in salary was associated with three-fourths of the shifts when the worker stayed in the labor market. In 60 per cent of the cases the individual spent less than two weeks between jobs, and 85 per cent of the individuals had

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TABLE 11

PERCENTAGE DISTRIBUTION OF REASONS FOR LEAVING JOBS

Reasons for Leaving	<i>Current Age of Worker</i>				Total Reasons
	Under 20	20-24	25-34	35-59	
INVOLUNTARY					
	7.1	23.1	13.6	20.9	18.3
VOLUNTARY, REMAINING IN LABOR MARKET					
Salary and opportunity to advance	21.4	18.3	22.3	17.4	19.4
Nonsalary economic advantages	0	1.9	1.0	6.1	2.9
Working conditions	7.1	8.7	8.7	4.3	7.1
Personal relationships	21.4	14.4	19.4	8.7	14.6
Type of work	25.0	17.3	16.5	9.6	15.1
Other	10.7	5.8	8.7	5.2	6.9
VOLUNTARY, LEAVING LABOR MARKET					
Marriage and pregnancy	0	1.0	2.9	8.7	4.0
Return to school	7.1	2.9	2.9	6.1	4.3
Change of husband's residence	0	3.8	0	3.5	2.3
Other	0	2.9	3.9	9.6	5.1
Total reasons	8.0	29.7	29.4	32.9	100.0

NOTE: More than one answer possible per person per job.

DESCRIPTION OF CATEGORIES

Salary and opportunity to advance, consideration of salary or a chance for promotion.

Nonsalary economic advantage, consideration of job security and fringe benefits of various sorts.

Working conditions, preferences with respect to the number of working hours, days of work, and the type of physical plant.

Personal relationships, the social satisfactions derived from working in a firm, including those related to the nature of supervision, type of co-workers, and the presence of friends.

Type of work, for which workers indicated dissatisfaction with the inherent nature of the work they were performing.

never spent more than one month out of a job while still in the labor market. For about 20 per cent of the job shifts, a new job had been lined up by the individual before she left the old job.

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METHODS OF LOCATING JOBS AND ACQUIRING JOB INFORMATION

The sources by which those interviewed located jobs are shown in Table 12. The outstanding fact shown by this table is the importance of market intermediaries and sources of information which tend to expose the job applicant to knowledge of a range of job alternatives. The most important channels of information were schools and private

TABLE 12
SOURCES BY WHICH JOBS WERE LOCATED

SOURCE OF JOB	PERCENTAGE DISTRIBUTION				Total Sources	Number of Job Sources
	<i>Age of Workers at Time of Study</i>					
	Under 20	20-24	25-34	35-59		
Schools	21.0	16.3	15.0	12.4	15.5	67 ^a
Private employment agencies	10.5	10.2	15.9	16.5	13.4	58
State employment service	5.3	3.4	3.7	4.1	3.9	17
Newspaper advertisements	0	15.0	20.6	7.4	12.3	53
Common awareness	8.8	8.8	7.5	9.1	8.6	37
Girl friend	31.6	23.8	15.9	19.8	21.8	94 ^b
Relatives, family friends, and contacts	21.0	16.3	16.8	19.0	17.8	77 ^c
Company recruiters	0	3.4	9.3	9.1	2.5	11
Other	1.8	2.7	3.7	7.4	4.2	18
Total sources	13.2	34.0	24.8	28.0	100.0	
Number of jobs	57	147	107	121		432

NOTE: More than one answer possible per job and per person.

^a High School in 32 cases.

^b Friend worked at the firm in 59 cases.

^c Relative or family contact worked at the firm in 57 cases.

employment agencies, and if the State Employment Service and newspaper advertisements are added, these channels were the means by which individuals found almost half the jobs identified in this study. As in the case of industrial labor markets, friends and relatives were also prime sources of job information, accounting for about 40 per cent of the jobs identified. Nevertheless, the importance here of relatively

well-organized channels of information for locating jobs stands in sharp contrast to findings in industrial labor markets.¹⁰

Studies of industrial labor markets have shown the typical industrial worker to be poorly informed about job alternatives, even when in the process of changing jobs. In this study, too, the majority of workers did not seem well informed or thoughtful in their labor market behavior. In about one-third of the job shifts identified in this study the person interviewed knew almost nothing about the job before applying and knew only the general type of work involved in another 40 per cent of the shifts. In about one-fourth of the cases, however, the person knew about the general salary levels at the firm and about some aspects of the working conditions before making application.

In about two-thirds of the cases, the individual had no specific knowledge about jobs other than the one taken at the time of the job shift. In about one-fourth of the job shifts, however, the individual made more than one application, indicating she had explored alternatives to some degree. Three-fourths of those interviewed, when asked the additional question whether they knew of any places using clerical help which they considered "good" or "bad" places to work, identified firms other than their own and gave explicit reasons for the good or bad evaluation. A significant minority, perhaps one-fourth to one-third, of these clerical workers, then, possessed some knowledge of job alternatives when they made job shifts, and a somewhat greater number had enough knowledge about other firms to make a loose judgment about the desirability of working at these other firms.

FACTORS IN JOB CHOICE

An effort was made in the interviews to identify in a general way the preference structure of these clerical workers. They were asked why they had left earlier jobs, what had led them to choose their present

¹⁰ From a study of the San Francisco Bay area labor market, Malm also noted the sharp contrast between channels of recruitment for manual and clerical workers. He studied employer recruiting practices and covered a wider range of industries and sizes of firms than this study does. High schools were not as important as they appear to be here, but formal channels do predominate in the case of clerical workers. F. Theodore Malm, "Recruiting Patterns and the Functioning of Labor Markets," *Industrial and Labor Relations Review*, July 1954, pp. 507-525.

The study of clerical workers in Madison, Wisconsin, also found formal channels to be of great importance in that labor market. Eighty per cent of the jobs on which workers reported were located through market intermediaries, with the Public Employment Service playing an important role. See Conant, "Wages and Behavior of Firms and Workers," p. 117.

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positions, their satisfactions and dissatisfactions in their current jobs, and what they considered to be the characteristics of "good" and "bad" places of employment. Here, too, the general picture obtained is not very different from that identified in other studies. Individuals vary in what they want from a job and, in all cases, they consider more than the financial side. In only a minority of job shifts were salary and other nonsalary economic attributes of a job singled out as the primary reason for taking the new job.

The picture for job terminations, however, is somewhat different. Two-thirds of the individuals who left jobs did so voluntarily and stayed in the labor market. Reasons given for leaving were, in about one-third of the cases, dissatisfaction with salary or other economic attributes of the job, in 45 per cent, unsatisfactory personal relationships on the job or dissatisfaction with the type of work. Of the 158 women interviewed, 60 said they intended to leave the firm for which they were working; more than half, 34, gave as the reason dissatisfaction with their current salary or with their chances for increases in salary. In describing good and bad places to work, about 40 per cent of the 158 specified economic advantages as identifying a good job, though only 18 per cent cited that reason in identifying bad jobs.

The picture of employee behavior that emerges in this labor market seems broadly consistent with the belief of firms that raising wages and improving working conditions were essential to attract and retain employees. Almost half the jobs taken by the sample of workers studied were located through reasonably well-organized information pools. These pools provide their users with knowledge of a range of job alternatives and with rough standards for evaluating salaries. A significant minority of girls, about 20 per cent, knew about jobs other than the one they accepted and had at least a general idea of the economic dimensions of jobs applied for. To be sure, most of the workers made no pretence to a systematic exploration of the job market. But in many instances some market intermediary did that for them and, in a substantial minority of instances, workers conducted some search on their own.

This study suggests that financial incentives play a significant role in the preference structure of these clerical workers, although within a strong framework of other job objectives. It is apparent that these girls place a high value on their working environment and on the status of the work they do. Most of them seem to have rejected consciously

factory work or selling, where many of them had earlier experience on part-time jobs, thus narrowing their range of job choice. Within this range, however, a substantial minority, again about 20 to 25 per cent, emphasized salary and general financial considerations in their reasons for leaving and taking specific jobs, their notions of what makes for a good or a bad job, and their intentions about their current job.

In a tight labor market, where firms are struggling to attract workers and avoid turnover, the behavior of this minority of workers can have a significant impact. The initial job choices and subsequent movements of these workers punish the low-wage firm and encourage those employers who maintain salaries in line with or above their competitors in the labor market.

Role of Market Intermediaries

Because market intermediaries appeared to play an important role here as sources of job information, both to firms seeking employees and to workers seeking jobs, their methods of operation were also studied, with emphasis on high school placement activities.¹¹ The information about private employment agencies is limited, since these organizations were reluctant to provide desired information. Interviews were held with nineteen high school counsellors engaged in placement activities—fourteen associated with high schools in principal Boston suburbs and five with the Boston school systems, both public and parochial.

APPROACH TO PLACEMENT ACTIVITIES

High schools vary considerably in the amount of effort devoted to placement activities and in the sophistication of their approach. In general, however, the view was widespread that satisfactory placement in jobs was a growing responsibility of the schools. The approach of individual guidance counsellors varied somewhat in the degree of control assumed. In some cases, the approach was rather authoritarian: the counsellor tried to place an individual girl on a particular job without giving her much information about alternatives. The more prevalent view, however, was that girls should get from the initial placement process some skill in ways of finding jobs. Thus, at some schools girls

¹¹ The Public Employment Service apparently did not play an important role here. In contrast, a study in Madison, Wisconsin found there that it is a principal channel of job information for clerical workers. See Conant, "Wages and Behavior of Firms and Workers," pp. 119-122.

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were told about a number of jobs, occasionally given a list of firms to visit, and were urged to supplement basic information available at the school with the kind of information obtainable only on the job site.

ACQUISITION OF INFORMATION AND ITS DISPERSAL

Every counsellor interviewed was convinced that the market for clerical help was extremely tight. Many more companies than ever before were taking the initiative in contacting high schools, and placement people were frequently unable to recommend anyone to fill particular vacancies. As one of them expressed it, "We have many more calls for jobs than we have girls to fill them."

As a result of their contacts with firms, guidance counsellors accumulated much information about available job openings and the basic employment terms for them. In some schools, the information about openings was posted on a bulletin board; in others, guidance counsellors talked over a range of possible alternatives with individual girls. Information filtered out through teachers in the business courses and through discussions among the girls themselves. As one man noted, "The girls talk a lot among themselves about salaries and when jobs in firms paying lower salaries are offered, they refuse them." The result, it seemed, was that enough information became generally available to set a sort of salary norm for a particular year.

Some placement officers were much more aggressive than others in feeding information back to firms and in commenting critically about low rates. Ten of the nineteen interviewed volunteered comments about such action, as this typical statement: "I won't send a girl to a place like that because they exploit girls by paying them too low. They tell me the girls aren't worth it, but I say if you want them you'll have to pay it, because they can get it somewhere else." Many small firms call in for help and say in effect, "You know the salary schedules; tell me what I should pay and I'll pay it." Thus, the information collected at the high schools moved out to the demand as well as to the supply side of the market.

All the schools emphasized their desire to place the better girls in what were considered the better jobs, as rewards for better than average performance in the classroom. Better jobs were not defined exclusively in terms of better pay, but pay appeared to be one obvious attribute. The result of this process was to sort out the labor supply according to a quality dimension and to provide a broad association in the placement

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process of quality and pay. Some quotations may help give the flavor of this aspect of placement activities: "My goal is to give the better job to the better girl. If good jobs don't come in, then I'll take the initiative and shop around for them." "I tell the outstanding kids to hold out for the better job; I tell them you ought to get a top-notch job. Don't be in too much of a hurry. Hold off. Talk it over with us. We'll interpret the significance of a job offered to you."

PRIVATE AGENCIES

The information obtained about private employment agencies is not sufficient for a detailed statement about their operations. These agencies are apparently concerned primarily with placement into the high-paying jobs requiring definite skills and experience. Their concern about their reputations with employees as well as employers led them to avoid handling poor openings. They seemed willing to tell an employer when his rate was below that offered by others, a fact confirmed by statements made in interviews with employer representatives. Employers pointed out, in addition, that the agency's fee is roughly proportionate to the rate of pay on the job.

One employer related the following incident, implying that it illustrated a frequent pattern of events:

We phone the agency asking for a girl and saying that the pay is \$40 a week. The agency claims it cannot get a girl unless the pay is \$45. So we say if she is good we might pay \$45. Let her come in and we'll see. Then the agency runs an advertisement that it has a job paying \$45. This attracts girls to the agency, which tells them that that job has been filled but there is another that pays less, although the exact amount will be determined when the girl applies for the job. The result is the agency causes the employer to make a tentative offer of \$45 and this figure has raised the girl's expectations, as does the suggestion by the agency that the employer is willing to bargain. In addition, girls look at the ads and get the idea that \$45 is something to shoot at for a job like this.

SUMMARY

In general, the information obtained from high school guidance counsellors tends to confirm the impression of employers and, to a lesser extent of employees, that the counsellors play an important role in this market. They appear to have some direct influence on selection of jobs

for the best girls. They counsel girls not to take the first job offered but to look around, though they deplore the extent to which this advice is ignored. From the standpoint of their effect on the labor market, the most important of their activities is their almost automatic acquisition of information. This information, which becomes available at the time of year when most hiring takes place, is widely shared on both sides of the labor market. Even if girls do not make a systematic search of job alternatives, the process of pooling and sharing information tends to perform that function for them. Thus, the placement activities of high schools improve the operation of this labor market.

Conclusions

A tight market for female clerical workers in Boston banks and insurance companies during the post-World War II decade has been identified. The reactions of a group of firms and their employees to that labor market and the role played in it of various market intermediaries, especially high school guidance counsellors, have been described. Five points of special interest emerge from the study.

1. The supply side of the market is characterized by the addition each year of a large group of workers flowing from high schools into jobs. Most of the large firms and some smaller ones wish to attract a share of this group. The resulting focus of competition among firms at a point in time and at common locations has led to ready wage comparisons and has increased the upward pressure on wages. Some firms followed a policy of raising their rates in anticipation of this competitive struggle. Firms with lagging rates of pay felt the pressure most strongly, of course, often hearing about their position in the community wage structure directly from the guidance counsellors and feeling the impact of labor shortages in the form of a lower average quality of applicants. The structure of supply created more of a "market place" than is usually found and, in turn, the operation of the market place added knowledge to and improved the operation of that labor market.

2. Formal channels for finding out about job openings were more important for the clerical workers covered in this study than is apparently the case for manual workers. In particular, high school guidance counsellors play an important role in the placement of high school girls in initial jobs. Perhaps the most important function of the counsellors was their assembly of information about the market, which flowed to

both the supply and demand sides of the market. This information-pool role is worthy of note now, when the number of people coming out of high schools each year will be increasing rapidly. High schools can help individuals find satisfactory jobs and improve the operation of labor markets in the long run by helping individuals understand better the process of finding a job.

3. The responses of firms to that tight labor market were diverse. As in other studies, much more than a simple wage response was found. The firms were able to moderate the impact of labor scarcity on wages by increasing their buying effort, lowering their quality standards, and broadening their sources of labor supply. These devices are a parallel in the labor market to efforts by firms to differentiate their goods and services for sale in the product market. Many of these nonwage responses are reversible and their use injects an element of flexibility in a firm's adjustments to changing labor market conditions.

4. Most of the workers studied made no systematic search of job alternatives as they shifted from one employer to another, and many of them were uninformed about alternatives that might be open. Nevertheless, a substantial minority of workers did appear to be reasonably well informed and willing to move to jobs with better pay and comparable working conditions. In a tight labor market the leverage of such a group can have an important impact on the wage policies of firms. The impact, while concentrated on jobs at the hiring level, extends throughout the wage structure and reduces the monopsony power of firms over employees with long service and skills specialized to the firm. This extension operates through internal comparisons and the impact on morale of what appears to employees and their supervisors as inequitable treatment.

5. This market does not, of course, operate in isolation, free of the forces at work in the economy generally or in the Boston area. Nevertheless, its responses to these forces operate through a mechanism with a basically internal orientation. The changes in personnel policy and in wages made by the firms were stimulated by their own conditions of labor supply. Certainly, then, one cannot expect economic events in other industries and locations to have an automatic effect on this labor market. If the event affects the demand for or supply of clerical workers in Boston, as did the expansion of government offices in Boston resulting from the upsurge of activity during the Korean conflict, then a response here may be expected.

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In the post-World War II period, the study of labor markets has led gradually to a shift in attitude toward them on the part of labor economists. Research has revealed the complexities—the barriers that often impede the flow of people to jobs of their choice, the extent of ignorance about alternative employment opportunities, and the broad range of motives to which people respond in their labor force activities. If the initial reaction to the findings of research was disenchantment with a stripped-down model of the labor market drawn from economic theory, subsequent reflection has led to a more sophisticated view. In this later effort some of the classic works have turned out to be valuable, after all. Charles A. Myers, for example, quotes with approval from the works of Marshall and Hicks, who “analyzed with great insight the operation of labor markets, as distinct from product markets.”¹² And Myers notes, referring to the United States, that “personal and institutional factors undoubtedly did impede movement in certain local labour markets and at particular times; but the broad waves of movement did correspond to those suggested by the theoretical model.”¹³ The effort now is to use the richness of empirical detail on hand—with economic theory as a guide, but not a master—to distinguish among the many types of situations under which the price of labor is determined. This study of a white-collar labor market may be portrayed, then, as one piece of data in this broad effort.

Appendix

EXCERPTS FROM EMPLOYEE INTERVIEWS

A. Reasons for Working:

I guess I just wanted to feel independent.

I had to—your mother supports you long enough and then you have to go to work. I didn't have anyone but myself to support when I started working; I guess that I just didn't like the idea of “hanging around” when everyone else is working.

Well, I wasn't going to college . . . you just don't go to school for twelve years and then hang around . . . you got to have money. I can't say to my mother I won't work and you got to support me.

¹² Charles A. Myers, “Labor Market Theory and Empirical Research,” in John T. Dunlop, *The Theory of Wage Determination*, London, MacMillan, 1957, p. 317.

¹³ *Ibid.*, p. 326.

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It's not fair and I want to work. I guess every girl does. She wants to have clothes and buy things she wants . . . and you meet people. . . .

When you graduate from high school you can do three things; you can go to college, get married, or go to work. I didn't go to college or get married, so I went to work.

I need the money to help out at home. I wouldn't stay at home and loaf. I'd be very bored.

Well, I didn't have to . . . but I was excited about getting a job and having my own money . . . it was just the natural thing to do.

Money is the main reason: I have to live and I can't live off my parents forever. I think that when you work there are more things that you can do . . . you're independent . . . anyway, eventually everyone has to go out and work. It's good to know some kind of work in case some day you really have to work.

The first time I went to work it was just for kicks, you know something to do . . . after I graduated from high school there was nothing to do but go to work.

I didn't know anyone there. It meant being alone all day. I didn't want to sit around. Now I'm working because we want to save for a down payment on a house. I'll work for one or one and a half years and then stop, because we want a family in another year or so.

I had to return to work. I was supporting myself. My husband and I broke up . . . divorced.

B. Reasons for Selection of Clerical Work

My mother and father wanted me to work in an office . . . they'd like me to work in an office and not in a factory . . . she knows what it's like . . . they work hard in a factory. . . .

I wouldn't want a factory job, I got a high school diploma.

When nursing was out I figured that clerical work was something that I was capable of. That's the only course that they offered in high school besides the college course and I didn't want to go to college. . . .

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It's the best kind of a job a girl can get. If you say you work in a factory it doesn't impress people. They say anyone can get you work like that . . . and an office is clean.

I didn't want to go any farther in school . . . I didn't really like school that much. If I went to college I'd have to take courses that I didn't like . . . clerical work seemed most interesting to me. I was always fascinated by people that could type. I wouldn't want the assembly line. It doesn't seem like the right type of job for me; no intelligence is needed in that work. I've gone through school with good marks and I wanted a job that would become a challenge to me.

For no special reason, I don't think. I knew that if I took the commercial course in school I could always get a job.

The reason I do clerical work is that I'm not trained for anything. . . . I only had a clerical course . . . a little in high school. . . . They're the only skills I can do. I'm not interested in office work, but that's all I can do now.

I think I thought I would get real working benefit out of the commercial course . . . that it would help me to get a job. If you aren't going to college this would be about the only thing I could get into. I didn't really consider anything else.

I just sort of wandered into it. One thing leads to another. You get one job working in an office and then you look for the same thing.

I like a little prestige in my job. . . . I think office work is a little more respectable for a girl. . . . no, I wouldn't think of working in a factory . . . it's too rough for me . . . both the work and the people.

My dad's not working. He was laid off in the mill. That's why he said office work or a bank or insurance company would be steadier . . . the big reason for going to the bank was security.

I don't know why I went into office work. I guess it was because that's what I took in school.

COMMENTS

GEORGE H. HILDEBRAND, Cornell University

George Shultz underscores our lack of knowledge about the operation of nonunion labor markets, especially in the white-collar occupations.

His effort to fill the gap is highly appropriate. Such work is essential for testing and improving wage theory, for comprehending wage behavior, for evaluating union impacts and processes of transmission of wage changes, and for a better grounding of economic policies.

What kind of model, or image, of the labor market is suggested by Shultz's findings? Obviously, it lacks the over-all centralization of wage determination that might be achieved under over-all product-market unionism, an employer association, or government regulation. While the market is not competitive enough to yield a single uniform rate, the dispersion of wage rates for comparable jobs is surprisingly narrow. If, further, allowance is made for differences in personal efficiency and capacity, which Shultz says do exist, then, expressed as efficiency wages, the band of rates would be even narrower. At the same time, there is sensitive interdependence between the hiring rate for the bottom job (filing clerk, class B) and those for the upper tiers of the structure, while all the jobs are quite clear cut and uniform among firms. Moreover, the practice seems to be to hire in at the bottom and to promote from within—interesting in itself as acceptance of the qualified seniority principle, even without unionism.

Explanation of this interdependence of job rates attests to the power of competition on both sides of the market. For the employees, compression invokes discontent, lessened efficiency, and more voluntary quits at the higher levels. For the employers, these responses may be summed up as reduced labor supply. To this the obvious reaction is to increase rates across the board, adding more to total wage costs than would selective increases and at the same time substantially increasing total costs, because of the high ratio of labor costs to total expenses in this field. The employers, accordingly, are reluctant to increase wage rates, preferring where possible to resolve the problem through nonwage channels. In the end, this approach has proved permanent, although external pressures have nonetheless compelled a steady postwar rise in wage rates.

Freed though it is of centralized wage control, Shultz's market is by no means as poorly held together as that for much nonunion factory labor. Yet it has no union. Wages have risen rapidly and consistently, showing strong uniformity rather than diversity. The reason is that unionism is not the only way to introduce an organized market. In Shultz's case, what he calls "market intermediaries" serve as effective brokers to bring buyers and sellers together. Granted that the role they

play is not as effective as that exerted in the stock exchange, it contributes powerfully to the forces of mobility. In other words, competition works, and apparently works quite well, in this market. Thus wages and working conditions together strongly influence the allocation of labor among the participating firms, meaning that demand and supply relationships shape their hiring policies in a competitive manner.

In the short period, aggregative supply appears fairly inelastic, but even in the longer run it was inelastic enough relative to increasing demand to compel a substantial rise in average rates, together with many indirect responses. These latter responses include: formation or development of personnel departments and policies, increased recruiting efforts, reduced hiring standards, improved nonpecuniary attractions, formalized job and wage structures, enlargement of the labor pool, and efforts to economize labor, particularly through substitution of capital investment in laborsaving devices.

The worker population in Shultz's study is not homogeneous in quality or efficiency. To attract and to hold labor, each employer has a choice: to be a wage leader and so "advertise" a favorable market position, or to be a follower and trade inferiority for lower rates and employment costs. Interestingly enough, Shultz's evidence suggests operation of a process of introduction and transmission of wage increases like that found by Reynolds in his New Haven study. Going annual increases and orbits of coercive comparison have existed despite the absence of unionism. Equally important, tightening labor supply has even compelled the laggards to make increases to thwart the adverse effects of higher quit rates, diminished numbers and quality of new applicants, and heightened problems of discipline and performance. Clearly, too, relatively persistent full employment in the Boston area contributed strongly to tight supply—cutting down the supposed flow of entrants from other industries and increasing the propensity to migrate outward.

The conclusion that emerges from all this is that, although the simplified model of perfect competition will not do as an adequate account of wage determination and market behavior, nonetheless in the modified neoclassical version developed by Marshall and Hicks we have a satisfactory conceptual apparatus for extracting several very useful predictive implications—for *this kind of market*.

Consider the evidence. The rise in the derived demand for this kind of labor compelled a steady advance of wages in the "industry," work-

ing as it did against relatively inelastic supply. Wages did not fall, so supply could not have been negatively elastic. The theory says that wages have to rise under these conditions, because supply depends upon the ability to pull employees from competing uses in other industries and upon the annual accretion of new entrants from the schools. Further, the market is well enough organized, and the participants sufficiently lacking in power to affect price, that wages at the hiring grade showed a strong tendency to equalize, particularly in the efficiency sense. All of the employers were under strong pressure to raise wages, and all did so. Obviously, too, supply to this industry was strongly influenced by the general state of labor demand and supply. There was substantial interdependence also among occupational rates within the industry. This, too, the theory leads us to expect: if the wages for experienced and for inexperienced girls were equal, there would be a shortage of the former and a surplus of the latter. Accordingly, competition would restore a differential, responding to the difference in marginal productivities of the two grades of workers. Finally, as the cost of labor rose to these employers, they were induced to economize—by reorganizing jobs, by resort to typing pools, and by improved or new equipment.

We need not go all the way with Hicks to hold that generally this "is quite a good simplified model of the labour market," or that so far as "general tendencies are concerned, wages do turn out on the whole very much as if they were determined in this manner."¹ For, after all, this is a special kind of labor market, with underlying conditions not found everywhere. But we can agree with him that while the "labour market is not a perfect market; [and] the equalising forces do not act quickly and easily, . . . nevertheless they do act."²

The criticisms I have concern mainly matters I would like to have seen explored or developed more fully. Since Shultz is reporting here about only part of a large-scale inquiry, most of my comments should not be taken as adverse.

First, I think a sharp and explicit contrast should be drawn between this particular market and those with labor unions. There are marked differences, and some interesting similarities. Rates and working conditions in Shultz's market are not collectively negotiated. The employers have much more discretion, particularly in responding to changed

¹ *The Theory of Wages*, New York, Peter Smith, 1948, p. 5.

² *Ibid.*, p. 76.

conditions of supply. The timing of wage increases, their size and distribution, and their diffusion among firms are not affected by the duration and expiration of trade agreements. Relative to the craft-union market, there appear to be no formal restrictions upon entry, while movement within the industry is not regulated. Actually, internal movement apparently has the dual character observed in the market for unionized factory labor: up the occupational ladder within the establishment and laterally between employers, particularly for starting jobs. It is also noteworthy that, with the transition to relatively continuous full employment, these employers were compelled to borrow some of the practices of factory unionism: to replace personal rates with job rates, to design a suitable internal structure of occupational rates, to treat problems of grievances and discipline more formally, and to formulate hiring standards and to adjust them to ease or tightness of labor supply.

Second, let me consider the orbit or contour problem. Although Shultz recognizes the influence of forces external to this industry, he contends somewhat obscurely that its labor market is an internally oriented mechanism, not automatically affected by wage patterns elsewhere. As he puts it, "The personnel policy and wage changes made by the firms were stimulated by their own conditions of labor supply."

Does this mean that the forces of supply are internal to the firm, or internal to the industry? And either way, is it true? To the firm, supply is an external force, to which it must adapt. To the industry, supply is partly an internal influence, but not wholly so. Not all new entrants into the clerical market go into banking and insurance, while those already in this field are not entirely indifferent to wages for these occupations in other industries in the Boston area. If the converse were true, why then emphasize the postwar advent of a tight market as the primary cause of the many changes in employment policy noted by Shultz? Obviously the supply curve of labor to this industry has not been perfectly elastic, or it would not have raised wages as its demand for labor expanded. Should we infer that external factors have done nothing to make supply even less elastic? If wages outside the industry had not advanced postwar, would it have made no difference to the rate of increase within the industry? I do not think so.

Perhaps Shultz's point is simply that absence of unionism invokes substantial differences in timing, speed of diffusion, size, and distribution of wage increases within the industry, which should be granted.

But this goes to the process of transmission only. It is not ground for emphasizing either the isolation of this labor market or the noncompetitiveness of its labor force.

Third, I would like to see explored more fully the role of the product market in wage determination. Banking and insurance services require identical types of labor, but they involve distinct products. How did occupational rates compare as between the two? Beyond both, there are employers in other product markets who also use this kind of labor. Table 7 indicates considerable variance in these occupational rates as among different sectors in the winter of 1957-58. What is their profile for the whole postwar period? What role did differences in product markets play in effecting and possibly preserving differentials for the same occupational groups?

Fourth, I think that more intensive examination is needed regarding the structure of occupational rates within the firms in this industry. To what extent was it given by effective competition, and to what extent was it the product of administrative design? In the usual factory case, as Dunlop pointed out some time ago, the market is too blunt an instrument to provide the gradations in job rates that are normally required. Arbitrary interpolations become necessary, either through negotiation or evaluation, or some combination of the two. Is the market for clerical labor in these fields effectively competitive enough to provide each firm with a ready-made structure, or is there considerable room for administrative discretion? If there is much discretion, are there key rates and clusters to guide the administrators?

Last, one would like to know something about fringe benefits in this market. Statistical difficulties in making comparisons are extremely difficult in this field, but if benefits can be segregated as to kind, we would have additional evidence regarding the impacts of unionism upon nonunion labor markets.

Shultz has done some very useful pioneering in this study. Most of my suggestions point to possibilities for further work. Such work is essential to the attainment of his objective of increasing our knowledge of actual labor markets in order to shore up the ground for public policy. To me, his most important finding emerges in a somewhat muted way: that here is a labor market in which competition works with reasonable effectiveness, granting that its adequacy for promoting the interests of workers as workers is a question as yet left unanswered. In any case, there are other nonunion markets in which competition

has not proved effective and probably never could be. If we are to make further headway in gauging the impacts of unionism, we will require more inquiries of this kind, to yield a fuller spectrum of types of labor markets, and, with this, more knowledge of their operation and their interrelations.

RICHARD A. LESTER, Princeton University

This paper involves the application to the white-collar field of the techniques of studies in the manual-worker field of employment practices, and demand and supply factors. Since Shultz participated in the Nashua study, more comparison of his results in this study with those in other studies and an explanation of differences would have been desirable.

Applied to employment in modern firms, incautious use of the term "labor market" can create misunderstanding through misleading connotations and the application of ill-suited concepts. In his paper I am not certain whether "a nonunion market" was examined. At one point it is referred to as a "submarket, a part of the general market for clerical employees. . . ." But it "may not represent the supply side of the whole market for clerical workers in Boston." Can and should one think of a single market for all clerical workers in metropolitan Boston? Or should one think in terms of submarkets by industry, by area, by occupation, or by individual firms? And to what extent do the parties themselves think and operate in market terms?

For reasons offered in the paper, market concepts may not need great modification or qualification when applied to the hiring of clerical workers by banking and insurance firms under the sort of circumstances explained in some detail. First, much of the hiring occurs in the spring through the high schools supplying newly trained entrants, under conditions of fairly wide knowledge of wage data. The situation resembles corporation recruiting of college seniors on the campus. Second, most of those employed are interested in short-term work. Seniority and promotion are not stressed; the labor turnover apparently is exceedingly high, although no figures are given. Third, there exist considerable employer exchange of wage information, and perhaps employer understandings on wages. The report states that "all the firms are now involved in efforts to develop a common pool of information about the labor market," that the large firms "were points of refer-

ence in wage surveys for all the firms studied," and that certain discussions among personnel people "no doubt served to moderate the forces of competition." More detailed information on such employer interrelationships would have been helpful.

With that much common knowledge spread by high school guidance counsellors among prospective employees and with that much cooperation among employers, it is not surprising to find that, among the six (in some years less) banks and insurance companies for which data were available for the years 1947 to 1955, the top firm's hiring rate was not over 12 per cent above the bottom firm's hiring rate, and, on the average, was under 10 per cent above.

Yet, despite all the pressures narrowing company wage differentials, it is stated that the raising of the legal minimum to 75 cents and later to \$1.00 affected three companies as a sort of "mopping-up function" and that compression of the wage structure from raising the hiring rate was experienced in a number of the firms. Thus, "faithful employees with limited mobility were apparently being neglected with a generally bad effect on morale." Why did their wages lag, and what forces caused them later to rise relatively, if that did occur?

It would have been desirable to have plotted the changes in the minimum hiring rate of each of the firms studied over the nine years for which data were collected, 1947-56. In that way, it would have been possible to observe changes in interfirm differentials and the timing of the wage rate changes for different firms. With that knowledge, one could try to determine the factors that explained the results.

In this connection, perhaps the author's reference to Table 7 as showing the narrowness of the band of rates for particular jobs is somewhat ambiguous. In that table, which reproduces average weekly earnings from a BLS study of women in office jobs, considerable range of variation is shown, especially when one takes account of the fact that only the earnings averages for each of 6 industry groups (manufacturing, public utilities, wholesale trade, retail trade, finance, and services) are being compared. Nevertheless, despite a range composed of only 6 averages, the high average exceeds the low one by the following percentages for each of the 9 occupations: 23 per cent, 20 per cent, 13 per cent, 17 per cent, 30 per cent, 22 per cent, 26 per cent, and 13 per cent. Under the circumstances, those could be considered significant wage differences.

The material in this paper indicates that industrial relations policies

and governmental actions affect wage levels and structures. Part of the task of the economist is to analyze the consequences of institutional arrangements and not merely to reason as though the concepts of purely competitive and monopolistic analysis apply without qualification to employment in the workshop and the locality.

Shultz's results show that, despite differences, white-collar employment under nonunion conditions has some of the attributes and institutional influences that have been found in similar studies of manual workers. It would have been helpful to have had even more data for comparison and testing of such conclusions as the following from other studies:

1. In practice it is rare indeed to find a single "going," "market," or "competitive" wage. Only under conditions of complete unionization or complete unity of employer action is such wage uniformity likely to occur for the same quality of workers in a particular area. What one usually finds is a band of rates, often distributed without any resemblance to a bell-shaped curve.

2. Job applications do not represent labor supply. Rather, they serve a variety of purposes including a search for job information by workers, a ritual to satisfy unemployment compensation requirements or to avoid criticism at home, an act based on misinformation, a means of putting pressure on one's present employer, a form of job shopping, etc. A company tends to get the number of applications it seeks, and its volume of applications expands and contracts, not so much according to its relative wage position as with the company's actual employment—whether it is hiring people or laying them off.

3. A "rationing of jobs" occurs whenever companies are hiring. Firms usually hire only a fraction of those who apply. Companies paying below the average hiring rate in their industry still have to select or ration the available jobs among the applicants who meet the minimum standards.

In view of some remarks in the Alchian-Kessel paper, it might also be well to add that discrimination occurs against certain types of labor (Negroes, Mexicans, Jews, or other minority groups, or against females and older workers), not so much because employers gain nonpecuniary satisfactions therefrom but because of custom, social prejudice, fear of social disapproval, unfounded superstitions, etc.

Shultz neglected to investigate the hypothesis that pretty secretaries are better paid because they contribute to the nonpecuniary satisfac-

tions of their employers and that, therefore, the level of secretarial pulchritude is considerably higher in public utilities (or possibly banks) than in so-called competitive firms. That interesting speculation is not confirmed by my limited experience of interviewing executives in their offices over a couple of decades. My guess is that public utilities and less competitive firms have just as high a proportion of "unlovelies" in their offices as do other industries, partly for reasons which are apparent to married executives and because of the image which such firms seek to project to the public.

One can sit and spin hypotheses by the hour. Some of them will be more sensible and some more nonsensical than others. Field studies, such as this one by Shultz, have the advantage that they stimulate new lines of thought and help to keep theoretical speculation from rambling without relation to the facts of employment. Examination of such studies and reflection on them can thus aid considerably in the efficient use of the scarce resources devoted to research and writing in the fields of wages and employment at the local level.

