

Chapter I

THE MOVEMENT OF LABOR AND THE LABOR MARKET

Cotton textiles taught us a lesson. We realized that we should have been even flatter if cotton textiles had been our sole industry.

BANK PRESIDENT.

In a country where workers are free to change jobs and to seek work of their own choice, the movement of labor should fulfill several important functions. First, it should tend to equalize wage rates and other conditions of work for comparable jobs. Second, it should serve to distribute labor where the need is greatest, geographically and industrially. Third, it should give workers an opportunity to utilize their capacities and abilities most effectively. To the extent that there is insufficient movement, these functions will be imperfectly fulfilled. On the other hand, if many workers move without these results being realized in some degree, movement is wasteful and uneconomic. Waste is also incurred if more movement takes place than is necessary to fulfill these functions.

MOVEMENT AND EQUALIZATION OF WAGES

Theoretically, if workers could move with complete freedom between companies in a region, differences in wage rates or conditions of work for comparable jobs would induce workers to leave the poorer-paying jobs and seek the better ones. This movement would have the effect of forcing the lower-wage firms, or those with inferior working conditions, to increase their wages or otherwise make their employment more attractive, in an effort to discourage good workers from leaving and to recruit new labor. Theoretically, also, the high-wage companies would not need to make any further increases in wages until the lower-wage firms had come up to their level and the movement of workers had ceased.

In so far as this tendency toward wage equalization operates in practice, "labor turnover" serves to indicate to an employer when his wage rates or other conditions of employment are "out of line"

and need to be changed. If his best workers become disgruntled enough with their present jobs to quit, or if they leave to take a better offer, this should be a signal that some changes are called for. Employers and personnel managers are increasingly recognizing the need for accurate records on labor turnover and the desirability of acting upon them. Even today, however, too few companies know the number of their workers who leave in the course of a month or a year, and for what reasons.

MOVEMENT AND DISTRIBUTION OF LABOR

The second function of labor movement, in distributing labor where the need is greatest, follows from the first, and is particularly important in a rapidly expanding labor market. Before it became desirable to restrict competitive bidding for workers under war-time conditions, the payment of higher wages (including "overtime") meant that expanding war plants could attract a considerable number of workers from civilian industries and from "less essential" employments like the service trades, which were not able to pay as good wages. Unemployed workers and those, such as housewives, who had never worked before were also induced to take jobs in which they were most needed.

Even in more "normal" times, the unrestricted movement of workers serves to distribute labor according to geographical and industrial shifts in the demand for labor, and enables new industries and new regions to expand. The growth of the automobile industry, for example, involved substantial migration. On the other hand, in declining industries such as bituminous coal, "depressed areas" have been created and continue to exist because outward movement has been inadequate.

MOVEMENT AND THE INDIVIDUAL WORKER

From the standpoint of the individual worker, movement has a third function: to enable him to utilize his capacities and abilities most effectively. The opportunity to move from one job to another not only may help him to improve his economic position immediately, but it also broadens his occupational experience and

gives him a chance to see where he fits. Knowledge of and freedom of access to different jobs are primary conditions of the equality of opportunity that is a cornerstone of our democracy. Occupational versatility also enables workers to adjust themselves more easily to fluctuations in employment. They can "dovetail" seasonal jobs and thus secure steadier employment throughout the year.

In a period of prolonged unemployment such as this country experienced in the 1930's, some turnover among the unemployed is also extremely important. Recent studies have indicated that a worker's chance of re-employment diminishes as his period of unemployment lengthens.¹ The newly unemployed worker frequently has a better chance of being rehired than one who has been out of work for some time. This development of a "hard core" of unemployment was one of the most disturbing aspects of the pre-war labor market. To the extent that unemployed workers have an opportunity to move to jobs as other workers are laid off, the hard core is reduced, although the volume of unemployment may be the same.

WASTES OF LABOR MOVEMENT

It is well known, however, that the freedom of workers to move has uneconomic aspects as well. When a newly-employed worker leaves a firm, the investment represented by the cost of hiring and training him is lost, and the process must be repeated. Frequently, however, the cost of labor turnover is only partially recognized by employers, with the result that they fail to correct faulty employment and wage practices. Movement of workers is particularly wasteful if it fails to force changes in bad personnel policies.

Ideally, new workers entering the labor market should go to those jobs which are the best available at the time. Workers seeking to better themselves should take jobs which they know represent an improvement. But adequate information about all available job opportunities is frequently lacking, and workers are often misinformed about the relative advantages of one job as compared

¹ See W. S. Woytinsky, *Three Aspects of Labor Dynamics* (Washington, 1942), pp. 66-68.

with another. The schools may fail to provide effective vocational guidance to those students who decide to seek factory employment rather than continue their schooling. In the absence of a public employment service used extensively by all employers, employed workers may learn of better jobs only through hearsay or from a friend on the spot.

The result of this lack of information or actual misinformation can be much aimless wandering or "rainbow chasing" on the part of a substantial number of workers, especially during periods of rising employment. Such experiences are not only damaging to workers' morale, but also involve losses in wages between jobs and involve costs to each firm in hiring and training replacements.

When labor shortages become general under a wartime economy, the economic disadvantages of the unrestricted movement of workers may outweigh the advantages. Labor "pirating," which is simply an effort by employers to induce workers to move, is discouraged and even restricted by government agencies because of the disruption it causes in the output of war plants. The loss of a particularly skilled worker (who has been weaned away by another employer) may cause a bottleneck in the production of a critical ordnance item and result in widespread repercussions in an interdependent war economy. Government application of "priorities" in the movement of workers to certain plants is seriously considered when there is not enough labor to go around and when the wage offered to labor fails to be a true measure of the urgency of the need in wartime.

LABOR MARKET STUDIES

Growing labor shortages and the necessity to use our supplies of labor most effectively have emphasized the need for more adequate labor market information.² Earlier, during the depression, discussions of ways to meet the problem of unemployment called attention to the inadequacy of data available on the supply of

² Extensive information on labor supply and demand is being collected monthly by the United States Employment Service in hundreds of local labor markets. This is required for intelligent planning of training programs, recruitment of new labor, allocation of war contracts, and other problems involving labor supply considerations that arise in a war economy.

labor, the nature and extent of unemployment, and other characteristics of labor markets in the United States. Increasingly, within the last six or seven years, studies of particular labor markets have filled in some of the gaps in our knowledge.³

Most of these studies, however, have been focused largely on the period "after the layoff" and on the transfer of unemployed workers to other jobs and regions. We now know a good deal about the movement of workers from one place to another,⁴ but less about the movement between particular industries and firms. Comparatively little attention has been paid to the movement of workers within local labor markets, the reasons for movement or lack of movement, and the effects of the movement that takes place.⁵

³ Examples are the investigations of the Philadelphia labor market made by the Industrial Research Department of the University of Pennsylvania; the studies of the effects of industrial change on particular labor markets conducted by the National Research Project of the W.P.A.; the surveys of various state labor markets sponsored by the Committee on Social Security of the Social Science Research Council in 1936; the investigations in Minneapolis and St. Paul by the Employment Stabilization Institute of the University of Minnesota; and Professor E. Wight Bakke's studies in New Haven.

⁴ See, for example, John N. Webb and Albert Westfield, "Industrial Aspects of Labor Mobility," *Monthly Labor Review* (April, 1939), pp. 789-802; and H. Makower, J. Marshak, and H. W. Robinson, "Studies in the Mobility of Labour" (a series of three articles), *Oxford Economic Papers*, Nos. 1, 2 and 4 (October, 1938, pp. 83-123; May, 1939, pp. 70-97; September, 1940, pp. 29-62). The former analyzes only transfers of workers from one community in Michigan to another; the latter reports on the number of unemployed persons moving into each county from every other county in Great Britain in recent years, and on some of the factors influencing that movement.

⁵ A few studies have been made of movement within particular labor markets. Among them are Gladys L. Palmer's "The Mobility of Weavers in Three Textile Centers," *Quarterly Journal of Economics*, LV (May, 1941), pp. 460-85; Anne Bezanson, Miriam Hussey, Joseph H. Willits, and Leda F. White's *Four Years of Labor Mobility: A Study of Labor Turnover in a Group of Selected Plants in Philadelphia, 1921-24* (Supplement to Vol. CXIX of the *Annals of the American Academy of Political and Social Science*, Philadelphia, May, 1925); and Anne Bezanson's "The Advantages of Labor Turnover," *Quarterly Journal of Economics* (May, 1928), pp. 450-64. These studies, however, do not discuss the effect of movement on wage differentials. One approach to this problem is Carrie Glasser's *Wage Differentials: The Case of the Unskilled* (New York, 1940).

Further studies of particular local markets, therefore, are necessary. The local market, rather than some broader region, seems particularly appropriate as the subject of investigation because it is here that the forces of demand for and supply of labor first interact.⁶ Within a community, workers can move from job to job without changing their residence, and we should therefore expect that movement would be greater within localities than between localities, and that its characteristics and results could be observed better.

THE PRESENT STUDY

A typical, small New England industrial community is the subject of our study. We were interested in determining the extent to which factory workers moved voluntarily or were forced to move from one firm to another during the period 1937-39 and again in 1942. We sought especially to discover the factors affecting that movement, the reasons why it was not greater, and the results of the movement. Did it fulfill the functions which movement of labor should fulfill in an orderly labor market, or were considerable wastes involved?

The records of nearly 16,000 workers form the basis of this study, but primarily it concerns a smaller sample of 1,539 workers who were laid off or who moved voluntarily during the years 1937 through 1939, and on whom considerable information was available. Interviews with a group of workers in 1940 and with officials of the principal firms in the community, both during 1937-39 and in 1942, provided a background against which this movement could be interpreted.

⁶ There is no generally-agreed-upon definition of the "labor market." We speak of the "American labor market," of labor markets in particular industries, and of local labor markets. The localized character of hiring and job seeking, however, suggests that a "market" where buyers and sellers of labor meet is a small geographical area. For working purposes, the U. S. Employment Service defines a labor market roughly as one within which workers can and do commute regularly from residence to jobs, without the necessity to change residence. In other words, it is the region within which a labor supply can be recruited for local needs without necessitating migration of workers and their families.

THE COMMUNITY STUDIED

For this intensive study of labor movement, two adjacent, medium-sized Massachusetts cities were chosen. They contained a number of different industries,⁷ principally plastics, metal products, paper, apparel, furniture, and shoes, and were the trading centers of a substantial farming area. They were distant enough from other important cities to form a separate and compact labor market. In 1940 their combined population was slightly over 64,000, and, according to the 1930 census, manufacturing industries accounted for over half the total employment.⁸ French-Canadians, Italians and Finns were the predominant nationalities in the labor force. Wage levels were generally not high, and unionism did not become an important factor in wage determination until 1941-42.

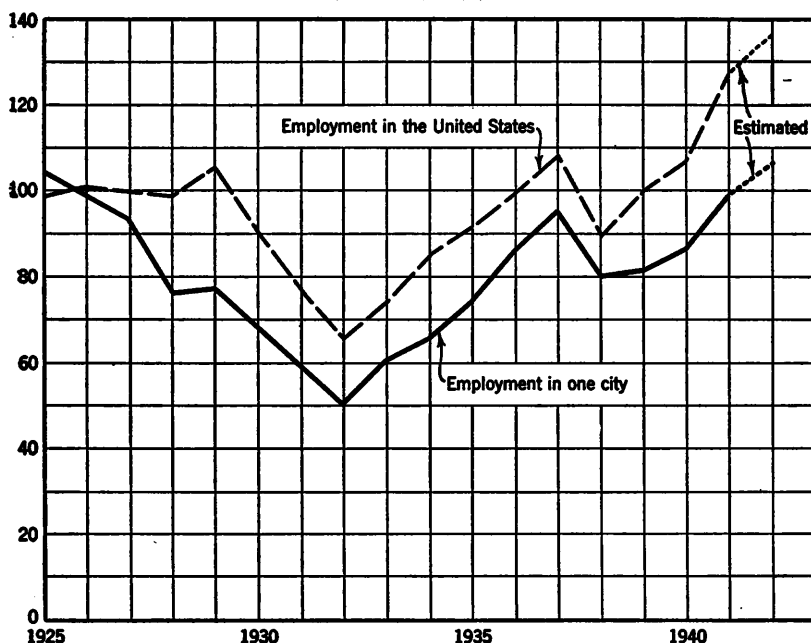
Industrial diversification was achieved in this community after the painful experience of mill shutdowns in the 1920's and subsequent efforts to attract new firms. As in many other New England cities, the cotton textile industry in this area suffered most after World War I. Absentee owners closed the largest single mill in the mid-twenties, leaving idle the long, many-windowed brick plants characteristic of New England's textile industry. Three other textile firms, four piano case factories, a large machine tool company, and several smaller machinery firms also ceased operation.

This reduction in the number of firms produced a sharp drop in employment even before 1929, as Chart I shows. About 1934, business and civic interests made a conscious effort to attract new companies. "Cotton textiles taught us a lesson," explained a bank

⁷ The city dominated by one industry is apparently not the typical industrial community in Massachusetts. A study of thirty-one Massachusetts cities and towns, made by Professor Dwight L. Palmer of the Massachusetts Institute of Technology for the National Resources Planning Board, showed that for 1938 in two-thirds of these cities no one industry employed more than 60 per cent of the factory wage-earners and in many cities the dominant industry was considerably less important than this.

⁸ Table 1, Appendix B. The percentage of manufacturing employment to total employment in the 1930 census (56 per cent) was somewhat greater than the average for the state as a whole, which was 46 per cent.

Chart I
Trend of Factory Employment 1925-1942*
(1925-1927=100)



* Average annual number of wage-earners in manufacturing establishments for one city only, from the Annual Report (1941) of the Massachusetts Department of Labor and Industries. Detailed figures were not available for the other, although the trend was generally comparable. Employment data for the United States: U. S. Department of Commerce, Bureau of Foreign and Domestic Commerce, *Survey of Current Business*, 1940 Supplement, February, 1941, and February, 1942.

president who was active in this effort.⁹ "We realized that we should have been even flatter if cotton textiles had been our sole

⁹ Two banks in particular had a direct interest in reviving industry: they held mortgages on the buildings of two of the textile companies. The banks in at least one case provided local capital and the city continued low assessments on vacant building space during the first years of occupancy — "until the new firm could get on its feet."

But the major inducements held out to firms were the stable, diversified labor force and the advantages of locating in a small city where workers and employers would know each other as neighbors. Although lower wage levels and the absence of unions were among the factors effective in inducing at least two firms to move from large metropolitan areas, these aspects were mentioned only indirectly in the promotional publications.

industry." Although in practice the promoters welcomed "just more firms," they said they wanted new industries.

Since there was no important shoe or leather goods concern located in the community at the time, several were induced to move from other areas to take over some of the vacant plant space. Three firms, manufacturing metal products different from those already produced in the city, migrated from other New England towns. At the same time, other industries already in the area were also expanding, and by 1937 very few vacant plants remained. Recovery from 1933 to 1937 was therefore comparable with that in the United States. (Chart I.)

Subsequently, during the 1937-38 recession, employment declined slightly less than total United States factory employment.¹⁰ Recovery in 1939 was slower than in the country as a whole because of the shutdown of a small textile mill and the partial closing of one of the large branches of a nationally owned plastics concern. Except for shortages of skilled labor in a few plants in 1937, there was a labor surplus throughout the 1937-39 period. By 1942 employment was approaching an all-time high under the impact of war production. Serious shortages of skilled workers had developed, but expanding war plants were not finding it difficult to get unskilled and semi-skilled help largely because workers were being laid off in consumers' goods industries.

Some other characteristics of the community should be mentioned. Although most of the companies were "family concerns," there was no dominant business clique. Rather, a considerable degree of individualism was found among business leaders. This was accentuated by the entrance in recent years of new types of management. The diversification effort had brought in a number of highly competitive firms, particularly shoe companies, in which

¹⁰ According to the 1937 federal unemployment census, 11.4 per cent of the gainfully employed workers (1930) in the community studied were totally unemployed during the week of November 7-13, 1937. The corresponding percentage for the state as a whole was 13.8, and for the United States it was 11.9 per cent. *Census of Total Unemployment, Partial Unemployment, and Occupations, 1937* (Washington, 1938), Vol. II.

the management was very aggressive. And the purchase of local plants by several nationally known companies meant that management decisions were no longer governed solely by local considerations. These changes led an officer of one of the old metal products companies to say, "The town isn't what it used to be since the new element moved in. The new crowd has no business morals."

Such was the community where, in January, 1939, we began to photograph wage and personnel records. The study was confined primarily to the experience of factory workers, because the task of securing information on the employment experience of workers in the trade and service industries would have been too great for the staff and time available. Time limitations also restricted our efforts mainly to manufacturing and public utility companies that had more than fifty employees.