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Joshua L. Rosenbloom

Looking for Work, Searching for Workers

U.S. Labor Markets after the Civil War

Introduction

Between the Civil War and World War I the American economy was reshaped by the forces of industrialization. In 1870 the United States was still a predominantly rural and agricultural society concentrated in the area east of the Mississippi River. By the early twentieth century it had become a largely urban and industrial society of continental proportions. The growth of railroads, cities, mines, and factories, along with shifts in the sectoral and

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geographic patterns of economic activity, required the mobilization of vast quantities of capital and labor (Perloff et al. 1965: chap. 14). The formation of efficient factor markets capable of responding to these demands was an important ingredient in the rapid economic growth of the postbellum United States. The evolution of financial market institutions in response to the demands of late-nineteenth-century industrialization has been studied in some detail (Davis 1965; Sylla 1969; James 1978; Snowden 1987, 1988), but relatively little is known about the history of labor market institutions after the Civil War.

The efficiency of market processes of allocation depends upon the existence of institutions capable of informing buyers and sellers of opportunities for exchange and enabling them to act on this information. While it is theoretically convenient to assume that these functions are performed by a disinterested auctioneer, in most real-world markets information is conveyed by self-interested market participants or intermediaries who expect to profit from their role in facilitating transactions. This article examines the responses of labor market participants and intermediaries to the opportunities and challenges created by late-nineteenth-century economic growth, and the market institutions that their responses fostered. As the subsequent account reveals, understanding the historical and social constraints within which these market institutions developed helps to explain both the overall success of the labor market in responding to the shifting locations of labor demand and supply during the late-nineteenth-century industrialization, and the failure of the labor market to significantly reduce the persistent and large intercity and interregional real wage differentials in this period (Rosenbloom 1990b; Coelho and Shepherd 1976).

Studying the development of labor market institutions is difficult because they are rarely manifested in formal organizations and hence have left few traces in the historical record.¹ Although it is impossible at this time to offer a comprehensive account of the operation of late-nineteenth-century labor markets, examining the ways in which job-seekers looked for work and the methods by which employers searched for workers suggests a number of important generalizations about labor market institutions at this time. A good deal is already known about how workers searched for jobs. The accounts of both contemporary observers and later historians make it clear that, as is true today, friends and relatives were an important channel of labor

market information during the late nineteenth century. It is my argument, however, that the significance of these so-called word-of-mouth networks can only be understood when they are placed within a larger context that takes into account the actions of employers. Although recruitment by employers has gone largely unnoticed until now, it was essential to the creation of kin- and friendship-based networks.² Moreover, employers' encouragement of the formation and operation of these networks was crucial to their effective functioning.

Drawing on extensive descriptions in the reports of the Immigration Commission, I document the widespread use of employer recruitment in the early stages of labor market development. Once the first arrivals had become established at a particular location, however, there was a rapid transition to reliance on word-of-mouth channels to attract additional labor. The speed with which word-of-mouth channels replaced employer recruitment indicates that both employers and workers preferred them to the alternatives, presumably because they lowered transactions costs or provided superior information. It is important to distinguish, however, between the individual rationality of this decision and its consequence for the overall efficiency of labor market allocation. Because the increased labor supply produced by employer recruitment benefited not only the employer who recruited labor but other nearby employers as well, the private and social returns to recruitment diverged from one another. Because individual employers could not fully internalize the benefits of additional recruitment, they probably invested too little in identifying new sources of labor supply and creating new labor market connections to these sources.

Methods and Sources

Economists often use the term *market* simply to refer to all of the transactions that take place between buyers and sellers of a particular service or commodity. However, these transactions can take place only when buyers and sellers are well-informed about each other and can act on this information. In this sense a market can be viewed as a set of socially created institutions that provide communication channels that both link buyers and sellers and make available to them the means to act on the information they receive (Hodgson 1988: 172–75).³ In the labor market, although some transactions

are mediated through formal organizations such as employment agencies or labor exchanges, most transactions are characterized by more informal conventions and rules of behavior. Thus, for example, day laborers seeking work and employers wishing to hire them may congregate at a particular time in a well-known location. These sorts of recurring, predictable behavioral patterns among market participants help to reduce transactions costs by coordinating decisions and restricting the range of actions open to individuals.

Because of the limited importance of formal organizations in the labor market it is difficult to construct a complete picture of the institutions governing the matching of employers and workers. Such an effort would require an examination of all of the transactions that took place in the market. Since the late 1920s a number of studies have attempted to do just this through surveys of workers in particular industries or locations (De Schweinitz 1932; Myers and Maclaurin 1943; Myers and Shultz 1951; Reynolds 1951; Rees and Shultz 1970; Granovetter 1974; and Corcoran et al. 1980). This approach cannot be used to find out how nineteenth-century workers obtained their jobs, but a variety of alternative sources can illuminate the workings of the labor market. The account that emerges from these sources lacks some of the quantitative precision of more recent surveys, but it reveals clearly the dynamic processes at work in the evolution of labor markets over time that are not visible in the snapshot picture provided by most worker surveys.

By far the greatest quantity of information about labor market transactions concerns the factors influencing the movements of European immigrants. The large volume of immigration, especially from southern and eastern Europe, was one of the most visible aspects of the social transformation of the United States after the Civil War, and it is not surprising that this phenomenon has attracted considerable attention from contemporary observers and later historians. The quantitative significance of immigrants in the industrial labor force, and especially among the geographically mobile part of the labor force, makes information about their movements important in its own right.⁴ But this information also has a broader significance since those native-born workers seeking industrial employment had to compete in the same market with the foreign born.⁵ As a result, the movements of immigrants can serve to illuminate industrial labor market institutions that directed both native and foreign born workers.

While the distribution of immigrants has been extensively studied in recent years, much less attention has been devoted to the activities of employers. To shed light on employers' actions I make use of extensive information collected in the reports of the Immigration Commission. Established in 1906 to investigate the impact of immigration on American industry and workers, the commission was composed of nine members, three each chosen by the president of the Senate, the Speaker of the House of Representatives, and the president (Handlin 1957: 97–98). By 1911, when the commission concluded its work, investigators had studied over 20 different industries and visited many of the leading manufacturing centers around the country.⁶ All of the industries studied by the commission relied more heavily on immigrant labor than was true of manufacturing in general, but in other respects the industries varied considerably—including both slowly and rapidly growing industries, capital- and labor-intensive production processes, and large and small employers.

The Immigration Commission's findings were eventually published in 41 volumes containing extensive information on local conditions, patterns of migration, employment policies, and the factors that had influenced migration. While the quantitative data in the published reports have been used by a number of economic historians (McGouldrick and Tannen 1978; Higgs 1971; Blau 1980; Chiswick 1992), there has been little effort to make systematic use of the descriptive material that accompanied these data. Yet these descriptions contain considerable detail about the processes of labor recruitment and labor market formation across a broad range of industries and locales.

During the late nineteenth century, immigration was a politically charged subject, and most of the members of the Immigration Commission favored legislation restricting immigration, especially from southern and eastern Europe. Although these views clearly colored the commission's final report, most later analysts have concluded that the underlying data gathered by the commission—which had not even been published at the time the commission's final report was made—are largely free from bias (Handlin 1957; Hourwich 1912: 48–60). Nonetheless, one might be concerned about the willingness of employers to report on unpopular or illegal practices, such as the use of contract labor. While this concern cannot be entirely dismissed, there is little evidence that employers were reticent about describing their

efforts to attract and employ immigrant workers, and there is no indication in the Immigration Commission reports that such activities were viewed in a negative light.

Looking for Work: The Role of Kin- and Friendship-Based Networks

As is true in industrial labor markets today, postbellum job-seekers relied heavily on information and assistance provided by friends and relatives to locate and obtain work.⁷ Although no formal surveys of job-seekers were undertaken until the 1920s, a 1936 study of 2,500 workers in Philadelphia conducted by Gladys Palmer and recently analyzed by Walter Licht (1992: 31–40) asked for retrospective information on the respondents' entire employment histories. In a number of cases these stretched back into the 1880s. In this survey over 50% of those interviewed reported that they had secured their first job through friends or relatives. This proportion declined to 40 to 44% for subsequent jobs, but this method of job search clearly remained quite important throughout the workers' careers.⁸

For workers in urban areas, job search through direct application was the principal alternative to reliance on friends and family. Prior to the widespread diffusion of the automobile, factories and working-class neighborhoods clustered together making this method practical for urban job-seekers. As the following description offered by a Philadelphia worker laid off in the early 1910s indicates, it was possible to visit many potential employers within a single day.

I got up at 5:30 and went to Baldwin's and was told no help required. From there, I went to Hale & Kilburn at 18th and Lehigh Avenue and met with the same answer. I then walked to 2nd and Erie Avenue to Potter's Oil Cloth Works, and they needed no help. Then to the Hess Bright company, at Front and Erie Avenue, and again met with the same result. Next I came back home . . . for a meal. In the afternoon, I went to Edward Bromley's; no help needed; from there to a firm at American and Girard streets, with the same result. I tried two other places in the neighborhood, whose names I have forgotten, and none had any work (quoted in Licht 1992: 52).

In Palmer's study 40% of those interviewed reported obtaining their first job through application at the factory, and 46 to 50% reported obtaining subsequent jobs in this manner. These proportions are roughly twice as great as those reported by more recent surveys. In contrast to the importance of direct applications and word-of-mouth methods, only 9 to 10% of those surveyed by Palmer reported obtaining jobs by answering want advertisements or using employment agencies.

Additional evidence of the importance of information and assistance provided by relatives and friends, especially in mobilizing long-distance movements of labor, comes from studies of immigration. Historians and sociologists studying late-nineteenth-century immigrants are in general agreement that migration was fundamentally a social process (Bodnar 1985; Morawska 1990). According to Charles Tilly (1990: 84), "The effective units of migration were (and are) neither individuals nor households but sets of people linked by acquaintance, kinship, and work experience." Rarely did immigrants leave home without a clear idea of where they were going and how they would get there. Friends and relatives not only provided advice about when and where to go but often helped to finance the costs of passage. While information provided by friends and relatives led some immigrants directly to a specific job, in other cases information was more general, and new arrivals joined the pool of urban laborers seeking work through direct application at the factory gates.

Historians tracing the process of immigration between particular sending and receiving regions have uncovered numerous examples of "chain migration," where it is possible to identify the influence of particular individuals in encouraging subsequent migrants (Kamphoefner 1987; Gjerde 1985; MacDonald and MacDonald 1974; Meade 1907; for additional references, see Bodnar 1985: chap. 2). The impact of word-of-mouth communication channels is also apparent in more highly aggregated statistics on immigrant destinations, which reveal a strong positive correlation between the intended destinations of arriving immigrants and the stock of previous immigrants of the same nationality (e.g., Dunlevy 1980; Murayama 1991).

That many arriving immigrants were responding to information about employment opportunities provided by friends and relatives was apparent to contemporary observers as well. One immigration official explained, for example, that when he asked immigrants how they know that they were going

to work at a particular place, their explanation “always dwindles down to the fact that they are sent for by some friend or relative who is employed by some corporation, and their fare is usually paid by this friend” (U.S. House 1889: 561). Some idea of the quantitative significance of the assistance given by friends and relatives is provided by estimates of the number of immigrants traveling on passages prepaid by those already in America. Responding to questions from a congressional committee in the 1880s a passenger agent for one steamship line estimated that 30 to 40% of German immigrants traveled on prepaid tickets, while the tickets of Hungarians were “largely prepaid” (*ibid.*: 36). By the early twentieth century as many as 60% of immigrants reported that their travel had been arranged by friends or relatives already in the United States (Morawska 1990: 194).⁹

Investigators for the Immigration Commission often remarked on the role of earlier immigrants in conveying labor market information to potential migrants. They reported, for example, that “after securing employment in a plant,” many immigrant steelworkers in the Pittsburgh area “write letters to their friends and relatives in their native country, setting forth the opportunities existing in this country.” Moreover, many of the immigrants interviewed by the investigators cited these letters as an important influence on their decision. Most of the immigrants questioned had come because they had “heard through letters from their friends and relatives, through testimony of returned countrymen, and through the press that an abundance of employment was offered in the United States at a much higher wage than they could earn in any of the European countries” (U.S. Immigration Commission 1911, 2, vol. 1: 249, 333). Similar findings were reported for groups of workers as diverse as New England textile workers; operatives in Omaha’s meatpacking plants; copper miners in Calumet, Michigan; and silk workers in Paterson, New Jersey (*ibid.*, 3: 283; 11: 345; 17: 83; 5: 17–18).

Despite the importance of friends and family in conveying labor market information, not all job-seekers had friends or relatives in a position to assist them. Responding to the more general inducements provided by information in press reports and promotional materials distributed by employers and state governments seeking to encourage immigration, these pioneers entered urban labor markets searching for work on their own initiative. Such pioneers were especially numerous during the early stages of migration from a particular country. Coincident with the shifting origins of European immi-

grants during the second half of the nineteenth century, large numbers of employment agencies, boarding houses, immigrant banks, and labor bosses sprang up in most major immigrant destinations to provide the services required by immigrants lacking friends or family to assist them.¹⁰ While it is difficult to document the proliferation of employment agencies, studies conducted around the turn of the century reveal over 750 licensed agencies in New York City, 289 in Chicago, roughly 150 in Baltimore, and more than 100 in Boston. Outside these cities, numbers fell off rapidly: Minneapolis–St. Paul possessed a combined total of 40 agencies; Indianapolis had just 14, and the rest of the state of Indiana only 5. Colorado had 21, mostly in Denver, and California had 69 (Rosenbloom 1990a: 14). The availability of employment agencies and other services catering to the needs of newly arrived immigrants must have encouraged increased migration by those lacking personal contacts. But for workers with access to information provided by friends or relatives any advantages these agencies may have possessed in gathering information had to be weighed against the fees they charged and the risks of receiving unreliable information.¹¹

Rather than competing with word-of-mouth channels of communication, employment agencies served primarily as a substitute for them, providing workers without friends or family to guide them with the information and assistance they needed. Most of the agencies that emerged at this time were small and transitory operations. Founded by immigrants, they served mainly their fellow countrymen and operated within the immigrant community. Once the initial wave of immigration from a country had passed, and an increasing number of arrivals were following in the footsteps of friends or relatives, the number of agencies diminished. In Chicago, for example, the increased volume of Swedish and Norwegian immigration during the 1860s resulted in the growth of employment agencies in the city's Scandinavian community. By the 1880s, however, most of these agencies had disappeared, being replaced by agencies directed toward newer immigrant groups (Erickson 1957: 88–92).

Searching for Workers: Employer Recruitment

Networks based on kin and friendship connections were a highly effective means of mobilizing labor. For many employers, the referrals of current em-

ployees and the stream of applicants at the factory gate, many of whom had been attracted to a particular location through word-of-mouth channels of communication, were sufficient to meet their labor requirements. There is unfortunately little statistical evidence on hiring practices before World War I; but a 1910 study of 45 large firms in Chicago found that 43 of the firms hired applicants at the gate regularly, 1 firm used this method sometimes, and only 1 stated that this method was never used. Referrals from current employees were the next most common method of hiring, being used regularly by 23 of the firms and sometimes by another 16. In contrast, newspaper advertisements were used regularly by only 16 of the firms and occasionally by 13 more, while only 9 firms reported using employment agencies either regularly or occasionally (Chicago 1914: 12).¹²

It would be a mistake, however, to conclude that employers played little part in the creation and functioning of postbellum labor markets. Indeed, their actions appear to reflect a conscious adaptation of labor recruitment practices to the labor supply conditions created by large-scale European immigration in this period. While there is not enough evidence to formally test hypotheses about the sources of variation in labor recruitment practices across industries or over time, the descriptive evidence in the Immigration Commission reports does provide the basis for a number of tentative conclusions. Because the effectiveness of kin and friendship networks as mechanisms of labor recruitment depended on a stock of migrant employees who could relay information to their friends and relatives, we would expect these word-of-mouth channels of recruitment to be least effective when employment was seasonal or located in sparsely settled areas. That is precisely where we find the greatest evidence of direct employer recruitment.

Throughout the nineteenth and early twentieth centuries the construction and repair of rail lines, the digging of canals, the creation of urban water supply and sewage systems, the harvesting of ice, the cutting of timber, and the seasonal demands of agriculture and other activities required the temporary assembly of large numbers of unskilled workers, often in remote and unpopulated areas. Without an established labor force that could provide access to word-of-mouth channels of recruitment, employers had little choice but to recruit labor directly. In the 1850s contractors for the Illinois Central Railroad dispatched agents to New York to recruit workers among newly arriving immigrants (Gates 1957: 70). As both the demand for seasonal gang

Table 1 Occupations of workers placed outside New York City by New York employment agencies, 1904–1906

Occupation	Number placed	Percentage of total
Laborers		
Railroad construction & repair	23,202	57.0
General, not specified	2,303	5.7
Street grading	1,680	4.1
Ditching	959	2.4
Ice cutting & storing	789	1.9
Dam & waterworks construction	390	1.0
Grading	390	1.0
Excavating	377	0.9
Concreting & cementing	359	0.9
Sewer construction	216	0.5
Public road construction	149	0.4
Other workers		
Coal mining	3,460	8.5
Copper & iron mining	848	2.1
Lumber & saw milling	835	2.0
Quarrying	631	1.5
Coking	443	1.1
Miscellaneous ^a	3,706	9.1
Total	40,737	100.0

Source: Sheridan 1907: 421.

^a Includes cotton picking, cotton milling, turpentine, phosphate mining, and other occupations.

labor and the supply of immigrants without friends or family to assist them in finding work increased during the second half of the nineteenth century, however, employment agencies largely took over the recruitment of seasonal gang labor.

The intimate connection between the demand for seasonal labor and the growth of private employment agencies is clearly indicated in a variety of studies conducted near the turn of the century. With the exception of agencies engaged in the placement of workers with specialized skills, most agencies serving men supplied unskilled general laborers to railroad construction and other seasonal work.¹³ Beginning in May 1904, New York employment agencies were required to report the details of all transactions in which workers were placed outside the city. As Table 1 shows, at this time 57% of all

workers placed in jobs outside New York City found employment in railroad construction or repair, and about 75% of job placements were for seasonal laborers of some sort. A similar picture emerges for other cities. The Missouri Bureau of Labor Statistics (1891: 31–56) reported that the 5 employment agencies in St. Louis and the 4 in Kansas City provided employment mainly on railroad construction projects. Similarly, Abbott's (1908) study of the 56 Chicago employment agencies furnishing work for immigrant men found that most of them offered work on railroad and building construction projects, in ice and lumber camps, in harvest fields, or in gang labor in foundries and slaughterhouses. "Much of this work," the study noted, "is seasonal and is located at great distance from the city." Jobs in the city included tearing down buildings, odd jobs on railroads, and cleaning buildings.¹⁴ The concentration of employment agencies in these particular markets reflected the characteristics of their clients. While employers with access to alternative channels of labor recruitment did not turn to the employment agencies, most of the job-seekers they served did not speak English and could be employed only in gangs where it was profitable to hire a translator to supervise them.

Like employers of seasonal gang labor, mine operators faced the problem of assembling a workforce in relatively unpopulated areas. When mining operations were begun, operators had little choice but to bring the necessary labor force to the location of production. As Table 1 shows, coal, copper, and iron mine workers made up about 11% of the workers supplied by New York employment agencies to employers outside the city. Unlike railroad construction and other seasonal activities, however, mining was conducted on a continuing basis, and the communities that developed around the mines provided the basis for subsequent recruitment through kin- and friendship-based networks. Mine-labor markets offer numerous examples of employer recruitment and illustrate the role played by employers in encouraging the transition from direct recruitment to the use of word-of-mouth channels of communication.¹⁵

By the time investigators for the Immigration Commission arrived in Pennsylvania coal mining communities in the early twentieth century, networks of friends and family were the dominant mechanism of labor recruitment. "The principal factor in the coming of aliens," they concluded, "has been the presence of fellow-countrymen." Mine operators with whom they spoke reported making little concerted effort to attract labor other than en-

couraging the operation of word-of-mouth channels of recruitment. When the demand for labor was strong, one company reported, “the mine foremen have communicated the situation to the immigrants in their employ, with the expectation that they would send for their relatives and friends” (U.S. Immigration Commission 1911, 1, vol. 1: 532, 534). When bituminous coal production began to expand rapidly after 1879, however, the commission reported that labor demand had outstripped supply, obliging operators to take a more active part in recruitment. At first they had turned to employment agencies in New York, but by 1882 many had sent their own agents to major ports to attract arriving immigrants, and it is possible that some had even sent agents to Europe (*ibid.*: 257).

A similar sequence of events is evident in other mining districts as well. Describing the coal labor market in Kentucky, West Virginia, and Virginia, Price Fishback (1992: 31–35) observes that although friends and relatives were important in recruiting labor, “when mines first opened or during peak periods of production, word-of-mouth networks at times failed to satisfy increases in companies’ demand for labor,” and employers were obliged either to contract with employment agents or to send their own recruiters to other regions to obtain the necessary labor. In Oklahoma and Kansas, where production began to expand in the 1880s, early mining ventures had been undertaken by skilled English, Irish, Scotch, and Welsh miners who had come to the region of their own accord. But with the expansion of production during the 1880s, employers began to recruit actively in eastern coalfields, as well as among immigrants arriving in New York. Mine operators sent agents to these regions, and special railroad cars were chartered to carry the recruits. By the early 1890s, though, most mines had discontinued active recruitment because a sufficient number of applicants were being attracted through the referrals of current employees. To insure the continued flow of workers, mine operators had only to encourage their current employees to keep bringing their friends and relatives to the community. According to investigators, “The companies also let it be known among the men employed that anyone wishing to bring in relatives or friends could do so.” In such instances the company would advance expenses for travel, if two or more current employees would guarantee repayment. Occasionally immigrant workers returning from visits to Europe were employed to bring others with them, the mine operator advancing the cost of passage and other expenses, which would then

be collected out of the workers' paychecks (U.S. Immigration Commission 1911, 1, vol. 2: 9–10, 25, 61).¹⁶

Late-nineteenth-century steel producers faced labor supply problems that resembled those of coal and iron mine operators. Although steelmaking was clearly not as location-specific as mining, the establishment of large, capital-intensive facilities with low-cost access to bulky raw materials meant that steelmakers faced the problem of meeting rapidly expanding labor requirements at locations some distance from established population centers. As a result, they too found it necessary to recruit labor directly. Although there was little evidence of active recruitment at the time Immigration Commission investigators visited communities in Pennsylvania, New York, and West Virginia, they reported that the earliest representatives of most of the immigrant groups employed in the steel mills had been attracted by agents sent to New York or other immigrant centers to recruit them (*ibid.*, 2, vol. 1: 333, 602, 744). In 1881, for example, one plant southeast of Pittsburgh had dispatched an agent to New York with the intention of hiring a number of Irish immigrants. Finding few Irish workers, however, he returned with 300 Magyars instead. Letters written by these employees were in turn responsible for this group's expanding share in the labor force (*ibid.*: 244–49). At another plant, established in 1901 in what had previously been a small country town, the companies had at first turned to labor agencies in New York and other cities to supplement the workforce attracted from immigrant communities in nearby towns. The investigators reported, however, that such efforts had not been required for very long, since "the constant influx of friends and relatives of immigrants already in the community creates a labor supply sufficient to meet the demand of the various companies." (*ibid.*: 602, 733–34, 744).

In contrast to the instances considered so far, recruitment of workers from a distance was less commonly noted among employers located in or near established communities, where the referrals of current employees could be augmented by hiring from among those workers attracted to the community by other employers or through more general information from friends and relatives.¹⁷ When referrals and applications at the gate proved insufficient, urban employers could often attract additional labor by sending their agents or foremen into the surrounding community. In Baltimore, for example, the Immigration Commission observed that when garment makers

needed to add to their workforce, “notices are placed in the papers, and the various foremen sent out among the races to try to induce them to accept work” (*ibid.*: 6: 410–11). Similarly, glassmakers in western Pennsylvania had little trouble securing labor because of their proximity to a large industrial center. Although it had been necessary to transfer a nucleus of skilled Belgian, French, and English glassworkers from other plants when production was begun, the plant’s demand for unskilled labor could be met locally or through word-of-mouth channels. “This class [of labor] is found in the vicinity,” the commission reported, “and even in the periods of greatest demand for labor the employers state that it is never necessary to do more than send foremen as agents into this nearby market to secure what labor is needed. Another method is used by the immigrant laborers themselves . . . , sending for relatives and friends employed elsewhere” (*ibid.*, 12: 149).

At the same time that proximity to a pool of potential employees provided employers with alternatives to the recruitment of workers from more distant locations, the presence of nearby employers created a disincentive for them to invest in such recruitment. Once recruited to a particular location, workers and the friends and relatives who could be expected to follow them expanded the supply of labor available to all employers in the vicinity. Because each employer had to compete with other nearby employers for this labor, the returns to individual employers of investment in tapping new sources of labor supply diverged from the social benefits of this activity. In the absence of some form of coordinated recruitment policy, this externality would be expected to reduce employers’ willingness to engage in recruitment.

The existence of alternative sources of labor supply within the community and the disincentive of competition with other employers for workers recruited to the community reduced, but did not eliminate entirely, recruitment by employers in urban areas. Even when direct applications and the referrals of current employees were adequate under normal circumstances, during periods of rapid expansion employers would still sometimes seek additional workers from more distant locations either through employment agencies or their own agents. This was the case in one manufacturing center the Immigration Commission visited in Indiana, where the expansion of a large plow works in the 1870s had caused a sharp increase in labor demand. “Running short of labor,” the company, according to the commission report,

“began to import large numbers of Poles directly from Europe and other sections of the United States” (*ibid.*, 13: 546, 551, 571–72). Similarly, Immigration Commission investigators reported that most of the French Canadian and other immigrant groups employed in New England cotton textile mills had found jobs through direct application at the plant, having been attracted there by those already employed in the mills. Investigators noted, however, that in earlier periods of expansion the mills had advertised extensively for additional recruits and had employed agents in Canada to recruit immigrants (*ibid.*, 3: 117, 283).¹⁸ Much the same situation seems to have prevailed among producers of woolen and worsted goods. While current employees were reported to have been the primary channel through which labor demand was communicated to potential immigrants, investigators also noted that in 1906 and 1907, “competition for laborers was so spirited . . . that it extended to the very wharves, where an agent was maintained,” and companies even offered to pay prospective employees’ railroad fare (*ibid.*, 4: 770–81).

Although slaughtering and meatpacking in its modern industrial form grew rapidly after 1875, plants in Chicago apparently faced little difficulty in securing the necessary numbers of workers. The Immigration Commission reported that applications at the gate were sufficient to meet the needs of the packing plants, and the commission devoted little space to discussing problems of labor recruitment. As the industry expanded into other cities, however, securing an adequate labor force became more difficult. When meatpackers established branches in other cities, they initially relied on workers attracted from Chicago. While they soon found that an adequate supply of labor was generally available from applicants at the gate, there were brief periods when they had to search farther afield. In 1904, for example, attempts to break a strike among workers in Kansas City resulted in the importation of men from “all parts of the country” (*ibid.*, 11: 205–6, 277–78, 333–34, 341–45).

Employer recruitment often contributed to the creation of word-of-mouth channels of communication, but employers could not always count on this mechanism to make further recruitment unnecessary. The experience of southern employers who attempted to recruit immigrant labor is illuminating in this regard. Although the South was a relatively labor-abundant, low-wage region at this time, employers in the coal and iron industries centered around Birmingham, Alabama, found that because of workers’ at-

tachment to agricultural employment, the locally available labor supply was inadequate for their needs. As a result, they sought to attract European immigrants through the use of northern employment agencies and by sending their own agents to New York. Despite their initial success in recruiting immigrant workers, the employers had difficulty retaining these workers for any length of time. Because immigrant workers found working conditions unattractive, they generally did not stay long, and they did not encourage their friends or family to join them (*ibid.*, 1, vol. 2: 217–19; 2, vol. 2: 192–201).

The Formation of Industrial Labor Markets

Much remains to be learned about the operation of U.S. labor markets after the Civil War, but the accounts contained in the reports of the Immigration Commission are sufficient to establish two conclusions. First, employers in a wide range of industries and circumstances actively recruited labor, sometimes locally, but often from more distant places, when they encountered an inelastic local labor supply. This long-distance recruitment was done either through their own agents or through employment agencies. Second, this recruitment usually—though not always—stimulated the operation of kin- and friendship-based communication networks that eventually made further active recruitment unnecessary. As the first group of migrants began to write to their relatives and friends, they initiated a continuing influx of job-seekers that allowed employers to take a less active role in the labor market. While the dominant pattern in the labor market is thus one of chain migration directed through word-of-mouth communication, employer recruitment was nonetheless important in laying the foundations on which subsequent chain migration took place.

Employer recruitment and job search through word-of-mouth networks constituted the two principal mechanisms through which labor was mobilized in response to shifting employment demands during American industrialization. Private employment agencies supplemented but did not displace these mechanisms as channels of labor market communication. While these agencies reduced the need for employers of seasonal and gang labor to send their own agents to immigrant ports to recruit job-seekers lacking access to kin and friendship networks, they did not play a large role in other transactions. In attempting to understand how employer recruitment and word-

of-mouth communication channels operated it is important to recognize the extent to which workers' job-search strategies and employers' labor recruitment policies were interdependent. Kin and friendship networks were effective means of communicating labor market information precisely because employers adapted their labor recruitment strategies to take advantage of these channels. As the Immigration Commission reports emphasize, employers often encouraged the operation of word-of-mouth communication channels by asking current employees if they had relatives or friends who were seeking work. In some instances they even advanced the funds necessary for these workers to immigrate.

Employers' decision to delegate responsibility for hiring decisions to their foremen can be viewed as another way in which they sought to adapt their personnel policies to take advantage of the workings of word-of-mouth channels of recruitment. Foremen who had moved up from the ranks of operatives were often drawn from the immigrant community and could be expected to have close ties to it, thus facilitating the use of informal channels when positions needed to be filled.¹⁹ Roughly 10% of the Philadelphia workers interviewed in the 1936 survey conducted by Gladys Palmer reported securing their jobs by following a supervisor to a new job with another employer or by being hired because they were acquainted with the foreman from a previous job (Licht 1992: 34). Indeed, it would appear that employers went so far as to discriminate against job applicants who lacked personal connections. According to one immigrant, "The only way you got a job was through somebody who got you in" (quoted in Bodnar 1985: 61–62). While historians tracing the emergence of formal bureaucratic personnel policies after World War I (e.g., Nelson 1975: 79–81; Jacoby 1985: 16) have contrasted those policies with the apparently arbitrary and capricious exercise of power over hiring and firing that was delegated to the foreman in earlier periods, the foregoing observations suggest that in delegating authority over personnel matters to their foremen, employers were responding to the characteristics of pre-World War I industrial labor supply.

As employers and workers responded to the opportunities created by shifting population and employment conditions that were created by American industrialization in the postbellum era, they firmly established the primacy of labor market institutions resting on word-of-mouth communication channels. As more recent studies of labor market communication reveal,

these institutions have persisted largely unaltered into the late twentieth century. The readiness of both job-seekers and employers to make use of word-of-mouth channels of communication in preference to employer recruitment or reliance on third-party intermediaries reveals that both groups preferred this arrangement to the alternatives. Early students of labor market institutions viewed the dominance of these channels of communication as a sign of the disorganization of the market (e.g., De Schweinitz 1932; Reynolds 1951). More recently, however, scholars have generally accepted the evident preference of market participants for informal institutions and have sought to rationalize this choice, arguing that kin and friendship networks can provide higher-quality information at lower cost than can formal intermediaries (Ben-Porath 1980; Montgomery 1991).

In interpreting these arguments it is important, however, to clearly distinguish between the individual rationality of a particular institutional arrangement and its aggregate efficiency. Once word-of-mouth channels of communication had been established, they linked particular sending and receiving regions at low cost. But the establishment of word-of-mouth channels rested on the earlier recruitment activities of employers that established the initial pool of migrant employees who could in turn attract subsequent arrivals. Because of the externalities associated with employer recruitment it seems likely that there was too little investment in identifying potential sources of labor supply and establishing communication channels to attract migrants from them. Thus, for example, while northern employers effectively tapped distant sources of European labor, large numbers of low-wage southern workers remained effectively outside the bounds of northern labor markets until World War I, when the cessation of large-scale European immigration obliged employers to actively search for new sources of supply (Wright 1986: 71–78; Whatley 1990).

Conclusion

In the twentieth century, researchers have repeatedly found that networks of friends and relatives are the most important channel of labor market information linking job-seekers and employers. These channels were already well established in industrial labor markets by the second half of the nineteenth century. While their importance in mobilizing the massive movements of

labor required by the uneven pattern of economic development during late-nineteenth-century industrialization has been noted by previous analysts, the more subtle role of employers in the formation of industrial labor markets has until now been largely ignored.

Using the reports of the Immigration Commission as a window onto the operation of late-nineteenth-century labor markets, I have argued that instances of employer recruitment played an important role in the early stages of manufacturing at a new location and helped to establish the basis for the subsequent operation of word-of-mouth channels. While the number of workers recruited directly by employers or through employment agencies was probably small, these initial recruits provided employers with access to the word-of-mouth channels that they then encouraged. Employer recruitment was thus crucial to the continued adaptation of labor market institutions to the shifting patterns of labor supply and demand.

The evident preference of both workers and employers for informal channels indicates that once established, informal channels of communication offered an effective and low-cost method of disseminating accurate labor market information. But the dominance of word-of-mouth channels was not without its costs. In particular, while it linked specific sending and receiving regions at low cost, it discouraged a more general diffusion of labor market information. This meant that integration occurred between specific sets of points, rather than through a more general broadening of market horizons. Patterns of migration once established were reinforced, while other opportunities for exchange, such as those between northern employers and southern workers, went largely unexploited.

Notes

Joshua L. Rosenbloom is associate professor of economics at the University of Kansas and faculty research fellow of the National Bureau of Economic Research. His current research is concerned with the emergence of a U.S. national labor market after the Civil War. He has published articles on the quantitative dimensions of labor market integration in the *Journal of Economic History* and *Explorations in Economic History*. The author wishes to thank Thomas Weiss, William Sundstrom, Stanley Engerman, Jerry Friedman, Claudia Goldin, two anonymous referees, and the editors of this journal for their comments. A previous version of this paper was presented at Northwestern University, the University of Michigan, and the NBER-DAE Summer Institute. The comments and suggestions of participants in those sessions are also gratefully acknowledged.

- 1 Although much of the historical work on financial markets has concentrated on formal organizations—banks, commercial paper houses, stock exchanges, etc.—one should not overstate the contrast between financial and labor markets. It appears that there was an important informal segment of financial markets as well.
- 2 Erickson (1957: 72–73) argues that there is no evidence of direct recruitment of labor by industry. More commonly, however, the role of employers is simply ignored. See, for example, Wright 1986: 75.
- 3 In addition to the market institutions that facilitate transactions directly there is a second, more fundamental set of institutions that make market exchange possible at all. Among these more basic rules are the existence and use of a common language, the general acceptance of a system of private property, and an enforceable system of transferring property rights between individuals. The importance of these underlying institutions is discussed in general terms by Field (1984). As Wright (1987: 319–20) indicates, the need for agreement on the rules of the game can be seen most clearly when sudden change makes necessary the reformulation of the legal system.
- 4 During the late nineteenth century, close to one-quarter of gainfully employed workers were foreign born. Immigrants tended to concentrate, however, in more rapidly growing urban and industrial employments, where they often constituted a majority of workers. See Hutchinson 1956; Nelson 1975: 80.
- 5 For example, at the turn of the century one-third to one-half of the clients of urban employment agencies supplying unskilled workers were native born (U.S. Immigration Commission 1911, 22: 338–40, 342). It is possible, of course, that the native born were given preferential treatment of some sort. If this was the case, however, it appears more likely to have taken the form of occupational segregation than of discrimination in wages or hiring within particular job categories. Quantitative studies of wage discrimination are not entirely consistent, but most suggest that earnings differentials between native- and foreign-born workers arose primarily from differences in occupational distributions, not differences in wages within occupations. See, e.g., Higgs 1971; Hannon 1982; Eichengreen and Gemery 1986. In such a situation, the fact that a native-born worker was seeking work in jobs filled primarily by immigrants was often regarded as a signal of the low quality of that worker. Those native born workers with the requisite skills and qualifications were able to escape the competition for entry-level industrial jobs and find more sheltered employment in other sectors. As the U.S. Immigration Commission (1911, 22: 341) noted in its study of employment agencies: “Labor agents say that in many instances they are compelled to supply immigrants for no other reason than that the American labor to be had is of a roving disposition and can not be depended upon to continue until the work is completed.”
- 6 The industries studied by the Immigration Commission were, in order of the number of workers employed in 1909, bituminous coal mining (442,990 employees); cotton goods (378,800); iron and steel (278,505); clothing (252,505); boots and shoes (198,297); anthracite coal mining (174,174); woolen and worsted goods (168,722); cigars and tobacco (135,418); furniture (110,133); silk goods and dying (99,037);

slaughtering and meatpacking (89,728); glass (68,911); leather goods (62,202); agricultural implements (50,551); collars, cuffs, and shirts (47,285); iron mining (38,851); oil refining (13,929); sugar refining (13,549); gloves (11,354); copper mining and smelting (employment data not available). Employment data are from U.S. Bureau of the Census 1913.

- 7 Twentieth-century studies that ask labor market participants how they found their most recent job have consistently found that kin and friendship connections are the dominant channels of labor market communication. In most of these studies more than half of all workers reported having learned of their present job through information provided by friends or relatives. Another 15–20% of workers typically reported having obtained their job through direct application at the factory gate, a method of job search that in many cases may have been prompted by information provided by friends or relatives about which establishments were hiring. In contrast, with the exception of white-collar clerical workers, only a small fraction of workers reported learning of jobs through formal intermediaries like employment agencies or want advertisements (De Schweinitz 1932; Myers and Maclaurin 1943; Myers and Shultz 1951; Reynolds 1951; Rees and Shultz 1970; Granovetter 1974; Corcoran et al. 1980).
- 8 These proportions are the same for the oldest group of workers—those 45 to 77 years old in 1936—as for the entire sample (Licht 1992: 36–38, Table 2.6).
- 9 Surviving letters provide additional evidence regarding the role that advice and assistance from friends and relatives already in the United States played in directing subsequent migrants. See, e.g., Erickson 1972: 233–55.
- 10 Toward the end of the nineteenth century, private employment agencies were increasingly supplemented by publicly sponsored labor exchanges and various charitable institutions. The impact of these institutions on the labor market was even more limited than that of the private agencies, however. Public labor exchanges suffered from a variety of administrative and budgetary obstacles, while workers who turned to charitable institutions often faced a considerable stigma, being viewed as hard-luck cases unable to find employment in any other way. See Rosenbloom 1990a: 21–28.
- 11 According to Sargent (1911: 36–37), common complaints against employment agencies included charging a fee and failing to make an effort to find work for the applicant, sending applicants where no work existed, sending applicants to distant places where there either was no work or the available work differed from what had been promised, and colluding with employers who would lay off workers after a few days' work. See also Rosenbloom 1990a: 5, 15, 17.
- 12 Licht (1992: 41–43) reports similar results from a 1931 survey of Philadelphia employers. Descriptions of pre-World War I hiring practices in studies tracing the emergence of formal bureaucratic personnel policies also emphasize the importance of hiring at the gate. See, for example, Nelson 1975: 79–81; Jacoby 1985: 16.
- 13 In New York, a 1910 study found 110 agencies for common or general laborers, 191 agencies for theatrical performers, and 96 agencies for technical and clerical workers,

nurses, or barbers. Another 431 agencies placed women as domestic servants or as hotel and restaurant help. A 1912 study of Chicago presents a similar picture, but in most cities agencies specializing in placing skilled workers other than clerical help were relatively uncommon (Rosenbloom 1990a: 14–17). Although it would at first appear that employers of domestic help faced very different conditions from those employing gang labor, they were equally isolated from word-of-mouth channels of recruitment because they did not have an established labor force. Systematic evidence on the volume of business done by different types of agencies is scarce for the pre-World War I period, but Cowgill (1928: 14) reports statistics showing that 150 railroad and general labor agencies accounted for 230,000 of the 597,000 persons placed by Chicago employment agencies during 1927–28. Placements of domestic servants (17,000) and hotel and restaurant workers (6,000) accounted for a much smaller fraction of the total.

- 14 Sargent (1911: 44) reports that employment agencies in Indianapolis provided mainly railroad workers to employers outside the city, while employment agencies in Baltimore offered work mainly for categories of general labor such as ditch digging and construction. Considerable additional evidence on the connection between the demand for temporary gang labor and the operation of private employment agencies is provided by the U.S. Immigration Commission 1911, 22: 331–43).
- 15 The Immigration Commission reports include studies of bituminous and anthracite coal mining, iron mining, and copper mining and smelting. While the reports on iron and bituminous coal offer considerable detail about the operation of labor markets, the discussions of copper and anthracite coal mining provide only sketchy details. In the case of copper mining and smelting, although investigators mentioned that it had been “necessary to secure other immigrants,” they did not elaborate on this point (U.S. Immigration Commission 1911, 17: 79–86). Similarly, in reporting on anthracite coal mining communities, they noted that after the Civil War labor conditions had led mine owners to turn to Europe for labor, but they provided few details except to note one local “legend” that during a labor dispute in 1870 a mine owner had sent his Hungarian foreman to secure two shiploads of his countrymen. Thereafter, it appeared to investigators that letters from those already settled in the community were the principal force in attracting subsequent migrants (*ibid.*, 19: 660–61).
- 16 Investigators visiting iron-mining communities in the upper peninsula of Michigan also concluded that employer recruitment was important in meeting the labor requirements of mines in this area (U.S. Immigration Commission 1911, 18: 392–405).
- 17 In several instances noted by the Immigration Commission and other investigators, workers recruited for temporary projects such as streetcar or railroad construction remained in the communities to which they had been brought after their initial employment was completed, augmenting the existing pool of industrial workers. This was the case, for example, in some coal-mining communities, where workers employed to lay track to the mines stayed on as mine workers (Fishback 1992: 32). Other instances cited by the U.S. Immigration Commission (1911, 13: 551; 20: 755–56, 758;

- 5: 18–19) include Irish workers in several Indiana agricultural implements factories, Irish coal loaders in Bayonne, and Italian silk workers in Paterson, New Jersey.
- 18 Even earlier, of course, the mills had used these same techniques to recruit young women from rural New England. In the southern branch of the textile industry agents were dispatched to recruit more distant workers once supplies of labor in the immediate vicinity of the mills had been exhausted (McHugh 1981: 19).
- 19 Morawska (1990: 204) and Tilly (1990: 86) both remark upon the importance of employers' deliberate choice of ethnic-based hiring policies in facilitating the operation of informal networks in the labor market.

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