

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date January 13, 1938.

To Chairman Eccles

Subject: Memorandum on Attitude of
Leaders of Building Trades Unions with
Regard to Innovations in Building Trades
Labor Relations, by Mercer G. Evans

From Lauchlin Currie

L.C.

I had a conversation sometime ago with the Director of Labor Relations for Farm Security. He is a sober and competent person and told me some stories in connection with the cooperative attitude of labor unions so much at variance with much we hear that I asked him to write me a brief memorandum on the subject. If you have the time you might care to glance over it, particularly points 2 and 3. He feels that the possibilities of substituting annual or monthly wages for hourly rates are not nearly as hopeless as many people think. I would like for you to meet him sometime when you are not busy.

MEMORANDUM ON ATTITUDE OF LEADERS OF BUILDING TRADES UNIONS
WITH REGARD TO INNOVATIONS IN BUILDING TRADES LABOR RELATIONS

1. In the early days of the Resettlement Administration, it was proposed that several projects should be built on the basis of prefabrication of the entire structure. In order to pave the way for effective employment of labor in the construction of these houses, my Division discussed the plans with officers of the building trades departments of the American Federation of Labor, and with officers of the building trades councils in the cities in which such work was contemplated. These discussions included, for example, conferences with the President and Secretary of each of the two building trades departments of the American Federation of Labor (these two departments have now been combined into one department) and with international representatives of some of the building trades unions. We went over the plans for construction in detail, exhibiting blue-prints and models of the houses which we expected to build. The international officers and the officers of the building trades departments all agreed to the employment of members of their organizations in these activities, and gave us their personal assurances that we would be protected from jurisdictional disputes in the prosecution of the construction. At that time we were under the regulations set forth in Executive Order 7046, requiring the payment of a monthly wage to workers. The union officers in the individual cities agreed to facilitate working arrangements by concentrating the wage rates of the skilled workers into three averages so that on no project would we have to operate on the basis of more than three schedules of limited hours of work. In effecting this arrangement, it was necessary for the workers in a number of crafts to accept hourly wage rates slightly lower than the prevailing scales which their organizations at that time were undertaking to maintain. These arrangements were especially satisfactory to us in the case of projects located near Bound Brook, New Jersey, near Washington, D. C., and near Cincinnati, Ohio. As the plans for prefabrication of houses had been abandoned prior to our first negotiations with the unions in Milwaukee, it was not necessary for us to discuss this matter with the building trades leaders of that city. I might add that the attitude of the labor organizations had nothing whatever to do with the abandonment of plans for prefabrication of the houses.
2. In the course of our relationships with building trades organizations, I had occasion to discuss the questions of prefabrication and of annual wage payments, with local officers in several cities. In the city of Milwaukee, I discovered that the building trades unions had already entered into agreements

with a manufacturer of prefabricated houses in that city. These agreements provided for the employment of on-site workers at the hourly rates of pay established by the unions. The unions waived organization of the factory production workers, and they have since been organized by the CIO. No disputes have arisen, however, concerning jurisdiction, and the building trades unions of the American Federation of Labor are harmoniously engaged in the erection of houses produced in a factory manned by members of the CIO. The factory workers, incidentally, are paid somewhat lower wages than the on-site workers, and these lower wage rates meet with the approval of the unions because of the more continuous employment provided for the factory workers. I was also advised that all of the unions, except the painters and plumbers, had indicated a willingness to accept monthly employment on the basis of an hourly wage 15 percent below the union scale, if the employer would guarantee the monthly wage payments. A change in the employer's plans caused the abandonment of negotiations leading to such full time employment.

In a recent discussion with the officers of the Washington, D. C. Building Trades Council, it was indicated that the unions of this city would have no objection to the payment of an annual wage based on reduced hourly wage payments, if there were some real guarantee of the annual payment. It was pointed out that some of the unions in the city of Baltimore had agreed to such an arrangement, but that their employers, after three months, had discharged the workers because of the fact that they did not have contracts for the erection of additional buildings. As a result of this experience, the unions felt that they had been "double-crossed" and stated that while they were still open-minded with regard to such arrangements, they would want to be sure that a binding contract for full time employment was involved before they granted concessions in their hourly wage rates.

3. In our experience, we have also found the local organizations not only willing but anxious to have their workers employed on a monthly salary basis, at reduced hourly rates, when it was practicable for us to undertake full time employment. Quite generally, for example, the unions have desired that foremen and even straw-bosses should be employed on a monthly rate based on a reduction in the hourly rates. On a large number of our projects, foremen, straw-bosses, and, in some cases, even leading workmen of crews have been employed on the monthly basis instead of the hourly basis. On one of our projects, we have employed plasterers on 90-day field work agreements at a monthly rate amounting to a considerable reduction in the hourly rate of pay. This action was taken with the approval and even encouragement of the local union. (This project was located in New Jersey where many contractors feel that the building trades unions are not particularly subject to reasonable negotiations.)

4. I would also call attention to the fact that many of the unions maintain hourly rates of wages for maintenance employees, who, presumably, will secure more full time employment, considerably below the regular construction wage rates. In our own experience, the unions have agreed to the employment of maintenance workers on ~~a~~ monthly salary bases involving considerable concessions in the hourly wage rates.
5. I would also call attention to the fact that the building trades unions did not object to the establishment of the schedule of monthly earnings for workers employed by the Works Progress Administration or by agencies operating with WPA funds. The major objections to the WPA arrangements appear to lie (a) in the low monthly salaries, (b) in the long monthly hours generally established by State WPA Administrators -- making the hourly wage rates excessively low, (c) in the classification of workers as skilled building trades craftsmen who had insufficient training and experience for such classifications, and (d) in the assumption that the works program would result in the training of a very large number of additional craftsmen who would be thrown into the labor market in competition with the adequately trained craftsmen already available. Of these four objections, I am impressed that the fourth one was ~~one~~ that most concerned the building trades unions.
6. It is probably worth while to note the following paragraphs quoted from an article entitled "Worker and Owner Look at Housing Snarl", in The Journal of Electrical Workers and Operators:

"The urge now is for more cooperation between capital and labor in the construction industry, and the suggestion is made that building trades unions accept a 20 percent cut in hourly wage scale in return for 40 weeks guaranteed employment per year. Now if this could be made an actuality and the thousands of building trades workers who have been suffering for years from intermittent employment could sign contracts guaranteeing them a stated yearly income, which would absolutely be paid whether they worked or not, the unions could not possibly bar the way. But as yet no individual contractor has put a plan so ambitious into effect.

"The only such arrangement we have been able to find in our records calls for a guarantee of 10 hours work a week, and included an increase of wages instead of a decrease. This was signed by the licensed electrical contractors of Sioux City, Iowa, July 1, 1937. Hourly wage rates for journeymen were \$1 an hour in 1935. At the signing of this agreement the hourly rate was advanced to \$1.12 $\frac{1}{2}$. The section dealing with guaranteed hours of work reads as follows:

'Sec. 2. Electrical contractors eligible to sign this agreement must guarantee a minimum payroll of ten (10) manhours per week to journeymen members of L.U. No. 231 when employed regularly by them. Hours in excess of minimum stated above shall not apply on payroll of any other week.'

"The Council on Industrial Relations for the Electrical Construction Industry, a cooperative council representing employers and the I.B.E.W. unions, has been in operation for the past 17 years. The proposal for a lower hourly scale, in return for an annual wage, has been discussed many times. Even the biggest of these contractors, who maintain crews employing the same men continuously year after year, do not feel sufficiently confident of their ability to furnish steady work to offer these men an annual wage.

"When William Green, president of the American Federation of Labor, said such a plan was 'impractical,' it does not mean that the plan is arbitrarily dismissed from further consideration but it does mean that building trades unions will protect their membership and their wage scales from experimentation."