

TURNER CONSTRUCTION COMPANY

GRAYBAR BUILDING

FOUNDED
1902

420 LEXINGTON AVENUE
NEW YORK

BOSTON
PHILADELPHIA

November 22nd, 1937.

Honorable Marriner S. Eccles,
Chairman of the Board of Governors,
Federal Reserve System,
Washington, D. C.

Dear Governor Eccles:

Referring to the work of our Committee and to our telephone conversations:

1. Reducing the labor cost in houses and apartments to encourage construction.

I have conferred with the Chairman of the Building Trades Employers Association, the leading association of builders and sub-contractors in New York, and with a number of builders and with Thos. A. Murray, Chairman of the District Council, representative of the labor organizations of New York City. I have been unable to reach George Meany, President of the New York State Federation of Labor.

The primary purpose of the interviews was to determine a workable plan for employing building mechanics on a weekly basis guaranteeing say 40 weeks of employment in a period of 12 months at a wage less than the prevailing wage rates - the purpose being two-fold (1) to give regularity of employment and (2) to thereby secure a lower hourly wage rate and, therefore, a lower labor cost per house or apartment.

We have the premise of an unduly high hourly wage rate in the building trades as a result of great irregularity of employment. For instance, in good times skilled mechanics in the building trades seldom average as much as 140 days of employment in 12 months. 140 days at \$12.00 per day would create an income of \$1,680. Forty weeks (five days of 8 hours each) of work on the basis of a 20% reduction in the daily rate would create an income of \$1,920 - constituting a substantial increase in yearly income. The workmen would be far better off and the labor cost per house (if production per man remained unchanged) would be reduced twenty per cent. This would represent a great gain both ways - to the mechanic and to the buyer or renter of the house.

TURNER CONSTRUCTION COMPANY

PAGE #2 TO Honorable Marriner S. Eccles.

November 22nd, 1937.

What are the difficulties in the way of adopting the plan?

The Chairman of the Labor Council says it would be impractical; that jobs do not last 40 weeks - that on the average they last only a few weeks; that small employers particularly would chisel the wages down to the guaranteed weekly level without guaranteeing employment; that if some employers were able to organize the work to give the steady weekly employment the number of men employed would be constant and other workmen seeking employment would not have a chance, thus adding to the present difficulties of the labor leaders who are trying to place workmen on jobs. He did not believe the Unions had the organization to check up and enforce the terms of such an agreement.

This labor leader expressed a willingness to cooperate to study any plan which might be presented.

The builders saw many practical difficulties. Very few jobs give 40 weeks of employment to any one of the skilled trades and each trade is separately organized and closely restricted. The locations of jobs differ so widely that the builder cannot generally transfer the workmen from job to job and thereby maintain continuity of employment. For instance, one job may be in Manhattan, the next in Brooklyn or in the Bronx, out on Long Island or over in New Jersey.

Could builders form a pool of employment to overcome the above difficulty?

Superintendents and foremen want the right to choose their own workmen - a prejudice perhaps but founded on the belief that thereby they secure maximum efficiency in production. In time, with experience, this objection might be overcome.

The employers must maintain the right to dispense, for good reasons, with the employment of any workman. That is considered fundamental to the building up and maintenance of a loyal, capable force of workmen. It is quite conceivable that a workman having worked for an employer for say 20 weeks may for one reason or another lay down on his work. If he is laid off, would he be entitled to the money placed in escrow as a guarantee of 40 weeks employment?

A small builder doing small jobs would be at a disadvantage with respect to the large builder. This criticism has been very definitely presented by builders here in New York.

Hourly wage rates for building mechanics in New York City and in a number of other cities are at an all-time peak.

TURNER CONSTRUCTION COMPANY

PAGE #3 TO Honorable Marriner S. Eccles

November 22nd, 1937.

For instance, the present hourly wage rate for carpenters is 33% over the hourly wage rate paid in January 1926 in New York City. Organizations of employers have been powerless to prevent an increase in wages. Costs are a prime factor in determining the volume of construction and must be reduced before we can expect construction to become a large factor in a revival of business.

Labor organizations have taken advantage of the Administration's liberal attitude and correction of this situation can only come from the Administration.

It has been said that regularity of employment as above proposed would cause greater unemployment. On the contrary, there is a belief that a volume of construction equal to 1926 would give employment to every mechanic qualified to work. In England after the general strike, under the influence of the Premier, wages of building mechanics and in other trades were stabilized and modified thereafter in accordance with the increase in the cost of living.

2. Building Materials.

In any revival of construction, the prices of building materials must be maintained within reasonable limits.

As of November 1st, 1937, the average price of the materials entering into the construction of a frame house is approximately 10% less than the average for the year 1926. Prices of most building materials are not now out of line and are generally lower in price than they were in 1926.

I believe the manufacturers of building materials in their own self interest would cooperate whole-heartedly with the Administration in the maintenance of fair prices in the event the Administration inaugurates a program for the revival of building construction.

With reference to the creation of a privately controlled central buying agency to make wholesale purchases of materials for a large building program, I believe large builders of financial standing can buy as cheaply, buy exactly the requirements of the contract and provide more accurately for the deliveries required and, therefore, save money over a central buying agency.

A builder of a few houses would find it necessary to buy through the established channels.

TURNER CONSTRUCTION COMPANY

PAGE #4 TO Honorable Marriner S. Eccles

November 22, 1937.

(3) Mortgage Terms.

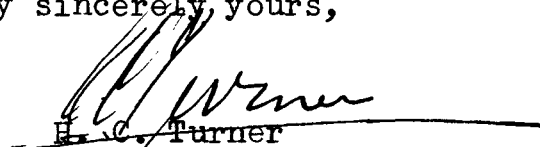
My inquiries show a resistance to a 90% loan. A responsible real estate developer does not believe a 10% payment affords sufficient protection to the seller of the house. A large savings bank heretofore cooperative with F.H.A. loans would not approve a 90% loan. Reports the cost of foreclosure in New York State on a \$6,000 house would nearly equal the down-payment.

The opinion expressed to me by others (and it is also my own) is that buyers cannot be found for even well-built, low-cost houses or for low-cost apartments until stability of business can be reasonably assured and with it reasonable stability of employment and income. It would seem necessary to do those things which would in the minds of business men create confidence into the future.

Undoubtedly, there is a large potential demand for houses and for many classes of construction. If this work can be started, it would have a tremendously favorable influence on prosperity the country over. The program is of paramount importance. However, labor costs must first be reduced, better cooperation between labor organizations and management encouraged and prices maintained to yield only a moderate profit.

Definite encouragement can and should be given to housing and to building construction of all kinds, small and large, and I believe large dividends will be paid in the increased employment of men capable and willing to work.

Very sincerely yours,


H. C. Turner
President.

HCT.M