

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date March 2, 1937.To Chairman EcclesSubject: Shortage of skilled labor.From Mr. Daiger

Prompted by your remarks last evening on labor and prices, I have made some inquiries today with a view to developing some specific instances that you might find suggestive in connection with your inquiry into this matter.

1. Dr. Virgil Jordan, President of the National Industrial Conference Board, has been making a survey among a large number of manufacturing enterprises to determine the extent to which labor shortages either already exist among particular trades or are in prospect. The report giving the results of this survey will probably be available in about six weeks.

I was unable to reach Dr. Jordan, but one of his associates, Dr. Faulkner, who is actively engaged on the survey, told me that the information available thus far indicates that many companies are now experiencing a shortage of skilled workers, but that up to the present time the shortages reported appear to be confined largely to the metal-working trades. The information in hand does not yet indicate any important shortages in the building trades.

Dr. Faulkner also said that the National Industrial Conference Board has recently published a bulletin on "Unemployment and Business Recovery", a copy of which he is mailing to me today. The conclusion of this bulletin, according to Dr. Faulkner, is that, if the rate of industrial output continues to increase at the rate of the past two or three years, a general shortage of labor, both skilled and unskilled, will prevail by 1940 unless new sources of labor are developed or working hours are increased.

With respect to the shortage of skilled workers now developing in the metal-working trades, Dr. Faulkner said that a number of qualified workers in these trades have, of course,

dropped out since 1929, and that in the years since then the training programs previously carried on by manufacturing concerns, as well as the normal apprenticeship admissions to the metal-working trades, have been inoperative. At the present time a number of the manufacturing concerns report that they are resuming their training programs.

2. Mr. Rolland J. Hamilton, President of the American Radiator Company, whom I see more or less frequently, tells me that the shortage which his company, and others with which he is acquainted, notice most is among the pattern-makers, die-makers, and tool-makers. He says that the great recovery in the automobile industry, in advance of the recovery in the construction industry, has tended to create a situation that amounts to a virtual monopoly for the automobile industry in the available supply of skilled workers in these three trades. The result is that manufacturers of equipment, such as American Radiator and Standard Sanitary, find bottlenecks developing from time to time because of their inability to find a sufficient number of skilled pattern-makers, die-makers and tool-makers.

Mr. Hamilton says that there is also noticeable a shortage of draftsmen, but he says that this shortage is largely artificial, created by the absorption of a disproportionate number of draftsmen by governmental agencies, among which he mentions the Public Works Administration and the Resettlement Administration.

As to any widespread shortage of skilled labor in the building trades, Mr. Hamilton says that he thinks it improbable that such a situation will develop this year, and indicates that such a shortage will come about only when construction reaches 70 or 75 percent of the pre-depression volume.

3. One of Mr. Lewis H. Brown's assistants in the Johns-Manville Corporation, Mr. Syme, tells me that the Johns-Manville plants in various parts of the country are experiencing a shortage of machinists and millwrights. He has recently made some inquiries which indicate that the shortage of machinists and millwrights is now general throughout the United States and is also being felt to a considerable extent in Canada.

These are all trades that require long apprenticeships, and the shortage in them, as in other skilled groups, -- such, for example, as masons and plumbers -- has been accumulating over

a period of more than ten years. For about five years prior to the depression, Mr. Syme tells me, there was little or no admission to apprenticeship in the union ranks of machinists and millwrights; and for the past five years there has been a drift of workers in these trades from the construction industry to other industries.

Mr. Syme says that the immediate burden of the shortage of skilled workers such as those of the Johns-Manville Corporation will necessarily fall on the manufacturer, who will have to find means of training the workers that they want. The Johns-Manville Corporation, he says, has actively resumed its training courses, which are being attended by union men in the unskilled groups who want to work their way up into the skilled groups. Beyond that point, however, the manufacturers can only wait on the reopening of the apprenticeship ranks among the building-trades unions.

Mr. Syme has recently received some reports from Chicago that the skilled building-trades workers there are talking about demanding a rate of \$2.00 an hour. No such demand has yet been made, but the fact that this rate is being discussed in a city where the rate of construction activity is still relatively low is taken by the Johns-Manville people to indicate that the skilled groups would feel reasonably secure in making such a demand.

4. You may find it useful to have some inquiry made through the Federal reserve banks or branches in communities where there is now a considerable volume of residential-building activity -- considerable, that is, in relation to the present volume of residential building activity generally. Among cities of more than 100,000 population where such inquiry might be made are Miami, Florida; Jacksonville, Florida; Washington, D. C.; Queens (New York City); the Bronx (New York City); Cincinnati, Ohio; Los Angeles, California; Long Beach, California; San Diego, California; Houston, Texas; and Dallas, Texas.

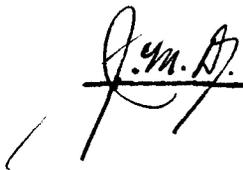
Relatively to the country as a whole, Miami, Florida, and Washington, D. C. are experiencing something of a boom, though nothing like the pre-depression rate of activity has yet been reached. The other cities mentioned are showing a significant rate of residential-building activity, as are also a number of cities of less than 100,000 population, but in no case can the

volume be said to suggest the proportions of the previous boom.

5. Apropos of your remarks about the need for training skilled workers, you may be interested in knowing that in the period of 1919-1924 in Great Britain, when construction was virtually at a standstill, notwithstanding the accumulated deficit of the war years, there was such an extremely small supply of skilled labor that a substantial revival of construction would have been impossible. In 1924 the Ministry of Health, which is the real housing authority in Great Britain, arranged a conference between the building-trades unions and the building-supply manufacturers and effected an agreement to expand training and apprenticeship in the skilled trades. The agreement also covered wages and prices, with a view to preventing advances in either except by mutual agreement or arbitration.

It is my understanding that, throughout the development of the British building program since 1924, there have been no labor difficulties and no acute price situations since the 1924 agreement was effected.

6. I would suggest the Procurement Division of the Treasury as a source of current information on localities where the Government may be experiencing or anticipating shortages of skilled labor. The Procurement Division may be able to supply some illustrative cases that would not be apparent in statistical tables.

A handwritten signature in dark ink, appearing to be "J. M. D." with a stylized flourish underneath.