

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date March 3, 1937To Mr. EcclesSubject: Further comments on shortage ofFrom J. M. Daigerskilled labor.

1. Thomas F. Holden, vice president of the F. W. Dodge Corporation and president of the New York Building Congress (a large organization of persons interested in building construction, real-estate, etc.), tells me that in his opinion the current talk about labor and material shortages is highly exaggerated and premature. He thinks that it emanates chiefly from the building-material and building-trades groups as a smoke screen to cover their efforts to increase prices and wages.

Mr. Holden says that the building-material industry has a potential capacity to handle, without any increase in price, twice as much building as is now going on. There are spots, he says, where some slight shortage of skilled labor is temporarily experienced, and there are situations, such as the recent shipping strike, that create temporarily a shortage of certain materials.

On the whole, however, the F. W. Dodge people have found no early prospect of a volume of construction that would either strain the productive facilities of the material manufacturers or result in an important shortage of skilled labor. It is Mr. Holden's opinion that, if the material people who are trying to boost prices at the present level of construction activity should succeed in their efforts, and particularly if this is accompanied or followed by wage increases for building labor, there will be a moderate recession of construction until the pressure of competition brings the situation back into line with the realities of the productive capacity and labor supply.

A tendency to create shortages of skilled labor does result, Mr. Holden says, from the rules of the Works Progress Administration, though up to the present time there probably has been a tendency to exaggerate the competition of the WPA with private builders. He thinks there is little doubt, however, that WPA workers who are trained and experienced in the building trades are afraid to take private employment when it is offered to them, notwithstanding the higher wages afforded by private employment. The reason for this fear is that the

private employment thus far offered is only temporary, whereas the workers who go off the WPA rolls to take private work have learned from experience that they cannot get back on the WPA rolls until they are again destitute. Meanwhile they have lost their status and, as Mr. Holden puts it, "have to wait for the red tape to unwind before they can regain it."

Mr. Holden says that there is a great need on the part of both the building industry and the building-trades unions for data on the potential supply of building labor represented by the WPA roll.

2. The Building Trades Employees Association has been making a study of the labor situation in the building trades. The study is a confidential one and the results of it will not be published. However, I think that I could arrange to have the information made available confidentially if you should be sending someone to New York to look into the survey being made by the National Industrial Conference Board. Will you please give me a little advance notice in the event that you do wish to have someone check the findings of the Building Trades Employees Association.

A handwritten signature in dark ink, appearing to be 'G. D.', written over a horizontal line.