

# **Wars of Attrition**

***Vietnam, the Business Roundtable, and the  
Decline of Construction Unions***

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## The Vietnam War and the Labor Market: The Johnson Administration

The construction industry must be able to react to labor market conditions on an instantaneous basis. The work force is highly transient and it responds immediately to a better offer, even if only for a few cents per hour.<sup>1</sup>

We have flexibility unknown anywhere else in the Western world. When we need another 10, 20 or 100 pipefitters, we call the union hall, and within a reasonably short period we have these men working. Conversely, when our volume drops, these men are sent back to their labor depository to be called to work by some other contractor.<sup>2</sup>

Disputes between labor and capital, as organized by trade unions operating to secure for their members "an improved status in the existing economic order," come down to "a struggle over the supply of labor...." Workers seek to create "social arrangements" that make labor scarce and dear, whereas employers want labor that is plentiful and cheap. From such a direct confrontation resulted, according to the eminent economist Alvin Hansen, "an unavoidable conflict of interest and an inevitable struggle."<sup>3</sup> In spite of decades of experience with cycles of such conflicts, employers and the state in the late 1960s reacted as if they had never before been exposed to the realities of a tight labor market.

At the end of 1950s, when the rate of unemployment in construction ran as high as 13 to 15 percent, unions had not been in a position to take full advantage of locally favorable circumstances. Their moderation on the St. Lawrence Seaway project, for example, resulted from the insight that the "only realistic wage policy" on such projects was "one which will enable them to preserve their bargaining power in the long run by consistently attempting to fulfill their labor-contractual obligations to employers in the short run." Because local contractors had a "limited ability to pay, union policy is to keep those employers competitive in the labor market by forgoing high wage rates on the large projects."<sup>4</sup> The absorption of the

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<sup>1</sup>Letter from Nello Teer, president, Associated General Contractors, to Donald Irwin, administrator, Office of Wage Stabilization, Cost of Living Council, Mar. 25, 1974, in *CLR*, No. 964, Apr. 3, 1974, at G-1.

<sup>2</sup>D. Quinn Mills, "Chapter 2: Construction," in *Collective Bargaining: Contemporary American Experience* 11-22 (Gerald Somers ed., 1979), quoting Walter Kardy, executive vice-president, Mechanical Contractors Association of America, speech before the 17th Annual Construction Conference of the Builders Exchange of Columbus, Ohio, Feb. 17, 1977, mimeo.

<sup>3</sup>Alvin Hansen, "The Economics of Unionism," 30 (4) *JPE* 518-30 at 519 (Aug. 1922).

<sup>4</sup>D. Cullen, "Union Wage Policy in Heavy Construction," 49 (1) *AER* 68-84 at 77 (Mar.

reserve army of the unemployed in construction and the economy at large in the late 1960s, however, prompted workers to ignore mediating the long and short runs.

High unemployment in the late 1950s and early 1960s prompted renewed interest in such phenomena as technological and structural unemployment brought on by automation, foreign competition, and plant relocation. Congress responded by enacting the Manpower Development and Training Act of 1962<sup>5</sup> to subsidize training or retraining to “forestall” potential “resistance and unrest among the affected workforce.”<sup>6</sup> When the country’s first official *Manpower Report* estimated in 1963 that 2.4 million additional construction journeymen would be needed by 1970,<sup>7</sup> building trades unions were not impressed by the accompanying “wave of hysteria” calling for “fragmentation of our crafts” and government take-over of the “time-tested” apprenticeship programs, jointly administered by unions and management, that had “produced the journeymen who built America.” After all, they argued, with the unemployment rate in construction at 18 percent in 1963 and never below 12 percent since 1957, and “our high mobility rate, no job in years had suffered from lack of available skilled labor.”<sup>8</sup> Moreover, localized shortages typically resulted from contractors’ “notorious[] nonchalance” about planning: even on large projects, they often bid without surveying labor availability, letting unions “worry” about recruitment.<sup>9</sup>

As early as March 1965, the president of the National Constructors Association (NCA), the organization of the largest firms building the largest industrial plants, declared that for the first time (apart from the Korean War) since World War II “acute manpower shortages” in some trades in some localities were “almost certain” to develop. Speaking at the NCA’s annual dinner in honor of its collective bargaining partners, the officers of the AFL-CIO Building and Construction Trades Department (BCTD)<sup>10</sup> and the presidents of its affiliated

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1959). See also Donald Cullen, “Labor Market Aspects of the St. Lawrence Seaway Project,” 68 (3) *JPE* 232-51 (June 1960).

<sup>5</sup>Pub. L. No. 87-415, 76 Stat. 23 (1962).

<sup>6</sup>Saul Blaustein, *Unemployment Insurance in the United States: The First Half Century* 30 (1993) (quote); Paul Brinker, *Economic Insecurity and Social Security* 281-91 (1968).

<sup>7</sup>*Manpower Report of the President* tab. F-6 at 198 (1963).

<sup>8</sup>BCTD Executive Council, “Manpower Needs in the Construction Industry” (Nov. 1963), in Subcommittee on Employment and Manpower of the Senate Committee on Labor and Public Welfare, 88th Cong., 2d Sess., 3 *Selected Readings in Employment and Manpower: The Role of Apprenticeship in Manpower Development: United States and Western Europe* 1157, 1158 (Comm. Print 1964). For an overview of apprenticeship programs, see DOL, Labor-Management Services Adm., *Admission and Apprenticeship in the Building Trades Unions* (1971).

<sup>9</sup>Daniel Mills, “Factors Determining Patterns of Employment and Unemployment in the Construction Industry of the United States” 241 (Ph.D. diss., Harvard U., 1967).

<sup>10</sup>The BCTD, which dates back to 1908, arose as a response to jurisdictional disputes among interdependent trades and their unions in an era of rapid technological change. Robert Christie,

unions, William Sheets complained that tightening of skilled labor supplies associated with the rapid increase in industrial plant construction might not be so “readily overcome by the automatic influx of workers from areas of labor surplus because labor mobility” had declined considerably in recent years. The reason for this new construction labor market structure, according to Sheets, was both a material increase in unemployment benefits and an enhanced economic status for the craftsman: “He has developed interest in his community resulting in more permanent roots. As a result the average worker now tends to wait awhile between jobs at home instead of going far afield in search of work.” Locally established benefits such as vacation plans and health and welfare funds, because they require workers to work in their local union’s jurisdiction to remain eligible, tended “to immobilize the construction worker and remove him from the boomer class.”<sup>11</sup>

Hypermobility had long been the hallmark of the construction labor force in the United States. As far back as 1880, the Census Office, discussing the ramifications of “the well-known tendency to the concentration of labor and capital in large shops and factories,” referred to “the immense extension of the contract system of erecting buildings, the effect of which is to disconnect an increasing proportion of the working carpenters of every city or large town from actual shops and constitute them a movable, readily disposable force, to be hired now by this contractor and now by that....”<sup>12</sup> Whether large industrial construction employers really preferred the structure of a bygone period when, because of his high degree of mobility, the building worker “tend[ed] to develop a more cosmopolitan outlook,” “d[id] not identify himself with any local section or group,” and was “disinterested in purely local affairs,”<sup>13</sup> no longer mattered. Although the NCA saw no easy way out of the predicament of spatially balkanized construction labor markets, which left an employer “hamstrung by a lack of men” in San Francisco

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*Empire in Wood: A History of the Carpenters' Union* 120-36 (1956). The BCTD was founded to promote the formation of local building trade councils, make more uniform demands on employers, and mediate in local and national disputes between unions and local councils and employers. Albert Helbing, *The Departments of the American Federation of Labor* 13-39 (1931); William Spencer, “The Building Trades as Organized Prior to the Formation of the Building Trades Department,” 23 *AF* 558-63 (1916). On an earlier national federation of local councils, which resulted from the rise of large inter-city construction firms, the National (and later International) Building Trades Council, and the short-lived Structural Building Trades Alliance, see William Kirk, *National Labor Federations in the United States* 79-105 (1906); George Barnett, “The Dominance of the National Union in American Labor Organization,” 27 *QJE* 455-81 at 474-80 (May 1913); Theodore Glocker, “Amalgamation of Related Trades in American Unions,” 5 (3) *AER* 554-75 at 556 (Sept. 1915).

<sup>11</sup>“Acute Shortage of Skilled Craftsmen in Some Areas Looming This Year, President Sheets of NCA Asserts,” *CLR*, No. 496, Mar. 24, 1965, at A-5-A-6.

<sup>12</sup>Census Office, *Compendium of the Tenth Census (June 1, 1880)*, pt. II at 926, 927 (1883).

<sup>13</sup>Richard Myers, “The Building Workers: A Study of an Industrial Sub-Culture” 39 (Ph.D. diss., U. Michigan, 1945).

without access to an abundant supply of unemployed workers in New York “unwilling to travel,” Sheets warned that “wasteful overtime” was not the solution because their customers, large industrial corporations, would not pay for it. Finally, the NCA president cautioned that if the industry failed to solve the problem of an adequate labor supply through apprenticeship and other programs, the government would intervene: “Gentlemen, as you know, there are strange forces in the land. The winds of social, political and economic change are blowing. Shortly, Title VII of the Civil Rights Act will become effective.”<sup>14</sup>

Analysts had long emphasized construction unions’ unique function as a labor supply agency and “as a means of moving labor away from areas of surplus to areas in short supply.”<sup>15</sup> Indeed, labor historians identified geographic labor mobility as the basis in the nineteenth century of (initially weak) national building trades unions in an industry lacking a national market.<sup>16</sup> In the nineteenth century, before the rise of a national union, travelling journeymen were considered an important source of the oversupply of labor and strikebreakers.<sup>17</sup> In the 1920s, too, “[m]ost of the heavy construction...was still being performed by large nonunion contractors who recruited crews in low-wage areas, transported them to the job site where they were housed in tent camps surrounded by barbed wire, and patrolled by armed guards, if necessary, to keep union organizers out. When the job was finished, the contractor often dumped his crew on the local community and recruited another for his next job.”<sup>18</sup> By the 1960s, however, employers, however, were unanimously of the opinion that the construction worker no longer “must be prepared to be a nomad.”<sup>19</sup>

Three months after the NCA dinner, a leader of another major construction employers’ organization, Associated General Contractors of America (AGC),

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<sup>14</sup>“Acute Shortage of Skilled Craftsmen in Some Areas Looming This Year, President Sheets of NCA Asserts,” at A-5-A-6.

<sup>15</sup>John Dunlop, “Labor-Management Relations,” in *Design and the Production of Houses* 259-301 at 262 (Burnham Kelly ed., 1959).

<sup>16</sup>Lloyd Ulman, *The Rise of the National Trade Union: The Development and Significance of Its Structure, Governing Institutions, and Economic Policies* 45, 52 (1966 [1955]). As early as the 1880s, some of these migrations were induced by the multistate operations of large construction firms. Mobility was also a product of the seriatim building of boom towns in the West: following the initial construction period, the oversupply of workers migrated to the next one. *Id.* at 55-56, 59-60.

<sup>17</sup>Martin Segal, *The Rise of the United Association: National Unionism in the Pipe Trades, 1884-1924*, at 22, 35 (1970).

<sup>18</sup>Garth Mangum, *The Operating Engineers: The Economic History of a Trade Union* 251-52 (1964).

<sup>19</sup>ILO, Building, Civil Engineering and Public Works Committee, 7th Sess., Report II: *Technological Changes in the Construction Industry and Their Socio-Economic Consequences* 8 (1964). For a novelistic account of nationwide migration by the unemployed during the 1930s to build a tunnel in West Virginia, see Hubert Skidmore, *Hawk’s Nest* (1941).

deployed the diametrically opposed claim to explain why unionized building tradesmen, “an elite corps within the house of labor,” were successfully demanding wage increases so out of line with productivity that they were creating an imbalance with the rest of the economy, which ultimately came “out of the pockets of workmen in other industries for housing and other construction services.” The reason, according to Carl Halvorson, was simple: local union leaders, possessing what “amounts to a legal monopoly...can shut down an entire city or state by simply calling a strike or by putting pickets on jobs.” And whereas the NCA was protesting that workers created artificial labor market shortages by refusing to move, the AGC ascribed their power to their ability during a strike to “go elsewhere [while] the construction job shuts down.” To dampen this “wave of irresponsible wage demands,” Halvorson urged Congress not to repeal the provision in the Taft-Hartley Act authorizing state “right-to-work” laws, which sustained the “open-shop threat.”<sup>20</sup>

By the first days of 1966, as the Vietnam war began to shape the national economy, the federal “government [wa]s starting to worry publicly about developing shortages of labor and point[ed] to the construction industry as one area where the manpower situation is tight.” The Commissioner of Labor Statistics, Arthur Ross, observed that this “undersupply” would be exacerbated during the coming year by “increased defense production and absorption of greater numbers of men into the military service.”<sup>21</sup> At the same time, the CEA, noting the above-average increase in construction prices and wages as partly reflecting prosperity, urged: “Ways must be found to expand more quickly the supply of skilled construction labor” as well as to promote geographic mobility. Overall the Council warned: “Construction is clearly an industry that raises serious problems for wage-price stability.”<sup>22</sup>

Secretary of Labor Willard Wirtz, concerned about recent high construction wage settlements, dropped a hint to John Dunlop, the impartial chairman of the Construction Industry Joint Conference—which assembled national labor organizations and contractor associations to resolve common problems—that

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<sup>20</sup>“AGC Views ‘Spiraling Wage-Fringe Increases’ with Alarm, Says They Are Far Outrunning Rise in Productivity,” *CLR*, No. 510, June 30, 1965, at A-6, A-7. A few years later, Halvorson suggested teaching building trades in high schools to break the union “monopoly.” “Construction Problems are Political, Sociological,” *ENR*, Mar. 27, 1969, at 28.

<sup>21</sup>“Concern Voiced over Tightening Supply of Labor,” *CLR*, No. 538, Jan. 12, 1966, at A-5. For more detailed contemporaneous labor market analyses by Ross and Secretary of Labor Willard Wirtz, see *January 1966 Economic Report of the President: Hearings Before the Joint Economic Committee of the Congress*, 89th Cong., 2d Sess. 273-385 (1966). The federal government (chiefly the Department of Defense) was itself the country’s largest employer of construction craft workers, employing 72,400 in 1967 and 64,500 in 1972. Arthur Gartagnis, “Trends in Federal Employment, 1958-72,” 97 (10) *MLR* 17-25 at 21, 23 (Oct. 1974).

<sup>22</sup>*Economic Report of the President* 78, 85-86 (1966).

industry self-control would be preferable to government intervention. Supported by the AGC, Dunlop drafted a proposal that would have authorized national unions and national contractor associations to mediate local disputes. In addition to the unsurprising resistance of local unions at a time when labor markets were favorable to workers, the national unions themselves unanimously rejected the administration's proposal as calculated to "produce unjustified limitations on wage increases." The president of the BCTD, C.J. Haggerty, second-guessing his own decision, conceded that the unions' rejection might induce the federal government to consider direct wage controls, but also expressed hope that the government would not retaliate by withholding funds from federal construction projects.<sup>23</sup>

The BCTD also publicly expressed its irritation with the administration's wage guidelines, which the CEA had established in 1962 in principle by reference to the annual economy-wide productivity increase, and then quantified at 3.2 percent in 1966.<sup>24</sup> At the same time, the BCTD suggested that the U.S. Department of Labor (DOL) might have been trying to pressure the unions to comply with the guidelines when it influenced the Department of Justice to file a discrimination suit against the Building and Construction Trades Council of St. Louis for having walked off a federal construction project in response to the presence of a black plumber and two black helpers.<sup>25</sup> The construction unions' open declaration that they would ignore the guidelines prompted *The New York Times* to suggest that the

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<sup>23</sup>"National Machinery to Mediate Local Contract Disputes Goes to Union Chiefs for Discussion Later This Month," *CLR*, No. 543, Feb. 9, 1966, at A-11; Damon Stetson, "Building Trades Bar U.S. Efforts to Curb Pay Rises," *NYT*, Feb. 18, 1966, at 1, col. 3; "National Settlement Plan Vetoed by Union Presidents as Unwarranted Attempt to Impose Wage Restrictions," *CLR*, No. 544, Feb. 23, 1966, at A-7, A-8; William Burke, "Hammering on Guideposts," Federal Reserve Bank of San Francisco, *MR*, Apr. 1966, at 87-94 at 93-94. The national unions also buttressed their rejection with the claim that the Landrum-Griffin Act had undermined their power over the locals, leading to an increasing number of contract settlement rejections by the rank and file—a claim that the Chamber of Commerce conveniently resurrected in 1975 (a time of high unemployment) when employers' organizations opposed legislative enactment of a similar plan, which the national unions supported. "Halvorson, Haggerty at Odds over Factors Underlying President's Cutback Directive," *CLR*, No. 729, Sept. 10, 1969, at A-2; "Landrum-Griffin Viewed as Fomenter of Rank-and-File Unrest in Unions," *CLR*, No. 732, Oct. 1, 1969, at A-11. The Department of Commerce also published an article on missile site construction arguing that transient labor's "independence of spirit" made resolution of labor problems through existing local union leadership more difficult. Local union control over the individual crafts was further weakened by the relatively high proportion of transient workers who constituted the effective local craft union membership at any one time. Wayne Howard, "The Missile Sites Labor Commission," 16 (2) *CR* 4-15 at 5 (Feb. 1970).

<sup>24</sup>*Economic Report of the President* 189 (1962); *Economic Report of the President* 92 (1966).

<sup>25</sup>Damon Stetson, "Labor Chiefs Increasingly Irked by Administration Pay Guideline," *NYT*, Feb. 16, 1966, at 47, col. 1. Haggerty claimed that the walk-out did not constitute racial discrimination, but merely unwillingness to work with persons not members of AFL-CIO unions. See below chapter 9.



rest of labor might follow these “most persistent flouters....”<sup>26</sup>

In March, *The Manpower Report of the President* pointed to the looming tight construction labor markets.<sup>27</sup> At the same time, Secretary Wirtz was informing President Johnson that employers would support a proposed tax increase “because they think it will restore enough unemployment to be a buffer against extreme wage demands and labor shortages.”<sup>28</sup> The AGC took advantage of the opportunity to repeat longstanding demands to fortify managerial power. To insure “the maximum utilization of skilled workers,” it urged an end to featherbedding and the use of skilled workers to perform unskilled tasks, and the training of specialists and shorter training periods.<sup>29</sup>

A *New York Times* front-page report in late March on its survey of 20 major labor markets revealed employers’ disenchantment with the consequences of the decline in the unemployment rate to 3.7 percent. As the coercive fear of unemployment disappeared: “The shortage of workers is leading to greater opportunities for many employes [sic], and an increasing number of them seem to be showing more independence.” The high quit rate prompted one employer to complain that employees “can select the shift they want, write their own ticket on things like this.... They’ll leave now at the drop of a hat.” A laundry company official lamented that workers “[w]alk out at lunch or leave at night and you don’t see them any more.” The tight labor market extended even to unskilled labor, pushing its cost up 30 percent in Chicago, where the unemployment rate was only 2.5 percent. One state employment agency official likened the job market to that prevailing during World War II.<sup>30</sup>

The ostensibly labor-friendly Johnson administration<sup>31</sup> could not overtly bemoan the collapse of the class-disciplinary function of unemployment, but was, according to the *Times* report, “worried...because manpower shortages can force employers to bid against each other for the same workers”; since the government assumed that employers’ product market power enabled them to maintain profit levels, it saw higher wages as promoting inflation. Ironically, the solution lay in

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<sup>26</sup>“Tottering Guideposts,” *NYT*, Feb. 19, 1966, at 26, col. 2 (editorial).

<sup>27</sup>*The Manpower Report of the President* 17, 42 (1966).

<sup>28</sup>Cathie Martin, *Shifting the Burden: The Struggle over Growth and Corporate Taxation* 83 (Chicago: U. Chicago P., 1991) (citing Memo, Secretary of Labor to LBJ, “The Economy and the Government,” 3/17/66, CF F111, Taxation, LBJ).

<sup>29</sup>“AGC Urges Steps to Ease ‘Acute’ Manpower Shortages, Asks Joint Machinery to Moderate Wage Settlements,” *CLR*, No. 548, Mar. 23, 1966, at A-1, A-2.

<sup>30</sup>David Jones, “Manpower Needs Grow Across U.S.,” *NYT*, Mar. 27, 1966, at 1, col. 2, at 82, col. 4-7.

<sup>31</sup>On the Johnson administration’s frustration of labor’s best chance to repeal the provision in the NLRA permitting states to enact statutes banning union shops and its acquiescence in big business’s opposition to repeal, see Thomas Ferguson & Joel Rogers, *Right Turn: The Decline of the Democrats and the Future of American Politics* 61-63 (1986).

dismantling discriminatory restrictions of the labor supply: Johnson “asked employers to reconsider requirements so that jobs normally done by adult men could be done by women, teen-agers, the handicapped and immigrants”; and in the South some industrial employers apparently preferred the wage-depressing impact of hiring blacks for the first time to the ideological benefits of workplace segregation.<sup>32</sup>

Shortages led to “pirating of manpower”: firms in Chicago, for example, recruited craftsmen away from competitors with promises of premium overtime. The Builders Association of Chicago obligated its members to avoid scheduled overtime because it “leads to a cut-throat rat race that isn’t good for the industry.”<sup>33</sup> Despite the Pickwickian application of “cut-throat” to a boom that warranted paying above-average wages, employers’ self-help measures appeared inadequate to deal with the labor market turbulence.<sup>34</sup> A big business consultant observing the industry in 1968-69—when unemployment rates fell as low as 1.6 percent for electricians, 2.0 percent for plumbers and pipefitters, and 3.2 percent for structural metalworkers and bricklayers<sup>35</sup>—portrayed employers’ worst nightmare of “the virtually absolute control unions have over the supply of manpower” coupled with low unemployment:

Skilled craftsmen, knowing that they are so much in demand that they can always find work, have no qualms about not reporting for work whenever they please, or leaving one job for another if they don’t like their working conditions or anything else about a job. The manpower shortage also leads some employers to offer skilled craftsmen non-contract benefits as an inducement to leave another job for their own, which compounds the problem of turnover and absenteeism.

As a result...it is extremely difficult to discipline an employee for absenteeism or any rule violation, because the employee is likely to quit and go to another job where he is desperately needed.<sup>36</sup>

Haplessly exposed to insubordination they perceived as verging on anarchy,

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<sup>32</sup>Jones, “Manpower Needs Grow Across U.S.,” at 1, col. 2, at 82, col. 4-7.

<sup>33</sup>“Chicago Employer Groups Impose Overtime Ban in Effort to Restrain ‘Pirating’ of Workers,” *CLR*, No. 546, Mar. 9, 1966, at A-3.

<sup>34</sup>Lloyd Reynolds, “Cutthroat Competition,” 30 *AER* 736 (1940). By the end of 1966, a NASA official offered a much more intelligible critique of overtime—namely, that it makes labor less efficient. By the same token, “curtailing it in a skill-shortage market merely stimulates moonlighting, with the same loss of efficiency.” His proposed solution was to couple opposition by union leaders to the extra work that members liked with increases in the work force at which point further increases in hourly rates would “make sense.” “Blame for Rising Construction Costs Pinned on Both Management, Labor,” *CLR*, No. 588, Dec. 28, 1966, at A-1, A-2.

<sup>35</sup>Mills, *Industrial Relations and Manpower in Construction*, tab. 11 at 90.

<sup>36</sup>M. R. Lefkoe, *The Crisis in Construction: There Is an Answer* 5 (1970).

employers, who had come to regard their panoply of managerial powers and prerogatives as second nature, urgently called for state intervention to restore normalcy. Institutional memories of tight labor markets were short: earlier in the century a study of construction labor relations in Chicago had concluded that despite an agreed-upon principle that “there should be no limitation upon the amount of work a man should do during a given day,...it has always been found impossible in this industry—and in a majority of industries for that matter—to keep up production standards during a period when there is a paucity of workers.”<sup>37</sup>

Construction workers hardly viewed themselves as taking advantage; rather, they were merely gaining a respite from what seemed like the facts of work life. Looking back at these boom conditions, especially in large cities, one Boston union carpenter recalled the late 1960s as “one of those rare periods when individual workers held the upper hand as employers competed for a limited pool of skilled labor. Supervisors often looked the other way at a slip-up, a mistake, a curse hurled at a foreman...” What had once been “unthinkable”—leaving a project before it was over—“became an option as men hunted overtime pay and better working conditions. ‘If a foreman looked at you cross-eyed...you’d pick up your tools and go to another job down the street.’”<sup>38</sup> An NCA survey of its members in the late 1960s revealed that 20 percent of their construction dollar volume was done on an overtime basis; two-thirds of those overtime schedules were created expressly to attract labor, the rest to maintain or speed up completion dates.<sup>39</sup>

Contractors may have been thriving too,<sup>40</sup> but they still searched for ways to avoid an unfavorable labor market. One method for dealing with shortage-induced wage increases that the construction firms shared with their counterparts in other industries was “increased mechanization in all phases of the construction industry.” When, for example, the introduction of heavy earth-moving equipment led to a shortage of skilled machine operators, demands were “placed on the machinery industry to increase the size and productive capacity of its products, and to develop machinery that reduces the number of operatives needed to complete a project.”<sup>41</sup> Another example was the precast concrete structures, which “so greatly reduced the need for bricklayers that in many parts of the country there is a surplus of these tradesmen.”<sup>42</sup> Laborers’ work was also subject to “rapid mechanization” as huge

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<sup>37</sup>Royal Montgomery, *Industrial Relations in the Chicago Building Trades* 179 (1927). Montgomery also reported that contractors “generally say that in busy times the men work more leisurely than in dull periods, when idle men are walking the streets looking for jobs.” *Id.* at 152-53.

<sup>38</sup>Mark Erlich, *With Our Hands: The Story of Carpenters in Massachusetts* 156-57 (1986).

<sup>39</sup>BR, “Scheduled Overtime Effect on Construction Projects” 5-6 (Rep. C-2, Nov. 1980).

<sup>40</sup>Erlich, *With Our Hands* at 157.

<sup>41</sup>USDC, *Growth Pace Setters in American Industry, 1956-68*, at 28 (1968).

<sup>42</sup>Edward Young, “Low Productivity: The Real Sin of High Wages,” *ENR*, Feb. 24, 1972, at 18-23 at 19.

cranes, fork-lift trucks, automatic lifts, conveyor belts, powered wheelbarrows, and large earth-moving equipment raised their productivity.<sup>43</sup> Overall, however, labor-saving innovations could not overcome the shortage of skilled building tradesmen.

The monetary expression of a labor market unfavorable to employers became the focus of attention. Economic policy makers in the Johnson administration tried to persuade militant construction business unionism that extracting the maximum from a tight labor market was not only pointless but also self-destructive because wage increases in excess of productivity increases would not shift income from capital to labor, but merely unleash an inflation that would put an end to the upswing.<sup>44</sup> As early as May 1964, CEA chairman Heller, in a memo titled, "Construction Wages: A Tough Nut to Crack," warned President Johnson that they were

high and rising too fast, to the dismay:

--of home-buyers and home-makers, who have to pay through the nose for plumbers, carpenters, electricians, etc.;

--of other workers, who feel these decentralized unions are getting away with murder.<sup>45</sup>

Since bills from small building contractors for home repairs never formed the central concern of national labor policy, Heller's focus on them verged on the demagogic, but he quickly proceeded to berate the building trades unions for their "fat and sassy" wage and fringe boosts going back as far as 1960, when they had averaged 5.2 percent; their wage settlements beyond the guideposts remained the rule rather than the exception, rejections of employers' offers of increases in excess of 5 percent in Cleveland being only the most recent examples. Heller lamented that the atomized collective bargaining process made it "hard to lay a finger of responsible restraint on them," but to encourage Johnson to act anyway he added parenthetically: "Apart from wages, they're tough -- as you know -- on minority groups." What he sought from Johnson as a first step was a "Presidential statement pointing the finger straight at them" by contrasting the building trades with the rest of organized labor. On the one hand, "labor generally is to be complimented for its

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<sup>43</sup>Mills, "Factors Determining Patterns of Employment and Unemployment" at 123.

<sup>44</sup>For an analysis of this reasoning, see Marc Linder, "From Surplus Value to Unit Labor Costs: The Bourgeoisification of a Communist Conspiracy," in *idem*, *Labor Statistics and Class Struggle* 3-55 (1994). Construction unions had earlier been accused of pricing themselves out of non-tight labor markets: in 1939 Sumner Slichter argued that with regard to housing they had "seriously misjudged their market and [we]re pursuing a policy that [wa]s not only injuring their members but [wa]s substantially reducing the ability of private industry to absorb the savings of the community." Sumner Slichter, "The Changing Character of American Industrial Relations," 29 (2) pt. 2, Supp. *AER* 121-37 at 133 (Mar. 1939).

<sup>45</sup>Chairman of the CEA Walter Heller, "Memorandum for the President, Subject: Construction Wages: A Tough Nut to Crack" at 1, May 23, 1964, EX FG 11-3, 5/21/64-7/20/64, LBJ Library.

moderation and respect for the national interest” because generally wage increases had approximated productivity increases during the Kennedy-Johnson administration. On the other hand, “[s]ome of the building trades are a regrettable exception” because their wage increases violated the productivity guideposts. Finally Heller wanted the president to state that building craft unions “should not take advantage of the high level of construction activity to push for excessive wage increases -- because that would be the surest way to slow down or reverse construction, lose jobs, and hurt the whole economy.”<sup>46</sup>

Against the backdrop of, but never alluding to, the intensifying militarization of the economy, Secretary of Labor Wirtz also cautioned the BCTD that increases in construction union scales in 1965 had exceeded those in virtually all other industries and that the prospect of even larger increases in 1966 might disrupt macroeconomic wage-price stability.<sup>47</sup> Building trades unions sought to rebut the accusation of outsize increases. The president of the United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry (UA), Peter Schoemann, while expressing his union’s pride in “our nation’s no-nonsense reply to Communism” in Vietnam, rejected the notion that wage increases should be confined to productivity increases without taking into account those in the cost of living.<sup>48</sup> The following week, however, the U.S. Bureau of Labor Statistics (BLS) reported that major construction contract settlements for 1966 were averaging 6.4 percent wage increases—twice the level of the Johnson administration’s 3.2 percent wage guideposts, well above those negotiated in other industries, and also in excess of the cost of living increases mentioned by Schoemann.<sup>49</sup>

Early 1966 also witnessed the federal government’s first successful imposition of pressure on a construction union to moderate its wage demands. After the AGC of New Jersey had reached an agreement with a local of the International Union of Operating Engineers (IUOE) to increase the pay scale by 15 percent to \$7.75 per hour, in February the contractors met with the CEA staff in Washington “as the Government’s efforts to curb inflationary forces in the industry intensified” by confining wage increases to 3.2 percent annually. The employers’ association president told the staff that he “felt the climate was pro-labor.... Labor has pretty well had its way over the past few years.” But referring to the government’s success in rolling back steel prices in 1966, he added that “if they can handle U.S. Steel they

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<sup>46</sup>Chairman of the CEA Walter Heller, “Memorandum for the President, Subject: Construction Wages: A Tough Nut to Crack” at 1-2, May 23, 1964, EX FG 11-3, 5/21/64-7/20/64, LBJ Library.

<sup>47</sup>“Wirtz Urges Wage-Price Stabilization in Construction,” *CLR*, No. 548, Mar. 23, 1966, at A-7, A-8.

<sup>48</sup>“UA President Schoemann’s Convention Keynote Address,” *CLR*, No. 658, Aug. 10, 1966, at C-1, C-2, C-3.

<sup>49</sup>“Construction Wage Settlements Twice Guidepost Figure, BLS Reports,” *CLR*, No. 569, Aug. 17, 1966, at B-1.

ought to be able to handle this union situation.”” At the same time, the national AGC issued a statement expressing its concern with ““the ever-growing power of the building and construction trades unions.””<sup>50</sup>

At this point *The New York Times* inserted itself into the dispute, which was emblematic of the conflicts triggered by tight labor markets: intensifying mechanization caused operating engineers to experience the industry’s most explosive employment growth as their numbers rose 40 percent between 1962 and 1970.<sup>51</sup> A week after the newspaper reported these events, its chief national news commentator, Arthur Krock, devoted his entire column to warning that, compared to the breaches of the administration’s anti-inflation guidelines created by recent wage increases in the automobile and steel industries, execution of the New Jersey Operating Engineers’ contract would sweep away “a vital and already crumbling dike against ruinous inflation....” He urged President Johnson to withhold funds from federal highway construction—a significant source of employment for operating engineers—to restrain the union’s demands. Krock’s urgent tone was prompted by his prediction that the Operating Engineers’ wage increase “would put irresistible pressure on all the other construction unions in the huge New York City area to demand the same in order to maintain their traditional wage relationship.... And the demand would as inevitably spread to” all the other construction unions nationally. Quoting John Garvin, a construction labor relations consultant, Krock characterized the New Jersey case as ““the Munich of wage-price restraint.””<sup>52</sup>

Initially, the president of Local 825, Peter Weber, announced that “he would not reduce the size of a huge contract he had won, regardless of how much pressure the Johnson administration applied against him.” To pressure the union to settle for a smaller increase, the administration considered cutting off \$200 million of federal highway funds to New Jersey.<sup>53</sup> A few days later the workers struck because the employers, advised by their contractor associations not to pay the rates agreed upon, refused to meet the terms of the agreement, which they had not yet signed. The employers also “angrily laid plans to retaliate with a statewide lockout that would stop more than \$100-million worth of projects.” After a five-day strike, both sides agreed to binding arbitration by Wirtz and Raymond Male, the

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<sup>50</sup>Edwin Dale, Jr., “U.S. Economic Advisers Seek to Curb Jersey Building Pay,” *NYT*, Feb. 8, 1966, at 21, col. 2-3.

<sup>51</sup>Calculated according to Mills, *Industrial Relations and Manpower in Construction*, tab. 11 at 90. See also Mills, “Factors Determining Patterns of Employment and Unemployment” at 69.

<sup>52</sup>Arthur Krock, “In the Nation: A Crumbling Dike Against Inflation,” *NYT*, Feb. 15, 1966, at 38, col. 3-6.

<sup>53</sup>“Jersey Union Head Resists President on Settlement Cost,” *NYT*, Mar. 17, 1966, at 24, col. 3. The news prompted Krock to repeat his warning that this settlement might become “a standard objective of organized labor.” Arthur Krock, “In the Nation: The Thumb that Could Save the Dike,” *NYT*, Mar. 17, 1966, at 38, col. 3 at 4.

New Jersey Labor Commissioner: "It was the first time that the White House has publicly succeeded in forcing a union to roll back its wage demands since Presidential wage guidelines of 3.2 per cent were instituted. It marked one of the very rare occasions in the history of collective bargaining that a union has left it up to state and Federal labor officials to arbitrate a wage dispute."<sup>54</sup> *The New York Times* reported that employers and unions were watching the case closely because it was the first time that the administration had "been in a position almost to dictate a settlement in line with the guideposts."<sup>55</sup>

The New Jersey dispute remained the administration's focal point for moderating construction wage increases into the summer. In June, Labor Secretary Wirtz set forth a plan calling for contractors to guarantee at least 1,600 hours or 40 weeks of work annually to employees who had worked at least 700 hours as operating engineers the previous year and were substantially attached to the industry; employers would deposit 20 cents an hour per worker to fund public works employment for those whom they could not employ for the minimum period. The plan's "basic aim" was to deprive construction unions of their preeminent justification for larger than average wage increases—seasonality; smaller building trade wage increases would, in turn, deprive other unions of one of their favored arguments for their own wage demands.<sup>56</sup> However, the New Jersey contractors opposed the plan on the grounds that, together with the wage increases proposed by Wirtz, it would cost them even more than the 9 percent increase demanded by the Operating Engineers.<sup>57</sup> This rejection, which was reinforced by the national AGC, which characterized the plan as an effort to "force a guaranteed annual wage on the construction industry" that would encourage absenteeism among workers who had already worked their 700 hours, triggered a series of selective three-week strikes by

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<sup>54</sup>"Wirtz's Aid Asked in Jersey Dispute," *NYT*, Mar. 27, 1966, at 85, col. 4; "Jersey Union Agrees to U.S. Arbitration," *NYT*, Mar. 29, 1966, at 1, col. 1, 14, col. 6 (quotes). A 35-cent per hour wage increase went into effect immediately; other provisions of the three-year contract were entrusted to the arbitrators. Weber's retreat may have been related to the fact that he was under indictment on kickback charges.

<sup>55</sup>"Labor Pact Study Is Set for Jersey," *NYT*, Apr. 7, 1966, at 28, col. 6. Protests by the Building Contractors Association of New Jersey, the state's largest, were instrumental in bringing about the review of the terms of the agreement between Local 825 and the AGC. "New Jersey Builders Ask Change to Comment on Proposed Annual Wage Guarantee," *CLR*, No. 563, July 6, 1966, at A-3, A-4.

<sup>56</sup>David Jones, "Guaranteed Pay Proposed by U.S.," *NYT*, June 27, 1966, at 35, col. 1. For the full text, which did not specify the amount per hour to be paid into the fund, see "Determination of Secretary of Labor and New Jersey Commissioner of Labor and Industry in Matter of Contract of IUOE Local 825 and Contractors (Official Text)," *CLR*, No. 564, July 13, 1966, at C-1-C-5.

<sup>57</sup>"Jersey Builders Oppose Wirtz's Plan for a Work Guarantee," *NYT*, July 11, 1966, at 20, col. 4.

Local 825.<sup>58</sup> (Nevertheless, the union president's support for the "revolutionary proposal" ultimately led to its adoption and the accumulation of several million dollars in the fund, which both sides, however, decided to convert instead into supplemental unemployment compensation.)<sup>59</sup>

In March 1966, the national AGC complained that "severe manpower shortages...were encouraging unions to seek inflationary wage settlements."<sup>60</sup> By August, the AGC proclaimed the existence of critical local labor shortages in certain trades.<sup>61</sup> The AGC saw the unfavorable labor market as partly caused by governmental "do-gooders" and "super-planners," who failed to understand that unemployment benefits ("rocking-chair money") actually reduced workers' mobility, making them less willing to move where there was more work. Unions' "irresponsible" demands such as children's summer camp benefits also helped account for the excessive rise in wages.<sup>62</sup> By autumn, the president of the AGC announced that the labor market "'surely must be the worst ever in the memory of our oldest member.'"<sup>63</sup>

That October, the *Wall Street Journal* permitted consultant John Garvin to elevate the rhetoric of crisis to a kind of *Götterdämmerung*. In an opinion piece, Garvin predicted that a continuation of the pattern of collective bargaining "might well destroy the industry." He conceded that such a prediction might seem to "border on the absurd" at a time when wage settlements that "soar far beyond" the administration's wage guideposts seem "readily recoverable in higher prices...." But, he asserted, intensified competition had depressed the rate of profit on the increased volume of business; when that volume inevitably declined, buyers' insistence on the new, lower "markup" would make it difficult for contractors to "adjust" it. If that scenario were, further, accompanied by continuing wage increases, "the industry would face a disastrous profit squeeze." At this point, Garvin transmitted a warning from users that soon gained in salience: contractors' inability or unwillingness to resist "excessive union demands" "is reaching the stage where the customers' own, non-construction union contract demands are being influenced by the rapid advances in construction union wages." Garvin's call

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<sup>58</sup>"'Extended Earnings Opportunity Plan' Offered Construction Industry," *CLR*, No. 564, July 13, 1966, at A-12, A-13; "New Jersey Engineers End Strikes, AGC Attacks 'Extended Earnings Opportunity' Plan," *CLR*, No. 565, July 20, 1966, at A-1, A-2 (quote).

<sup>59</sup>"Operating Engineers Strike New Jersey Builders, Controversial Work Opportunities Plan at Stake," *CLR*, No. 567, Aug. 3, 1966, at A-5 (quote); A. H. Raskin, "Unused Inflation Curb," *NYT*, Mar. 1, 1971, at 29, col. 1 at 2-3.

<sup>60</sup>"Wirtz Minimizes Labor Shortage," *NYT*, Mar. 15, 1966, at 1, col. 7, at 22, col. 7.

<sup>61</sup>"AGC's 1966 Manpower Survey Reveals Critical Shortage," *CLR*, No. 570, Aug. 24, 1966, at A-7.

<sup>62</sup>"Labor, Government, and Management Accused for Critical Manpower Shortage," *CLR*, No. 570, Aug. 24, 1966, at A-9, A-10.

<sup>63</sup>"AGC President Calls Labor Situation Worst Ever," *CLR*, No. 576, Oct. 5, 1966, at A-1.

for more centralization or at least regionalization of collective bargaining anticipated another point that large construction users began stressing: national contractors “can wreak havoc with local collective bargaining relationships” when they agree to pay whatever local rates local contractors pay without becoming involved in negotiations; since local unions know that the national contractors will provide employment even during a strike against local contractors, they are relieved of the normal constraints imposed by strikes.<sup>64</sup> Construction employers’ initial reaction to Garvin’s proposal was mixed.<sup>65</sup>

By year’s end, the National Association of Manufacturers (NAM) catapulted the shortage of skilled construction workers out of its narrow industry-specific context and into a cause of macroeconomic and macrosocietal catastrophe:

For want of a nail, a kingdom was lost....

For want of someone to hammer nails, America...may have some serious difficulties in reaching the potential its advancing technology and enormous output of finely educated young workers indicate to be possible.

For it is evident that a combination of circumstances is generating a shortage of workers in the building trades at the very moment that industry is formulating vast capital spending plans, affluent families are seeking new and better homes, and Washington is embarking on the vast program of rebuilding all our cities.<sup>66</sup>

One of the consequences that the NAM predicted was: “Upward pressure on all wage scales as the building trades get contracts reflecting demand and other unions strive to match the scales.” The scarcity of skilled building workers was exacerbated by institutional labor market phenomena. Journeymen “do not journey anymore, but wait for the work to come to them. There may be a shortage in a trade in Manhattan and unemployed in that trade in the Bronx, but some local unions would no more allow the Bronx workers to enter and share the work than they would allow Yugoslavs....” But even if such exclusive unions opened admissions, the number of applicants would be insufficient because youth no longer performed (even skilled) manual labor voluntarily. To be sure, this proclivity did not distinguish them from their predecessors: “But earlier generations had less choice,” and the supply of those with the least choice, immigrants, had declined.<sup>67</sup>

Oddly, 1966 closed with a BLS report “that the anticipated shortages not only failed to materialize, but that unemployment in construction has risen

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<sup>64</sup>John Garvin, “Construction Fault,” *WSJ*, Oct. 4, 1966, at 18, col. 4.

<sup>65</sup>“Garvin Outlines New Idea for Bargaining,” *ENR*, Nov. 24, 1966, at 67-68. Garvin also warned that failure to heed his call for regional bargaining would prompt the government gradually to nationalize the construction industry. “A Choice: Federate or Be Nationalized,” *ENR*, Mar. 2, 1967, at 66.

<sup>66</sup>“Some Vanishing Americans,” *NAM Reports*, Dec. 19, 1966, at 6-8 at 6.

<sup>67</sup>“Some Vanishing Americans” at 6.

substantially since spring, to a seasonally adjusted rate of 9.3 percent in November.” This reversal was attributed to a sharp drop in residential building, which accounted for one-third of total summer employment. The BLS predicted that in the wake of a decline in military inductions, the labor market would loosen during the winter of 1966-67.<sup>68</sup>

Despite this forecast, by April 1967 the White House launched a trial balloon in response to a suggestion by a national specialty contractors group that a labor-management conference be convened to study how to moderate wage cost pressures. Agreeing that the “problem of excessive wage increases in construction has long been of concern to” the Johnson administration, the president’s special assistant stressed “the highly decentralized structure of collective bargaining” as a principal obstacle to lower wage settlements.<sup>69</sup> For Garvin, the construction management labor relations consultant, however, the very fact that a single contractors association submitted this suggestion without industry-wide coordination was emblematic of the deleterious decentralization and disarray that plagued building employers.<sup>70</sup>

One of the most remarkable efforts to undermine construction workers’ bargaining power was the unique<sup>71</sup> decision in June 1967 by the U.S. Steel Corporation—of which the future Roundtable leader Roger Blough was chairman and CEO—to stop construction work that it was carrying out (both as its own general contractor and through out-of-town contractors) in the Pittsburgh area “to deny jobs to craft-union members on strike against local contractors.” The company’s refusal to “be an economic crutch to striking building trades unions” was not motivated solely by solidarity with other construction employers. Rather, its president, Leslie Worthington, explained that the purpose was “to exert pressure on the unions and thus, presumably, lessen anticipated increases in construction-labor costs.” Failure to reduce those costs would defeat the purpose of building the modern plants that the firm was “in ‘desperate need’ of...to compete with lower-priced imports.”<sup>72</sup>

The background to this user intervention, which became an inspiration to

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<sup>68</sup>“Report Notes Reversal of Manpower Situation,” *CLR*, No. 588, Dec. 28, 1966, at A-10.

<sup>69</sup>“White House Receptive to Suggestion of Wage Conference for Construction,” *CLR*, No. 602, Apr. 5, 1967, at A-1, A-2. Mills argued that “the incapacity of the national leadership of the industry to act without governmental assistance was apparent after 1966.” D. Q. Mills, “Construction Wage Stabilization: A Historic Perspective,” 11 (3) *IR* 350-65 at 352 (Oct. 1972).

<sup>70</sup>“Garvin Says Uncoordinated Call for White House Conference Points Up Disarray of Management,” *CLR*, No. 603, Apr. 12, 1967, at A-5.

<sup>71</sup>“The Case Against National Agreements’: Remarks of Leon B. Kromer, Executive Vice President, Mechanical Contractors Assn.,” *CLR*, No. 687, Nov. 20, 1968, at D-1, D-2.

<sup>72</sup>“U.S. Steel Supports Struck Contractors by Halting Some Work,” *WSJ*, June 5, 1967, at 14, col. 3.

the Roundtable when it was formed two years later, was U.S. Steel's experience with collective bargaining in connection with a mill it was having built near Cleveland. As building trades contracts were about to expire on April 30, 1967, all parties were aware that a high settlement was inevitable: a shortage of workers, the concentration of several projects by national contractors in the area, and large increases in recent settlements in neighboring large cities unambiguously pointed to it. The \$1.45 per hour increase over three years to which the parties were on the verge of agreeing became \$2.32 at the last minute when the Mechanical Constructors Association of Cleveland announced that increase with the Plumbers and other employers were unable to mobilize support from owners or national contractors to resist the higher rate. In contemplation of similar increases in the Pittsburgh area as the June 1 contract expiration date approached, U.S. Steel informed the Master Builders Associations of Pittsburgh of its interest in the negotiations and its intention to support local construction firms by waiving its rights under national contracts to continue building during strikes. U.S. Steel was also able to become directly involved through its American Bridge division, which was a national contractor. With the additional support of large area employers such as Westinghouse and Jones & Laughlin, the contractors considered themselves victorious in holding the major unions to a \$1.50 increase over three years.<sup>73</sup>

Unspoken by U.S. Steel, but furnished by Garvin, was its related concern with "the impact on [its] production labor of high wage settlements granted by this industry to construction industry labor. No production worker is going to be satisfied with 5 percent, or even 6 and 7 percent, wage settlements—when he sees the construction industry unions easily obtaining 10 percent, 20 percent and even 30 to 40 percent, and higher, settlements."<sup>74</sup> Unfortunately, from the perspective of those calling for united action to hold down wages, U.S. Steel's "isolated action here and there [wa]s not enough."<sup>75</sup>

A few weeks later, Garvin drew attention to the relationship between construction wages and wage-price-profit developments in automobile production, explaining to several Detroit contractors groups: "There has probably never been a time when wage settlements in the construction industry have so strongly

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<sup>73</sup>CUAIR, "A Statement of Program: Preliminary - Confidential" at 23-26 (July 15, 1969), in SP, Box 5, CIAIR 1969-70. Blough presented this version at the July 22, 1969 meeting to which he had invited corporate executives to recruit them to the Roundtable. Notes taken of the meeting mentioned the Pittsburgh events as an example of "self help." SP, Box 5, File-CUIAIR 1969-1970. This "Pittsburgh Case Study" illustrating how users can intervene was deleted from a later version: CIAIR, "A Statement of Program" (Mar. 18, 1970), in SP, Box 5, File-Construction Committee.

<sup>74</sup>"Address Prepared by John C. Garvin for Presentation June 15, 1967, New Mexico Building Branch, Associated General Contractors of America," *CLR*, No. 612, June 14, 1967, at C-1, C-2.

<sup>75</sup>"Remarks of Winston M. Blount, President, Chamber of Commerce of the United States, at Construction Industry Labor Conference," *CLR*, No. 661, May 22, 1968, at C-1, C-3.

influenced the wage demands and negotiations of the manufacturing industries.” The impact was particularly acute on the auto industry, in which contractors had “allowed wages and, thus, the cost to construct to escalate to a point where the auto people have to consider other ways to construct, alter, maintain and repair their plant requirements.” Similarly, “exorbitant wage settlements” in construction exerted a significant influence on the UAW’s wage negotiations.<sup>76</sup>

The new BLS forecasts of a more favorable labor market may have inspired the AGC to change its tack: by August 1967 it blamed “the paradox of a manpower shortage in the midst of unemployment” not only on union policies to “maintain a shortage,” but also on “too many contractor ‘freeloaders,’” who failed to train new workers.<sup>77</sup> The admission was hardly novel: as far back as the 1920s, construction employers admitted that their failure to offer continuous employment was responsible for the shortage of apprentices and the absence of a training system.<sup>78</sup> In 1961, the U.S. Department of Commerce projected that of the 2.3 million new construction workers needed in the 1960s apprenticeship would provide only 10 percent; this low proportion was exacerbated by the fact that changing technology made increased apprenticeship imperative.<sup>79</sup>

The residential construction industry soon weighed in as well. The National Association of Home Builders (NAHB) predicted that from 1966 to 1975 218,000 jobs for skilled construction workers would open up annually through expansion, retirement, death, and exit from the industry. In contrast, government apprenticeship programs would train only 3,600 workers annually or 1.59 percent of the requisite number.<sup>80</sup> This inexorably opening scissors overlooked, to be sure, the fact that the perennial shortage of construction apprentices was largely an illusion: most new skilled construction workers did not go through formal apprenticeship programs because not only were they not the sole route to training, but, in the view of many, were in fact superfluous; their real purpose was to train supervisors and foremen.<sup>81</sup>

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<sup>76</sup>John Garvin, “The Need is Great and the Time Is Now,” *CLR*, No. 617, July 19, 1967, at D-1, D-4.

<sup>77</sup>“Unions, Contractors Share Blame for Manpower Shortages,” *CLR*, No. 619, Aug. 2, 1967, at A-1.

<sup>78</sup>BLS, *Apprenticeship in Construction* 9-10 (Bull. No. 459, 1928); “Apprenticeship in Building Construction,” 26 (6) *MLR* 15-28 (June 1928).

<sup>79</sup>“Construction Comments: Construction Manpower Needs in the Sixties,” 7 (4) *CR* 4-5 (Apr. 1961). For projections for individual trades, see DOL, Apprenticeship & Training Bureau, *Manpower Requirements and Training Needs in Construction Occupations, 1960-1970*, tab. 1 (1959). Alone almost one million additional carpenters were projected.

<sup>80</sup>“Training Programs Falling Short of Needs for Skilled Craftsmen, NAHB Asserts,” *CLR*, No. 625, at B-1.

<sup>81</sup>George Strauss, “Apprenticeship: An Evaluation of the Need,” in *Employment Policy and the Labor Market* 299-332 at 308-13 (Arthur Ross ed., 1965). Strauss, one of the leading academic

The labor market conditions prompted even the NCA, the organization of large unionized national industrial construction firms, to address the issue of “exorbitant wage boosts in construction.” A sudden realization that “the law of supply and demand” on the labor market sometimes favored workers in the short run caused the NCA to reverse course and adopt the AGC’s analysis of the underlying cause:

The recently-striking workers in the Ford Motor Company could not go down the street and get temporary jobs with General Motors or Chrysler. The average UAW striker was simply out of a job and without income. So it became only a matter of time before the financial pain of both the striker and the management had reached a point at which an agreement could be reached.

The skilled construction worker has a much more favorable position than his automotive counterpart. He works not for a single employer but for many contractors; in fact for the entire industry. If there is no work at home, because of a strike or any other reason, and if he wants to continue in construction, he goes to a neighboring or even distant community. ... For this reason a strike or the threat of a strike is a more serious matter to the construction employer than to those of other industries.

In addition to the special bargaining advantages enjoyed by building trades unions due to the nature of the industry, these unions have also benefitted from the law of supply and demand. Because of the record high levels of construction volume in recent years, the supply of skilled men is simply not adequate....<sup>82</sup>

For good measure, the NCA president also apportioned a large share of the responsibility for unfavorable labor markets to his member-firms’ large industrial customers, which selected sites based on the availability of water, power, and raw materials, but gave no attention to labor market conditions; consequently, “the pyramiding of industrial projects in congested areas” spawned higher costs through overtime.<sup>83</sup> Conflict among NCA’s national construction firms, local contractors, and industrial customers over national agreements, labor supply, and labor relations sharpened during the late 1960s. The focus was on the plumbing trade because the Plumbers Union (UA) supplied about 40 percent of national industrial constructors’ on-site labor, which in turn represented about 12 percent of that union’s entire membership. The NCA defended national agreements on the grounds that without them national constructors would have to sign numerous local agreements that did

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writers on the construction industry, nourished a jaundiced view of apprenticeship, the expansion of which he regarded “as a means of training the skilled tradesmen needed to win the cold war.” Moreover, he argued that even plumbers “are not noted for high mentality (after all, in some circles to be a ‘plumber’ is slang for being dumb).” *Id.* at 299, 310.

<sup>82</sup>“NCA Chief Advocates National Arbitration System Within Framework of Jointly Developed Wage Code,” *CLR*, No. 635, Nov. 22, 1967, at A-1.

<sup>83</sup>“NCA Chief Advocates” at A-2.

not meet the needs of large-scale industrial projects; if labor disputes arose, national firms would be subject to local grievance procedures that they did not help formulate; and, finally, if labor shortages arose, national unions would not be able to help secure workers from other labor markets. Local construction firms opposed to national contracts emphasized that the only pressure that they could bring to bear against striking workers—the cessation of wages—frequently disappeared when the no-strike clause in national agreements permitted local workers to find employment during local strikes.<sup>84</sup> Yet even a former president of the NCA acknowledged that its member-firms “cannot enter a locality with manpower requirements which represent half or sometimes even more than the entire membership of local unions without having a detrimental effect on local labor relations.” How they would implement his call for creating “an industrial work force apart from the rest of the industry work force” he did not explain.<sup>85</sup>

In the chapter of its February 1968 *Annual Report* devoted to “The Problem of Rising Prices,” the CEA singled construction workers out for special mention. That the rise in construction prices had exceeded that in most other sectors “by a substantial margin” was “due principally to the fact that wages of construction workers have been rising more rapidly than those of other industrial workers while the improvement in construction practices and techniques has lagged seriously.” It blamed restrictive union entry rules for the inadequate supply of skilled workers, which accounted for the unions’ great bargaining strength, which was reinforced by the construction contract bidding system: since all employers in a given area operated under the same wage rates, they had little incentive to resist high wage demands. Finally, the CEA attributed flagging productivity growth to antiquated building codes, which precluded the use of new materials and methods; unions were joined by smaller specialty contractors in resisting change in these codes.<sup>86</sup>

On April 29, when construction was “perhaps the most heavily unionized sector in the economy,”<sup>87</sup> Okun, the chairman of the CEA, wrote a memorandum to Johnson seeking approval to issue a statement expressing concern “about prospective inflationary wage settlements in the construction industry.” The statement was to be issued by the Cabinet Committee on Price Stability (CCPS)—consisting of the Treasury, Commerce, and Labor Secretaries, the Budget Bureau director, and CEA chairman—which Johnson had created in February to study long-term structural price problems and to inform business, labor, and the public of the “consequences of irresponsible wage and price behavior.” Despite the

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<sup>84</sup>George McGuire, “The Case for National Agreements,” *CLR*, No. 687, Nov. 20, 1968, at C-1; Leon Kromer, “The Case Against National Agreements,” *id.* at D-1.

<sup>85</sup>John Graney, “Misplaced Responsibilities,” *CLR*, No. 687, Nov. 20, 1968, at E-1, E-2.

<sup>86</sup>*Economic Report of the President* 118 (1968).

<sup>87</sup>A.J. Grimes, “Personnel Management in the Building Trades,” 43 (1) *Personnel J.* 37-47 at 37 (Jan. 1968).

directive that the CCPS “will not...become involved in specific current wage or price matters,”<sup>88</sup> Okun was eager to become involved in a specific current wage matter—namely, an impending strike-lockout in the Detroit building trades:

We face the threat of a major jump in the already excessive level of construction settlements.

- These averaged 7-1/2% in the first quarter, far above the 6% average of all industries.
- Now the Detroit-Toledo building trades unions are demanding a fantastic rise of roughly 30% a year. If they succeed, this will set a pattern for other settlements scheduled later this spring.
- The contractors could complain justly if we were to remain silent in the face of this inflationary danger.
- Even the national labor leaders recognize the outrageous character of these local wage demands.<sup>89</sup>

Mindful of the president’s directive, Okun assured Johnson that the “wording of the statement focusses on an industrywide situation, not a specific negotiation. Of course, our timing is influenced by the fact that the Detroit contract expires May 1.” The other advantage that Okun saw in the release was providing himself with “a useful opportunity to background the press on just how bad the wage demands in construction are....”<sup>90</sup>

The statement that the CCPS did in fact release to coincide with the Detroit action expressed “its strong concern that construction wage increases which might be negotiated prior to the peak building season of 1968 could imperil efforts to regain price stability.” The CCPS also warned that collectively bargained construction wage increases that had been accelerating since 1964 and exceeded those in other sectors by one-third “threaten to harm the economy seriously and raise sharply the cost” of the whole gamut of public and private construction output. Moreover, the committee could foresee no productivity gains that could even “begin to offset such large wage increases.” Finally, the CCPS sought to justify its deviation from its assigned long-term task by stressing the urgency of alerting the world to the possibility that untoward developments in construction, including “the acceleration in the inflationary spiral that could arise from negotiations” in Detroit and elsewhere, “could set back the goal of price stability immeasurably.” The

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<sup>88</sup>*Economic Report of the President* 20-21 (1968). See also “Memorandum Establishing the Cabinet Commission on Price Stability,” Feb. 23, 1968, in *PPPUS: Lyndon B. Johnson: 1968-69*, Book I, at 265 (1970).

<sup>89</sup>Arthur Okun, “Memorandum for the President: Subject: Proposed Statement on Construction Costs” at 1, Apr. 29, 1968, EX LA 8, 1/1/68-, LBJ Library.

<sup>90</sup>Arthur Okun, “Memorandum for the President: Subject: Proposed Statement on Construction Costs” at 1, 2, Apr. 29, 1968, EX LA 8, 1/1/68-, LBJ Library.

committee's solemn request that labor and management "give particular attention to the President's urgent request that 'unions and business firms exercise the most rigorous restraint in their wage and price determinations in 1968'"<sup>91</sup> fell on ears deafened by mass action in Detroit.

Curiously, the analysis that appeared in the *Wall Street Journal* just hours after the strike in Detroit had begun and already spread to the rest of the state of Michigan, halting two-thirds of all major construction, included deep background information from unidentified administration officials that undercut the message that Okun had so ardently wished to send. After quoting officials citing informal reports that construction unions' general goal for 1968 was to equal or break the 10 to 18 percent wage increases that had been obtained in Ohio in 1967, the *Journal* noted that one administration official cautioned that these data were "only from the employers' side and could be 'puffed up' for bargaining purposes...." The newspaper also heard from a government source that "he had heard from construction unions in many areas an equally unconfirmed report that their employers' profits are so 'bloated' that they can afford to grant outsized settlements without increasing their own charges."<sup>92</sup>

The struggle over wages in Detroit in 1968 was instructive because, although employers acted cohesively, secured a national audience for their complaints over wage demands, elicited users' interest, and fought back, analysts regarded the resulting regional wage contour embracing the Detroit-Toledo-Cleveland-Akron-Columbus as having generated a wage spiral.<sup>93</sup> As the April 30th expiration date of contracts covering 53,700 construction workers approached, the trade press reported that union wage demands had "soared to an all-time high," ranging up to 77 percent "over the next 13 months." Cement masons, for example, whose then hourly wage rate (including fringe benefits) amounted to \$5.63, had demanded an increase of \$4.33 over the next two years. Contractors were especially outraged because productivity had allegedly fallen by 25 percent during the previous two years. It is unclear how employers had been able to overcome the complicated methodological problems of comparing heterogeneous outputs over time to measure productivity changes,<sup>94</sup> but a spokesman sarcastically adverted to

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<sup>91</sup>"High Wage Demands Worry Cabinet Committee," *CLR*, No. 659, May 8, 1968, at A-1, A-2. Later the CCPS was concerned lest the industry be unable to build the housing needed for the children of the baby-boom generation." Address by Merton J. Peck, Member of CEA, on "Economic Policy and the Construction Industry," *CLR*, No. 683, Oct. 23, 1968, at D-1.

<sup>92</sup>"Presidential Panel Asks Building Unions to Cut Pay Demands; Peril to Prices Seen," *WSJ*, May 2, 1968, at 5, col. 1-4. *The New York Times* published a very small, perfunctory article hidden at the back of the newspaper. "Cabinet Unit Warns on Building Wages," *NYT*, May 2, 1968, at 52, col. 1.

<sup>93</sup>D. Q. Mills, "Wage Determination in Contract Construction," 10 (1) *IR* 72-85 at 75 (Feb. 1971).

<sup>94</sup>National Commission on Productivity and Work Quality, *Measuring Productivity in the*

“an inverse ratio between the amount of wages paid and the will to work.” Although the alleged magnitude of the decline appears implausible during such a short period, employers attributed it to the loss of discipline associated with full employment: “critical labor shortages...lead to complacency on the part of workers.” The fact that industrial customers, including the all-important automobile manufacturers, claimed to have begun to understand that, if obtained, such wage increases would both increase their construction costs and infect their own employees, gave construction firms hope that their bargaining power would be fortified by striking building tradesmen’s inability to find alternative jobs.<sup>95</sup>

The Detroit AGC could take credit for having inspired the CCPS’s warning about the inflationary impact of construction unions’ wage settlements, which was apparently based on information it had furnished. The federal government was especially concerned about the situation in Detroit “because of the close geographic relationship between construction workers and those in manufacturing industries, implying that high craft settlements would induce bigger demands from skilled factory workers in Detroit.” Not surprisingly, the CCPS failed to include in its formal statement its caution that “unions in many areas claim construction profits are bloated and there is no need for higher prices.”<sup>96</sup>

On May 1, Detroit construction workers began striking; two days later more than 100,000 were on strike throughout the state of Michigan and 10,000 more in Toledo. Nevertheless, owing in part to public opinion, which the AGC believed it had mobilized against the “patently unreasonable” demands, unions, according to *ENR*, the leading trade magazine, had “become a little less cocky”; cement masons, for example, had cut their demands by more than half—from \$4.33 to \$2.10.<sup>97</sup> After a 73 day strike, which was intensified by a statewide lockout that closed down 95 percent of construction work, the two-year settlements included increases of \$1.90 per hour for carpenters and \$1.92 for bricklayers and operating engineers.<sup>98</sup> Though much lower than the original demands, these increases, which exceeded the federal minimum wage of \$1.60, prompted *ENR* to report that they had “begun to

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*Construction Industry* (n.d. [ca. 1973]).

<sup>95</sup>“Detroit Groups Fight High Demands,” *ENR*, Apr. 25, 1968, at 75-76. For an example of how large industrial capital supported construction companies against their employees to prevent the latter’s wage demands from infecting industrial workers during the Weimar republic, see Dagmar Schwab, “Unternehmerverbände gegen Bauarbeiter,” 12 (3) *WZHABW* 199-203 (1965).

<sup>96</sup>“Wage Demands Are Far Too High,” *ENR*, May 9, 1968, at 25.

<sup>97</sup>“Thousands Strike in Michigan,” *ENR*, May 9, 1968, at 66. See also “Bargaining: Success, Chaos and Dismay,” *ENR*, May 16, 1968, at 78; “Recognition at Last,” *id.*, at 92 (editorial).

<sup>98</sup>“Detroit Carpenters Settle with All But AGC on Two-Year Contract with Raises of \$1.90,” *CLR*, No. 667, at A-11-A-12 (July 3, 1968); “Striking Bricklayers Settle in Detroit; AGC Comes to Terms with Area Carpenters,” *CLR*, No. 669, at A-6-A-7 (July 17, 1968); BLS. *Analysis of Work Stoppages, 1968*, at 11, 22 (Bull. 1646, 1970).

threaten if not destroy the aims and concept of management unity in Detroit.”<sup>99</sup> In fact, however, the events served as a catalyst in the formation of a regional congress of construction associations.<sup>100</sup>

Despite these gains, as late as September 1968 the president of the BCTD was still claiming that construction wage increases were “just keeping up with the cost of living increases.”<sup>101</sup> Such attestations made little impression on the NCA, whose president told an Ironworkers union convention that construction wage rates were “rising out of all proportion to...cost-of-living standards...or wage increases in other industries.” As a result, large industrial customers had begun awarding bids to nonunion contractors. He warned that failure to deal with these wage increase might bring about mandatory government controls.<sup>102</sup>

At the same time, the NAM created a study group, headed by a vice-president of U.S. Steel, to examine construction labor problems.<sup>103</sup> In late 1968, a conference on construction problems organized by the U.S. Chamber of Commerce struck a similar note, calling on customers actively to support contractors by not operating through local strikes, thus depriving strikers of alternative employment. Significantly, even the industrial relations manager of Dow Chemical, a major customer, chided project owners for working through strikes.<sup>104</sup>

As the Johnson administration drew to a close, the CCPS issued its final report, which added a new dimension to the by then common complaints about outsize wages. It not only alluded to the “views expressed in other industries over the impact of construction wages on maintenance wage scales” as “symptoms of this malaise,” but also noted the dual impact of tighter nonconstruction labor markets on construction—preventing “some of the normal inflow of labor into construction jobs” and prompting construction workers to seek the “steadier” work that other sectors offered. The committee also observed that the hothouse economy of the late 1960s generated overtime and high wages for skilled workers in all industries as a result of which: “As individuals they have become much more independent of both their employers and labor organizations.”<sup>105</sup> This militance spawned by a worker-friendly labor market that made skilled employees semi-

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<sup>99</sup>“New Pacts Test Detroit Unity,” *ENR*, July 4, 1968, at 54.

<sup>100</sup>“Regional Group Gets Management Unity,” *ENR*, Aug. 29, 1968, at 100.

<sup>101</sup>“Bricklayers Vote Down Contract Ratification Demand, Haggerty Answers Critics of Construction Wage Bargaining,” *CLR*, No. 678, Sept. 18, 1968, A-1, A-2.

<sup>102</sup>“NCA President Collins Asks Industry Action on Wage Costs, Jurisdictional Disputes,” *CLR*, No. 682, Oct. 16, 1968, at A-10.

<sup>103</sup>“NAM to Look into Construction Labor Problems,” *CLR*, No. 679, Sept. 25, 1968, at A-7.

<sup>104</sup>“Management Conference Backs Wide-Ranging Program to Curb Construction Labor Costs,” *CLR*, No. 687, Nov. 20, 1968, at A-9, A-11. On the conference, see below chapter 7.

<sup>105</sup>“Staff Study Report of Cabinet Committee on Collective Bargaining Arrangements,” *CLR*, No. 702, Mar. 5, 1969, at C-1, C-2.

autonomous of organizational structures was reflected in the report's pessimism stemming from the decline both in cohesion and cooperation among national contractor associations and unions and in their "joint capacity at the industry level to respond constructively to difficult problems."<sup>106</sup> Finally, the CCPS urged removal of construction bottlenecks by increasing the availability of sufficient skilled workers by means of nondiscriminatory manpower training programs and increasing mobility through pension vesting.<sup>107</sup>

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<sup>106</sup>"Report Cites Need for Continuing Dialogue on Reforming Industry's Bargaining Set-Up." *CLR*, No. 702, Mar. 5, 1969, at A-1.

<sup>107</sup>"The Report to the President from the Cabinet Committee on Price Stability." *CLR*, No. 693, Jan. 1, 1969, at E-3.