

REBUILDING CALIFORNIA: The Golden State's Housing Workforce Reckoning



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To address California's historic housing affordability crisis, policymakers increasingly agree that housing production must increase dramatically and quickly.

However, to produce enough new housing to keep the crisis from getting worse, California needs to recruit at least 100,000 new residential construction workers. And to produce enough new housing to start making housing more affordable — production levels not seen since the 1970s and 1980s — California needs at least 200,000 new construction workers.

This study examines the underlying industry and workforce dynamics standing in the way of meeting these ambitious goals, while outlining cooperative strategies that could boost the labor market competitiveness and productive capacity of California's housing construction sector.

The construction labor market is tight and job vacancies are rising

- California non-supervisory construction workers' unemployment rate was lower in 2017 than it was in 2006, when statewide construction employment hit a historic peak.
- Since 2011, publicly posted vacancies for Construction Supervisors and the four trades central to housing production (carpentry, laborers, electricians, and plumbers) have jumped as much as 75%.

Housing industry productivity lags behind public works construction and non-construction sectors

- Real Gross State Product per job for construction declined 18% between 1998 and 2017.
- According to the BLS, nationwide construction sector output per unit of labor declined by almost 13% between 1987–2016, while productivity in other business sectors increased by 31%.
- Construction industry-wide, the specialty trades that supply labor for residential builders had the lowest productivity and the most negative productivity growth between 2002 and 2012.
- The prefabricated manufacturing industry shed 40% of its workforce between 2005 and 2016, and large scale adoption of standardization technologies is uncertain.
- For more than a decade, residential contractors have sought to meet rising demand for housing with increased employment instead of increased productivity.

Wages and compensation in the housing construction industry are not competitive

- Adjusted for cost of living, median California construction trades pay ranks 46th in the United States.
- On average, residential construction workers earn 24% less per year than other jobs; less than half have health insurance coverage at work.
- On average, residential construction workers earn 33% less per year than non-residential construction workers. The gap has widened since 1990.
- Nonresidential subcontractors' contributions for fringe benefits are more than triple those made by residential contractors.
- When California housing production peaked during the 1970s and 1980s, average hourly pay rates for most residential and non-residential construction workers were practically equal.
- The share of construction workers facing some form of wage theft is up 400% since 1972.

Construction jobs are physically demanding and economically risky

- On average, construction jobs require considerably longer commutes and more flexibility in work hours than other jobs.
- Among all major industrial sectors, construction jobs have the third highest occupational fatal injury rate and a lifetime risk of a lost-time injury of 78%.
- Construction work is seasonal and vulnerable to economic downturns. Workers face twice the earnings volatility of other jobs.
- More than 365,000 California construction trades jobs were eliminated during the last recession (2006–2011). Construction trades employment in 2017 remained 25% lower than 2006 levels.

The housing industry is older and its traditional labor pools are shrinking

- The construction labor force is getting older. Workers under the age of 35 went from being nearly 60% of all male construction employees in 2006 to being only 36% in 2017.
- While 6% of Americans work in construction, a 2016 NAHB survey found only 3% of Americans aged 18–25 planned to pursue a career in the construction trades.
- California’s stock of male workers with a high school degree or less has shrunk since 2005.
- Net flows of unauthorized immigrants turned negative in 2007, and there are 350,000 fewer young, non-naturalized immigrants in California’s labor force in 2016 vs. 2005.
- Housing construction wages are not competitive enough to lure young workers away from other states or industries.

The housing industry has not invested in apprenticeship training

- Apprenticeship training attaches workers to the industry and increases their lifetime earnings.
- Construction ranks with agriculture and the retail sectors as having the worst rates of skills training of all U.S. industry sectors.
- While prevailing wages and collective bargaining agreements include apprenticeship funding mechanisms, these investments are “voluntary” in the largely non-unionized residential sector.
- Joint Labor-Management programs funded by prevailing wage and collective bargaining agreements train 10 times more workers than voluntary “Employer Only” programs.
- Data shows that career technology education, Job Corps, and government initiatives are neither scalable nor sufficient to meet the industry’s needs.

Prevailing wage and collective bargaining boost labor market competitiveness and productivity

- The housing industry currently lacks the wage competitiveness and career training pipeline needed to offset the physical and economic risks of construction. This is hindering its ability to attract and retain the workers needed to increase production of new units.
- Prevailing Wage standards and collective bargaining agreements are consistently associated with higher wages, increased apprenticeship enrollment, more production efficiency, and fewer workplace safety problems.
- Most peer reviewed studies have concluded prevailing wage has no significant effect on overall project costs.

Housing builders’ reservoir of low-wage, less-skilled labor is not refilling itself. Background regulations that promote labor-management cooperation around the vital elements of skilled construction workforce development can play a vital role in restoring California residential building to the production engine that it once was.