Rebuilding California: The Golden State’s Housing Workforce Reckoning

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Young People Don’t Want Construction Jobs.

Construction labor shortage will slow post-fire rebuilding efforts.

One reason for Dallas’ soaring home prices and labor shortage: Immigrants aren’t coming to work.

Home Depot takes a shot at tackling the construction labor shortage.
Worker shortages?
Why don’t contractors train & raise wages more?!

- Construction unemployment is back to 2006 level
- Housing Pay is sub-par, and isn’t rising rapidly
California non-supervisory construction industry building trades workers
California Construction by Subsector
Quarterly Census of Employment & Wages

Residential builders + specialty trades

Nonresidential builders + specialty trades

THOUSANDS

To address California’s Housing Crisis, we must add at least 200,000 more construction workers.

Business-as-usual will ensure continuation of California housing supply crunch
New Housing Construction

HELP WANTED

We’re offering:

- Below average wages
- No health insurance
- Long commutes to work
- Higher risk of wage theft
- No training
- Dangerous, physically demanding work

Would YOU want your son or daughter to apply for this job?

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Housing Construction Sector Pay is NOT Competitive

U.S. AVERAGE HOURLY COMPENSATION BY SUB-SECTOR

- **All Civilian Workers**: $33.66
  - Wages: $28.55
  - Insurance & Savings: $5.11
- **Residential Sub-Contractors**: $25.59
  - Wages: $23.41
  - Insurance & Savings: $2.18
- **Non-Residential Sub-Contractors**: $38.10
  - Wages: $30.63
  - Insurance & Savings: $7.47

Figure 8 | California statewide average annual pay per job (as % of average pay of all industries)

Note: Includes white-collar employees. Nonresidential: NAICS 238nn2; Residential: NAICS 238nn1

Source: California Employment Development Department, Quarterly Census of Employment and Wages
Labor supply dynamics compound housing’s competitive disadvantages

<table>
<thead>
<tr>
<th>Table 8</th>
<th>California males aged 25—44, by educational attainment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2005</td>
</tr>
<tr>
<td>High School or less</td>
<td>2,361,000</td>
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<tr>
<td>Less than High School</td>
<td>1,131,000</td>
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<tr>
<td>High School Diploma or GED</td>
<td>1,230,000</td>
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<tr>
<td>Some college, including Associates degree</td>
<td>1,386,000</td>
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<tr>
<td>Four-year+ college degree</td>
<td>1,517,000</td>
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</tbody>
</table>

Source: U.S. Census Bureau, 2017 American Community Survey 1-Year Estimates, Table B15001
CA needs to cultivate a *domestic* crop of skilled residential trades people

2006-2017: 130,000 fewer young immigrant construction workers

California’s non-citizen construction workers are aging *faster* than citizen construction workers

*Source:* Author’s analysis of U.S. Census Bureau data accessed via IPUMS-USA
APPRENTICESHIP: Employer-only programs are voluntary and fail to attract new construction workers

- Labor-Management Joint Programs: 46,100 workers
- Voluntary Employer-Only Programs: 4,000 workers

Source: State of California, Department of Industrial Relations, Division of Apprenticeship Standards

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What about workers from other states?

<table>
<thead>
<tr>
<th>Geography</th>
<th>RPP-Adjusted Median earnings for civilian employed population</th>
<th>State Rank: all Civilians with earnings</th>
<th>RPP-adjusted Median earnings Construction and extraction occupations</th>
<th>State Rank: Construction Occupations</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>$44,900</td>
<td>--</td>
<td>$40,600</td>
<td>--</td>
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<tr>
<td>Arkansas</td>
<td>$42,100</td>
<td>44</td>
<td>$38,000</td>
<td>41</td>
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<tr>
<td>Virginia</td>
<td>$49,200</td>
<td>8</td>
<td>$37,800</td>
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<tr>
<td>Arizona</td>
<td>$43,400</td>
<td>38</td>
<td>$37,500</td>
<td>43</td>
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<tr>
<td>Tennessee</td>
<td>$43,800</td>
<td>33</td>
<td>$37,000</td>
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<tr>
<td>South Carolina</td>
<td>$43,400</td>
<td>38</td>
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<tr>
<td>California</td>
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<tr>
<td>Texas</td>
<td>$43,500</td>
<td>37</td>
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<tr>
<td>North Carolina</td>
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<td>31</td>
<td>$35,000</td>
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<tr>
<td>Georgia</td>
<td>$45,100</td>
<td>29</td>
<td>$34,800</td>
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<tr>
<td>Florida</td>
<td>$39,000</td>
<td>49</td>
<td>$31,500</td>
<td>50</td>
</tr>
</tbody>
</table>

Increase workforce productive capacity ... HOW?

- Make housing production cycles more smooth
- Improve relative working conditions & wages
- Worker-industry attachment through portable benefit plans
- Invest in apprentice and skills-upgrade training
- Increase productivity
WORKFORCE DEVELOPMENT: A COLLECTIVE ACTION PROBLEM

In an environment of volatile demand and cut-throat competition

“the long-term costs of maintaining the health and skills of the construction labor force are put off or never paid at all.”

- Peter Philips, Professor of Economics
Solutions to housing workforce development collective action problems?

- Collective Bargaining & Prevailing Wages
  - Recruit: Uniform, competitive compensation floor
  - Train: Sustainable financing
  - Retain: Portable, defined benefits

- Compete on productivity, not low-wages
Questions/Discussion

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