**Construction executives plead for low-wage policies**

Numerous recent headlines describe the labor market for construction jobs as excessively tight. Employers are struggling to find workers, these stories claim, and therefore [offering luxurious compensation packages](https://www.bloomberg.com/news/articles/2017-06-27/want-a-1-million-paycheck-skip-college-and-go-work-in-a-lumberyard) to entice people to take jobs in the industry, or being [forced to turn down work](https://www.wsj.com/articles/labor-shortage-squeezes-real-estate-developers-1498595109). While anecdotally there may be some truth to this story, the data point to another possibility: management in the industry are choosing not to use wage hikes to bring in workers and instead pleading for policies that keep new workers coming in while wages remain low.

**Labor market characteristics**

Three useful ways to measure the tightness of a labor market are the ratio of unemployed workers per job opening, the average number of hours worked, and growth in real wages. None of these measures paint the construction industry as having an excessively tight labor market relative to other industries.

First, there are currently more than three experienced construction workers who are unemployed and looking for jobs for every opening in the field. This is more than double the ratio for all jobs, meaning the construction sector is more than twice as likely to have unemployed experienced workers available as the average for all sectors.

Next, construction industry hours worked are currently near their lowest level since 2014. If the labor market were excessively tight, management would be incentivized to offer more hours to existing workers. Recent data do not confirm this possibility, and show that managers have been offering fewer hours over the past year.

Perhaps most importantly, real wage growth should be strong if the supply of available workers is far below the demand for workers. Managers can simply raise wages to pull workers in from other locations and industries and entice workers on the sidelines to apply. Real wage growth in all sectors has been weak and construction is no exception. The most recent data on average hourly earnings, adjusted for inflation, show annual real wage growth of 0.69% for the construction sector compared to 0.63% for all jobs. The story of unprecedented wage growth just doesn’t hold up.

**Policy options**

Executives face many options for influencing their industry’s labor market. The obvious options, to offer more hours and higher wages to increase the available supply, are not being applied according to recent data. What does seem to be happening could perhaps be described as a lobbying effort.

Policies around funding for worker training and immigration can both affect the supply of workers in ways that allow the industry to avoid increasing wages or offering more hours (which can be expensive if the additional hours require more benefits to be offered or trigger overtime pay). The construction industry has pushed effectively for federal and state funding of job training programs to be shifted towards construction industry skills. The industry narrative of a tight labor market is used to encourage the policymakers who dedicate job training funding to put more into training new construction workers. Government funding for this training costs the industry much less than training new workers themselves.

Additionally, a tight labor market narrative can be used to increase the number of work visas issued. Such visas as usually reserved for instances where the demand for a certain set of skills exceeds the domestic supply. With so many unemployed experienced construction workers, it seems like a stretch to conclude that the industry can’t find enough qualified workers.

**Industry characteristics**

One consequence of policies that increase the supply of available construction workers comes from characteristics of the construction industry that make it more seasonal and more cyclical than other industries. Simply put, construction work is slower in the winter in much of the country, and more susceptible to layoffs during economic downturns. This means that training and visas programs to increase the number of available workers might be better suited for industries that are more stable in their employment opportunities.

A policy-related push to increase the number of people with construction-related skills may have the unintended consequence of increasing unemployment during slow months and economic downturns.

**Possible additions:**

Number of jobs added (BCJT)

Add a note on interest rate increases and construction slowdown?

Difference between other industries—health care, finance, information services all have worker protection groups that try to keep money out of visas and training.

Chart?

Higher wages yield higher productivity.

<https://www.nytimes.com/2017/07/07/opinion/yes-the-trump-administration-has-ideas-and-some-are-ok.html?mcubz=0>

<https://ftalphaville.ft.com/2016/03/29/2157698/ranking-americas-industries-by-profitability-and-tax-rate/>