**Construction labor market not as tight as advertised**

Numerous recent news stories 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 such cases, the data point to another possibility: management in the industry are not using wage hikes to bring in workers and instead pleading for policies that keep new workers coming in while wages remain low.

**The tight construction labor market doesn’t show up in data**

If a labor market is “tight”, a few things should happen and show up in economic data. First, there will be very few skilled unemployed people. In a tight labor market, employers will take more steps to find and hire the people who have the skills they need and are looking for work. One way to measure this tendency in economic data on construction is to calculate the ratio of unemployed experienced construction workers to the number of construction job openings. Currently, there are more than three unemployed construction workers per opening. This is more almost triple the ratio for all jobs, meaning the construction sector is nearly three times as likely to have unemployed experienced workers available as the average for all sectors.

Second, construction workers who are already hired will be given additional hours. Since a tight labor market makes it difficult to find and hire new staff, those already employed will often have to work more to compensate. This shows up in economic data as average hours worked per week. 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. Wages are what adjust to changes in the fundamental supply and demand relationship in labor markets. Looking at the data, 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.

**Policies can increase the supply of workers without higher wages**

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 lobbying for labor policies that are more favorable for management.

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 (the latter can be expensive if the additional hours require more benefits to be offered or trigger overtime pay). The construction industry has pushed [effectively](https://www.agc.org/news/2017/06/22/house-passage-perkins-act-legislation-important-step-addressing-growing-construction) 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 has been used to [increase](http://www.constructiondive.com/news/truly-no-better-option-h-2b-visas-for-construction-workers-spark-industr/421224/) the number of H2-B 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.

**But construction work tends to be more seasonal and cyclical**

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. This would allow continued wage stagnation to worsen and result in a labor market that is only more slanted towards employers.

**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/>