

Reinventing Low Wage Work

Ideas That Can Work for Employees, Employers and the Economy

Overview of Workers in Residential Construction

In 2010, there were over 130 million housing units in the US, with two thirds of Americans owning homes.¹ Whether we rent an apartment or own a house or condo, our homes play a vital role not just in providing us with shelter, but also in anchoring us to our community. Our homes are where we raise our families, where we invest our savings, and are often also our children's inheritances.

Our homes also help drive economic growth and of the creation of job opportunities. The number of new homes and housing units we build, remodel, or repair plays a large role in determining the health of our economy. Under normal economic conditions, housing accounts for more than 17 percent of gross domestic product, and some estimates suggest that each new home constructed creates three jobs—half of which are created within the construction sector.²

The Great Recession, rooted in the housing market, led to sharp declines in the number of new homes built as well as a significant decline in employment for residential construction workers, many of whom were already struggling with low-wages and poor working conditions. From 2006 to the end of 2009, employment in residential construction fell by nearly 40 percent, with over 1 million jobs lost in the sector.³

Recent evidence suggests, however, that the housing market may have finally begun a growth cycle. New home construction in July 2012 was up nearly 30 percent since July 2011, according to a report from the Commerce Department. While new-home construction is still less than half

¹ U.S. Census Bureau: State and County QuickFacts. Data derived from Population Estimates, American Community Survey, Census of Population and Housing, State and County Housing Unit Estimates, County Business Patterns, Nonemployer Statistics, Economic Census, Survey of Business Owners, Building Permits, Consolidated Federal Funds Report. Retrieved on August 7th, 2012 from <http://quickfacts.census.gov/qfd/states/00000.html>

² National Association of Home Builders. (2012). The Economic benefits of new home construction. Retrieved on August 2nd, 2012 from http://www.nahb.org/fileUpload_details.aspx?contentID=155811

³ Hadi, A. (2011). Construction employment peaks before the recession and falls sharply throughout it. *Monthly Labor Review*. U.S. Department of Labor, Bureau of Labor and Statistics. Retrieved on August 20th, 2012 from <http://www.bls.gov/opub/mlr/2011/04/art4full.pdf>

of what it averaged in the ten years leading up to the recession,⁴ many believe the worst is behind us and the housing market is poised for a recovery. As the economy recovers, construction is one of the industries projected to add the most jobs through 2020.

Housing plays a vital role in our lives, as well as in job creation and economic growth in our country, but who are the people who build our houses, apartments, and condos? What working conditions do these workers face and what wages do they earn? Below, we profile workers in residential construction.

The Structure of the Residential Construction Market and Workforce Data Implications

The residential market in construction is characterized by many small contractors who may have only three or four employees,⁵ and the work of building homes often involves a complicated arrangement of contracting and sub-contracting relationships. Large, brand-name, home builders often employ project management professionals to manage the overall construction process, but rarely employ the actual carpenters, plumbers, electricians, laborers, and others who do the building work.

In 2011, only 14 percent of workers in the construction industry were members of unions,⁶ and in the residential market that proportion is likely far smaller, as the residential segment of the construction industry is generally not represented by organized labor, even in areas that have strong union representation in other parts of the workforce. For example, a 2007 report by the Fiscal Policy Institute found that only five percent of residential construction workers belonged to a union in New York City, which is one of the most union dense cities in the country.⁷

Irregular hiring practices and labor law violations have also been documented at a relatively high rate in the construction labor market. Residential construction workers are also often misclassified as independent contractors. Workers in residential construction are also often hired by construction contractors through an informal hiring arrangement—also known as “paying under the table”. Over 20 percent of residential construction workers in New York in 2007 were “paid off the books,” and another 16 percent were misclassified by their employer as independent contractors.⁸

These practices skew the public data referring to employment in the residential construction market because the Department of Labor’s data often relies on self-reporting by employers in order to represent their payrolls. Essentially, “paying under the table” and misclassifying their

⁴ Dennis, B. (2012). New home construction is promising sign. *The Washington Post*. Retrieved on July 27th, 2012 from http://www.washingtonpost.com/business/economy/new-home-construction-is-promising-sign/2012/07/11/gJQAIVhDfW_story.html

⁵ Osterman, P., and Shulman, B. (2011). *Good Jobs America: Making Work Better for Everyone*. Russell Sage Foundation: New York.

⁶ U.S. Department of Labor, Bureau of Labor and Statistics, *Industries at a Glance*, 2011.

⁷ Fiscal Policy Institute. (2007). The underground economy in the New York City affordable housing construction industry. Retrieved on August 16th, 2012 from http://www.fiscalpolicy.org/publications2007/FPI_AffordableHousingApril2007.pdf

⁸ Fiscal Policy Institute. (2007). The underground economy in the New York City affordable housing construction industry. Retrieved on August 16th, 2012 from http://www.fiscalpolicy.org/publications2007/FPI_AffordableHousingApril2007.pdf

employees as independent contractors can mask the true number, demographics, occupations, and wages of workers.

Below, we use a mix of data from the Department of Labor as well as research from academics and others studying construction in order to better understand the workforce of the residential construction industry.

Workforce Size and Occupations

The US Department of Labor's Bureau of Labor and Statistics estimated that nearly 1.5 million people were employed in construction occupations in residential construction in July 2012,⁹ although given the irregularities described above, this may be an underestimate. These workers may be involved in pouring concrete, roofing, plumbing, painting, as well as electrical work on new homes, home additions/ alterations, or home repair and maintenance. Residential construction firms typically specialize in one of these tasks.

Day laborers are commonly employed in this part of the construction market. A 2006 report from the Center for the Study of Urban Poverty at UCLA revealed that nearly 120,000 people are working or searching for work as day laborers each day in the US. The majority of these day laborers are employed by homeowners or construction contractors as construction laborers, gardeners and landscapers, painters, roofers, and drywall installers.¹⁰

Workforce Demographics

The construction workforce in the US is comprised primarily of white male workers, with Latino workers playing an increasing role. In 2011, 9.2 percent of construction workers were female, 5.5 percent were black, and 20 percent were Hispanic or Latino.¹¹ The median age of construction workers has been increasing, standing at 41.6 years in 2011—an increase from 37.2 in 1985.¹²

In contrast, in its survey of day laborers, the UCLA Center for the Study of Urban Poverty found that over 85 percent were born in either Mexico or another country in Central America. Further, 98 percent were male, and 66 percent had less than nine years of education.¹³ A study by the Pew Hispanic Center estimated that in 2008 undocumented immigrants made up approximately 17 percent of the construction workforce. This figure was an increase from 10 percent in 2000.¹⁴

⁹ U.S. Department of Labor, Bureau of Labor and Statistics, *Current Employment Statistics*, 2012.

¹⁰ Valenzuela, A., Theodore, N., Melendez, E., and Gonzalez, A. (2006). On the corner: Day labor in the United States. Technical Report, UCLA Center for the Study of Urban Poverty. Retrieved on July 26th, 2012 from http://www.sscnet.ucla.edu/issr/csup/uploaded_files/Natl_DayLabor-On_the_Corner1.pdf

¹¹ U.S. Department of Labor, Bureau of Labor and Statistics, *Current Population Survey*, 2011.

¹² Ibid.

¹³ Valenzuela, A., Theodore, N., Melendez, E., and Gonzalez, A. (2006). On the corner: Day labor in the United States. Technical Report, UCLA Center for the Study of Urban Poverty. Retrieved on July 26th, 2012 from http://www.sscnet.ucla.edu/issr/csup/uploaded_files/Natl_DayLabor-On_the_Corner1.pdf

¹⁴ Passel, J., and Cohn, D. (2009). A portrait of unauthorized immigrants in the U.S. Pew Research Center: Washington D.C. Retrieved on August 15th, 2012 from <http://www.pewhispanic.org/2009/04/14/iv-social-and-economic-characteristics/>

Wages and Benefits in Construction

Wages in the construction industry can vary widely, and many jobs pay very well. Data from the Bureau of Labor and Statistics indicate that construction workers earned a median of \$19.15 an hour in 2011. At the same time, the average hourly wage for some lower-level positions was between \$11.00 and \$13.00.¹⁵ Yet many workers' wages were unreported due to misclassifications or informal working arrangements. Nevertheless, using official data, 18 percent of construction workers can be classified as low-wage—meaning they earn less than two-thirds of the median wage.¹⁶ Wages in the residential market, where there is less union density, have traditionally been lower than those in the non-residential market, with construction workers on the non-residential side earning almost \$4.00 more per hour than those in residential.¹⁷

Given the variety of contracting and subcontracting relationships in residential construction, oversight and enforcement of wage and labor laws, including prevailing wage requirements, can be minimal, further depressing wages. A survey of commercial and residential workers in Austin, Texas, found construction workers earned an average of only \$10 an hour.¹⁸ This figure parallels the estimates for overall day laborers across the US.¹⁹

Other challenges for low-wage construction workers, particularly those with day labor arrangements, include non-payment of wages and lack of employment benefits. For example, a survey in Austin found that 20 percent of construction workers—many of whom rely on temporary day labor—reported being denied payment. In addition, half of the construction workers who worked more than 40 hours per week reported that they were not paid for overtime, 76 percent lacked health insurance, and 87 percent had no sick days.²⁰

Working Conditions, Safety, and Health

Construction workers often work outside in extreme weather conditions and are exposed to several different types of injury. According to the Bureau of Labor and Statistics, construction laborers can experience burns, cuts and falls from ladders and scaffolding, and injuries from lifting and carrying heavy objects and materials.²¹

¹⁵ Department of Labor, Bureau of Labor and Statistics, *Occupational Employment Statistics*, 2011.

¹⁶ Osterman, P. & Shulman, B. (2011). *Good Jobs America: Making Work Better for Everyone*. Russel Sage Foundation; New York.

¹⁷ Department of Labor, Bureau of Labor and Statistics, *Occupational Employment Statistics*, 2011.

¹⁸ Workers Defense Project. (2009). Building Austin, building injustice: Working conditions in Austin's construction industry. A report from Workers Defense Project in collaboration with the Division of Diversity and Community Engagement at the University of Texas-Austin. Retrieved August 17th, 2012 from http://www.buildtexas.org/Building%20Austin_Report.pdf

¹⁹ Valenzuela, A., Theodore, N., Melendez, E., and Gonzalez, A. (2006). On the corner: Day labor in the United States. Technical Report, UCLA Center for the Study of Urban Poverty. Retrieved on July 26th, 2012 from http://www.sscnet.ucla.edu/issr/csup/uploaded_files/Natl_DayLabor-On_the_Corner1.pdf

²⁰ Workers Defense Project. (2009). Building Austin, building injustice: Working conditions in Austin's construction industry. A report from Workers Defense Project in collaboration with the Division of Diversity and Community Engagement at the University of Texas-Austin. Retrieved August 17th, 2012 from http://www.buildtexas.org/Building%20Austin_Report.pdf

²¹ Bureau of Labor and Statistics, *Occupational Outlook Handbook*, 2012.

While safety of construction workers has been improving steadily for several years, the industry is still plagued by high rates of injury and death. 19% of fatal occupational deaths in 2010 came from the construction industry, which makes construction the deadliest work environment for employees. According to the Bureau of Labor and Statistics, over four percent of construction workers experienced an occupational injury or illness in 2010, which amounted to nearly 75,000 injuries in the US.²² Looking at the construction industry as a whole, the residential sector accounts for a disproportionate number of injuries each year. According to the Occupational Safety and Health Administration, approximately 40,000 residential construction workers are injured on the job each year.²³

Workforce Projections

As the US emerges from recession, we can expect home building and improvement projects to increase alongside commercial and infrastructure developments, and the demand for construction workers to increase. Indeed, one-fourth of the 25 fastest growing occupations from 2010 to 2020 are related to construction.²⁴ Further, as the construction workforce ages, more skilled construction workers will be needed. As the housing sector recovers and more workers are employed in residential construction, it is important to consider the quality of employment created.

²² U.S. Department of Labor, Bureau of Labor and Statistics, *2010 Workplace Illness and Injury Summary*. Retrieved on August 24th, 2012 from <http://www.bls.gov/iif/oshsum.htm>

²³ Occupational Safety and Health Administration. (2009). Top 5 OSHA violations in residential construction. Retrieved on August 25th, 2012 from http://www.ct.gov/dph/lib/dph/environmental_health/eoha/pdf/top5oshviolationsposter_8_11_09.pdf

²⁴ U.S. Department of Labor, Bureau of Labor and Statistics, *Employment Projections: 2010-2020*, 2012.