

## Study: California Housing Workforce Shortage in 2019 is a Barrier to Affordability

*California needs at least 200k new residential construction workers – but the pay is not competitive, working conditions are risky, training is scarce and the labor pool is shrinking*

According to California's Housing and Community Development Department (HCD), the golden state must dramatically increase the productive capacity of its residential construction sector in order to create enough new housing to improve affordability. However, new research released today by Smart Cities Prevail shows the industry has failed to make the investments necessary to compete for the more than 200,000 new workers necessary to meet this ambitious goal.

[R]ead the report **Rebuilding California: The Golden State's Housing Workforce Reckoning** (PDF) [at]: [https://www.smartcitiesprevail.org/wp-content/uploads/2019/01/SCP\\_HousingReport.0107.pdf](https://www.smartcitiesprevail.org/wp-content/uploads/2019/01/SCP_HousingReport.0107.pdf). [R]ead the executive summary of the report (PDF) [at]: [https://www.smartcitiesprevail.org/wp-content/uploads/2019/01/SCP\\_EXEC.summary\\_0118.pdf](https://www.smartcitiesprevail.org/wp-content/uploads/2019/01/SCP_EXEC.summary_0118.pdf).

"The data shows residential construction work is more dangerous, economically risky, and lower paying than most other jobs in our economy," said study author Scott Littlehale. "When you consider these dynamics alongside the industry's aging workforce, its failure to institutionalize investments in apprenticeship training, and a shrinking supply of young workers and immigrants, it is clear why the housing sector is struggling to attract the new workers it needs."

While construction jobs require longer commutes, more flexibility in work hours, and far higher risk of workplace injury and death than other jobs, Littlehale found residential construction workers earn 24 percent less per year than all other jobs on average, and less than half have health insurance coverage through their employer. Wage theft in the industry has grown by 400 percent since 1972. When adjusted for cost of living, California's median construction wage ranks 46th in the United States.

Compounding the problem, Littlehale found, is that the labor pool on which residential construction firms have relied since the 1980s is shrinking. California's stock of young male workers without a college degree has fallen since 2005, and its supply of non-naturalized immigrants has decreased by almost 350,000 between 2005 and 2016.

"Because of its decades-long reliance on a lower-wage, lower skilled workforce, California's housing construction industry finds itself ill-equipped to compete in today's labor market," Littlehale added. "Considering the inherent physical dangers and economic volatility, the work simply does not pay enough to lure workers away from other states or other industries."

While construction requires substantially more pre-employment training than most other jobs, Littlehale notes the residential construction industry has largely avoided institutionalized investments in apprenticeship. The few programs that are offered are managed only by employers and funded on a "voluntary" basis-and produce 90 percent fewer workers than "joint labor-management" programs financed through collective bargaining agreements and prevailing wage laws.

"Housing contractors have no real incentive to invest in training programs that would attach a more stable supply of skilled labor to the industry unless their competitors are doing it too," Littlehale said. "As a result, the industry lacks a training pipeline capable of attaching an adequate supply of skilled workers to residential construction careers."

The housing industry last produced new housing on the scale called for by HCD in the 1970s and 1980s. This was also a period when more residential construction workers were covered by collective bargaining agreements mandating competitive wage levels, fringe benefits, and apprenticeship training standards. But data shows that since then, productivity per unit of labor in construction has been declining, even as it has grown by more than 30 percent on average in other economic sectors.

"As the industry moved away from arrangements that were able to attract, retain and re-supply the industry's stock of skilled labor, it has generally relied on a large number of low wage workers to meet increased production demands," Littlehale observed. "That option no longer exists, so housing contractors need a strategy to attract and retain more skilled workers."

Though the housing sector has focused on regulatory reforms to accelerate approvals of new construction, Littlehale believes such changes are unlikely to affect the industry's overall productivity without addressing the shrinking labor pool and lagging productivity.

"Ultimately, housing builders' reservoir of low-wage, less-skilled labor is not refilling itself," Littlehale concluded. "The industry should consider labor-management cooperation measures like prevailing wage and collective bargaining agreements because they are consistently associated with higher wages, increased apprenticeship enrollment, more production efficiency, and fewer workplace safety problems. By improving labor market competitiveness, wider utilization of these workforce development arrangements would help restore California residential building to the production engine it once was."

Region	December 2017	November 2018	December 2018	Percentage Point Change	
				1 month	12 months
San José–Sunnyvale MSA	2.7%	2.4%	2.5%	+ 0.1	- 0.2
San Francisco MD	2.3%	2.1%	2.1%	<b>0.0</b>	- 0.2
California	4.2%	3.9%	4.1%	<b>+ 0.2</b>	- 0.1
United States	3.9%	3.5%	3.7%	<b>+ 0.2</b>	- 0.2

Sector — December 2018	San Jose MSA	San Francisco MD	Combined Region	Percentage Change (Combined Region)	
				1 month	12 months
<b>Total Nonfarm</b>	<b>1,160,100</b>	<b>1,162,400</b>	<b>2,322,500</b>	<b>+ 0.5%</b>	<b>+ 2.7%</b>
Construction	51,800	39,900	91,700	- 0.9%	+ 0.4%
Manufacturing	175,000	39,100	214,100	+ 0.1%	+ 2.5%
Retail Trade	88,900	85,800	174,700	<b>+ 0.8%</b>	- 0.7%
Information	95,800	83,300	179,100	+ 0.9%	+ 7.1%
Professional & Business Services	240,600	291,500	532,100	+ 0.2%	+ 4.0%
Educational Services	49,900	29,200	79,100	- 0.8%	+ 2.1%
Health Care & Social Assistance	131,400	114,100	245,500	+ 0.8%	+ 4.5%
Leisure & Hospitality	106,400	146,200	252,600	+ 1.4%	+ 2.3%
Government	100,900	132,600	233,500	- 0.4%	+ 1.4%

NOTE: San José MSA (San José–Sunnyvale–Santa Clara Metropolitan Statistical Area) = Santa Clara and San Benito Counties  
San Francisco MD (San Francisco–Redwood City–South San Francisco Metropolitan Division) = San Mateo and San Francisco Counties

Source: California Employment Development Department, LMID

Jurisdiction	Labor Force			Unemployment			Unemployment Rate		
	December 2017	December 2018	Change	December 2017	December 2018	Change	December 2017	December 2018	Change
• San Mateo County	454,600	466,200	+ 2.6%	10,000	9,500	- 5.0%	2.2%	2.0%	- 0.2
• Santa Clara County	1,048,500	1,084,700	+ 3.5%	27,800	25,900	- 6.8%	2.7%	2.4%	- 0.3
Cupertino	30,200	31,200	+ 3.3%	800	700	- 12.5%	2.6%	2.2%	- 0.4
Los Altos	14,900	15,400	+ 3.4%	400	300	- 25.0%	2.6%	2.2%	- 0.4
Milpitas	41,800	43,300	+ 3.6%	1,200	1,100	- 8.3%	2.8%	2.6%	- 0.2
Mountain View	51,300	53,100	+ 3.5%	1,000	900	- 10.0%	1.9%	1.7%	- 0.2
Palo Alto	36,200	37,400	+ 3.3%	800	700	- 12.5%	2.2%	1.9%	- 0.3
Santa Clara	70,200	72,700	+ 3.6%	1,700	1,600	- 5.9%	2.5%	2.3%	- 0.2
Sunnyvale	88,200	91,200	+ 3.4%	2,000	1,700	- 15.0%	2.3%	1.9%	- 0.4
<b>NOVA Region</b>	<b>787,400</b>	<b>810,500</b>	<b>+ 2.9%</b>	<b>17,900</b>	<b>16,500</b>	<b>- 7.8%</b>	<b>2.3%</b>	<b>2.0%</b>	<b>- 0.3</b>

NOTE: NOVA Region consists of seven cities in Northern Santa Clara County and the entirety of San Mateo County

Source: California Employment Development Department, LMID

December 2018 Events			# Affected	WARN SUMMARY	
Company	Location			Events YTD <sup>†</sup> :	36
CTC myCFO	Palo Alto		51	Individuals Affected YTD:	2,142
Dynasty Seafood Restaurant	Cupertino		80	Individuals Previous YTD <sup>‡</sup> :	2,501
Novartis Pharmaceuticals	San Carlos		9		
Symantec	Mountain View		19		
Transdev	Palo Alto		85		
Varex Imaging	Santa Clara		41		
<b>Total</b>			<b>285</b>		

• **WARN: Worker Adjustment and Retraining Notification** (notice of mass layoff or closure)  
<sup>†</sup> **YTD: Year to Date** (Program year: July 1–Present)  
<sup>‡</sup> **Previous YTD:** (Same date range as YTD, one year prior)

NOTE: Layoff data are preliminary and should be considered an estimate of monthly regional activity

Source: NOVA's internal Rapid Response database