

Rising construction wages may ease labor shortage — and even increase homeownership

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Building new homes in California, including here in the Sacramento region, is hindered by many factors, including opposition to growth, extremely long government review times and high fees imposed by a wide range of local government entities that add \$100,000 or more to the cost of each new home.

But builders face other problems as well, including a growing shortage of workers and the high cost of new and existing homes, which is making buying a first home increasingly difficult for younger Millennials and for Gen-Z.

On the labor side, the shortage of workers is causing wages to increase sharply, which we hope helps cause more young people to pursue a career in residential construction.



Submitted

Julian Aguilar, a participant in the North State Building Industry Foundation's summer internship program, works on a new home near Elk Grove. Aguilar was hired by an electrical contractor at the conclusion of his internship.

And it's especially encouraging as a housing advocate that higher wages may make it possible for more of our younger workforce to buy their own home someday.

For too long, there's been a perception that young people need to go to college to get a good-paying job. In reality, high school graduates can land

jobs as carpenters, electricians, plumbers and other construction trades right out of high school. Within a few years, they are earning good money — and without any student loan debt.

New numbers out from the federal Bureau of Labor Statistics prove the point. Nationwide, average hourly earnings for pro-

duction and nonsupervisory workers in residential construction was \$32.28 an hour in June — a 9% increase from June of 2023. That comes out to \$67,000 a year for full-time workers and is 16% higher than average earnings in manufacturing.

The year-over-year growth rate for wages has been trending upward over the past year, and that June's increase was the highest since December 2018.

The ongoing skilled labor shortage in the construction labor market, along with lingering inflation impacts, is responsible for the recent acceleration in wage growth. With workers from the baby boom generation retiring and the loss of workers of all ages during the housing crunch during the Great Recession, builders and trade contractors face a growing challenge to find the workers they need to build new homes and apartments.

The industry continues working closely with community colleges that provide training opportunities, and here in Sacramento our North State Building Industry Foundation has partnered with the national Home Builders Institute to launch the BuildStrong Academy, which provides tuition-free construction career education and training.

Since opening less than a year ago, the Academy has graduated 55 students and placed most of them in construction jobs with an average starting wage of \$23.64 an hour — nearly \$50,000 a year for a full-time employee.

The Foundation also sponsors a summer internship program for high school students and for the first time a handful of recent graduates participated. One of them, Julian Aguilar, a recent graduate of Casa Roble High School in Orangevale, was hired by an electrical contractor.

Higher wages in construction will help the men and women building the homes and apartments our region so badly needs in their efforts to achieve the American Dream of homeownership. The Census Bureau reported earlier this month that the homeownership rate for heads

of households under the age of 35 decreased to 37.4% last quarter, the lowest level in four years. Amidst elevated mortgage interest rates and tight housing supply, affordability is declining for first-time home buyers. This age group — which is particularly sensitive to mortgage rates, home prices and the inventory of entry-level homes — saw the largest decline among all age categories.

One of the biggest drivers in higher housing costs in Sacramento and throughout California has been the fact that due in large part to regulatory burdens, our industry has not been building enough new homes and apartments for decades. It's encouraging that policymakers across the board now recognize that we can only improve affordability by increasing supply, and our members are ready to take on that challenge — with a trained workforce to make it happen.

Murphy is President & CEO of the North State Building Industry Association, which represents builders, developers, subcontractors, suppliers and related professionals dedicated to providing new housing opportunities in the Greater Sacramento region.