

Immigration Reform: A Builder's Perspective

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When I started my homebuilding business in 1992, I found it was easier to sell houses than it was to build them. I discovered early on that there was a significant shortage of labor in the homebuilding industry, especially in the more arduous sweat trades. Moreover, coming from a career in finance, I was perplexed not only at the shortage but at the quality of labor in the industry. The expanding housing market of the mid 1990's only made this shortage more acute.

To fill this labor void, many Hispanic workers began in true supply and demand manner to cross the border in the mid 1990's. This was especially true in the construction industries where most work is accomplished through the use of trade subcontractors. This scenario provided a fertile opportunity for legal immigrant trade contractors to offer their services to builders and other general contractors while employing workers from their families and villages back in Mexico – most of whom came here illegally.

Builders who were struggling in the early 1990's to find quality roofers, concrete finishers, bricklayers, drywall hangers, framers, stucco applicators, etc., found the immigrant trade contractors to be a god-send. Desperate to meet deadlines and quotas, field subcontractors simply ignored that many of the employees of their new immigrant subcontractors were here illegally.

For the most part, the work ethic of the Hispanic workers was excellent and they worked hard to send money back to their poverty stricken families in Mexico and elsewhere. While these workers were technically illegal, there just didn't seem to be a victim in the scenario. Moreover, the INS seemed to look the other way – presumably because they understood how badly immigrant labor was needed in our industry. As the housing market boomed over the next decade, so did the influx of illegal Hispanic workers.

The Myth of Lower Wages

Contrary to common belief, illegal immigrants have actually replaced few qualified American workers. In most cases they supplemented American workers and provided the labor for an expanding housing market, particularly in the growing sunbelt states. Indeed, without the presence of immigrant labor, the housing boom of the past decade would not have happened – certainly not in the degree and manner that it occurred.

Unfortunately, many Americans seem to have the mistaken belief that illegal immigrant workers have become a large part of the construction work force because they are a cheaper source of labor, thereby enhancing builders' profits. The truth is that such workers have actually saved builders very little money.

When Mexican roofing contractors, for example, started showing up in the mid 1990's, we were paying \$18-20 per square (10 ft. x 10 ft.) to install roofing shingles. Since we were begging for roofers, we gladly paid the immigrant contractors the same rate.

We were paying \$.85 per square foot in that era for labor to finish concrete slabs. Since we were also begging for competent concrete work, we readily paid the Mexican contractors the same rate.

For further example, we were paying framers \$2.20 per square back then to frame on a slab floor. We paid the Mexican framing crews the same rate.

The only case where we deviated from our standard price was for bricklaying. We were paying \$250 per thousand bricks but the Mexican bricklaying contractor wanted \$270 per thousand. After looking at the quality of his work, we agreed to pay his rate.

The cost of their labor really wasn't the issue. They provided the availability and quality of labor that was sorely needed in the industry.

It is true, though, that while immigrant workers haven't actually reduced our labor costs, they have, through their sheer numbers, acted to moderate wage inflation in the construction fields during the past decade. Whether this is good or bad depends on one's perspective. For the new home buyer, it has been very beneficial. To the Federal Reserve attempting to control inflation, it would also be considered as positive. Labor unions and certain employees, however, might have a contrary opinion.

Immigrants Are Main Source of Labor

Over the course of the next ten years, immigrants became the dominant source of labor for the construction trades. During this same period, construction became an increasingly lower career preference for most young Americans. Indeed, in a recent survey of high school seniors, construction ranked next to last out of 232 career options.

Many Americans still want to deny, though, that there is a labor shortage in our economy. In fact, the main factor preventing a resolution of the illegal immigration issue appears to be the refusal by many in the media and in Congress to accept the premise that there is a serious shortage of labor in many of the undesirable hard labor industries of the American economy. It is not clear whether they don't actually understand this shortage or whether they deliberately choose to ignore this premise because the existence of a labor shortage undermines the logic of many of their arguments for sending all the illegals home or alternately for attacking those who employ them.

The send-them-home crowd is of the mistaken opinion that if contractors simply paid higher wages, Americans would flock in droves to fill the manual labor jobs in our industry like nailing on roofing shingles or hanging drywall. If this is true, where were those workers in the mid 1990's when we were begging for them? Furthermore, why do

all the Americans currently employed in food service and retail sales not now take jobs in construction? Most all of them can improve their wage level in the construction industry.

Looking at the issue from a macroeconomic perspective, it is estimated that there are 7-8 million illegal immigrants currently employed in this country in fields such as construction, agriculture, poultry processing, textiles, hospitality, food service, etc. In an economy nearing full employment, where will we find workers to replace all of them should they be successfully returned to Mexico? The replacement workers aren't just standing in soup lines. They will of necessity have to come from other industries.

Assume, hypothetically, that trade contractors are able to raise their prices to enable them to pay hourly wage rates in the range of, say, \$25-30 per hour from the current \$10-20 range. Assume further that this rate attracts American workers from banking, computer fields, internet related industries, telecom industries, etc. Will not the current employers of these American workers bid their wages up in an attempt to keep their trained employees on board? Will we not get into a bidding war for labor setting off rounds of wage induced cost-push inflation and dislocation of labor resources? Will not the low-preference industries like construction still lose out in the long run?

The Current Strategy

The current strategy of the anti-immigration group is (1) to secure the borders, (2) go after the employers of illegal immigrants and (3) then talk about a guest worker program. The border, indeed, needs to be secured. Too many non-workers have come here seeking welfare and other benefits not available in their own countries.

But attacking employers before setting up a guest worker visa program is not only backwards and illogical, but it is a recipe for economic disaster. Indeed, attempting to remove all illegal workers before establishing a legal means for them to be here will have disastrous consequences for many of our basic industries. Housing, which is the largest single industry comprising 17% of GDP will be severely crippled, especially so in Atlanta and other active sunbelt markets.

The possible economic consequences to our national economy are far more serious than most Americans seem to understand. New York Mayor Michael Bloomberg was right on target when he said our economy would be a shell of itself without them. The labor shortage is actually worse now than ten years ago because even fewer young Americans have the will or skills to work in construction. To successfully remove all illegal immigrant workers from the construction industries would have catastrophic consequences.

It seems rather foolish to bankrupt hundreds of thousands of American businesses by eliminating their labor resources and then leisurely decide how best to replace their laborers. It would be much wiser to secure the border, establish a workable guest worker program and then, if employers don't follow the rules, go after them.

The Current Proposal Has Flaws

Many who are opposed to a temporary guest worker program say it won't work. They say immigrant workers won't go home at the end of a three year period as proposed in the recent Senate bill. On that point they are probably correct. The immigrant workers will not want to leave at the end of three years and their employers will not want them to leave.

It would be far better to issue a two year visa and renew it at the end of two years if the immigrant is still employed, has obeyed our laws and has paid his income taxes. At the end of another two years, renew the visa again if the same conditions are met. A plan like this would gain the support of the business community which is an essential ingredient to the success of any guest worker plan.

Many critics say, though, that this will in a sense make the workers permanent guests. So what if it does? If we need eight million workers, what difference does it really make if they have been here three years or six years? We will still have eight million Hispanic workers. Where is the significance that their faces change every three years? Where is the wisdom of sending home workers at the end of three years who have become proficient in their jobs, who have begun to learn our language and who have proven to be acceptable guest residents and then replacing them with new unproven workers who must start all over. Consider also the administrative burdens of processing 2-3 million workers coming and 2-3 million workers returning each year – assuming they voluntarily agree to leave.

Many Americans cringe at this suggestion saying that it amounts to a semi-permanent form of amnesty. They say we can't reward this past behavior. They say it sends the wrong message to other potential immigrants.

But if we are going to secure the border and begin controlling worker presence here, why do we care what message it might send across the border? The message they need to know is that the border is secure and if they are going to come here they need to do it through the proper channels of the worker program.

The Construction Industry Needs A Worker Program

The construction industry needs a viable, intelligently designed work visa program that will provide a legal basis for immigrant workers to be in this country. We don't need to complicate it with a permanent amnesty provision or a path to citizenship. We don't need to provide them with welfare or unemployment benefits. If they are no longer employed or decide to retire, we should return them home. If they commit any felonies, we should also send them home. It is not unreasonable to also require that any new applicants for the worker program have bona fide American employers to sponsor them before they are permitted to cross the border. Placement services would love this opportunity. This would control the flow of immigrants to the level of labor that is actually needed.

It would certainly be acceptable to require publication of job offerings for Americans to consider, but please don't let the labor unions try to set wage levels. It is best to rely on the free market. By making the immigrants legal, they will be even better able to negotiate their own wage rates.

If we had done this ten years ago, we wouldn't now have so many illegal immigrants among us. We don't need to put this off any longer.