

# Boost US Construction Workforce by Employing More Immigrant Labor

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## Overview

A workshop was held at the Baker Institute in May 2024 to explore U.S. immigration policy and its impact on the construction industry, focusing on labor needs, shortages, and the role of immigrant workers. Participants, including experts, activists, scholars, and industry stakeholders, examined necessary policy changes to address these shortages through both existing and new visa paths. Hosted by the Baker Institute Center for the U.S. and Mexico, in partnership with the Institute for Humane Studies at George Mason University and the School of Transborder Studies at Arizona State University, the event aimed to develop actionable solutions for the construction sector's labor challenges.

By analyzing the industry's labor landscape, participants sought to identify the challenges and opportunities related to workforce availability and the role immigration policy can play in easing the need for additional workers. The discussions resulted in recommendations for policymakers, the construction industry, and academics on policy changes to benefit both the industry and immigrants, while improving access to affordable housing, commercial property, and public infrastructure for U.S. consumers. The workshop also highlighted the significant contributions of immigrants to the industry and advocated for policy changes that support their integration and protection.

### **Session I — Trends in the Construction Workforce**

Workshop participants introduced data and analysis on the construction workforce and its trends. They concluded that the construction industry significantly impacts the U.S. economy, yet it faces an urgent issue: labor shortages. The difficulty in legally hiring skilled and lesser-skilled construction workers has caused considerable concern within the sector, affecting productivity and profits. Although several factors contribute to labor shortages, low immigration rates are key to this problem. After an in-depth discussion, participants concluded that unless more workers become available soon, labor shortages — and their wide-ranging consequences — are likely to persist.

### **Session II — Labor Market Distortions: Construction Brokers**

In the U.S., the construction labor force is approximately 25% foreign-born.<sup>[1]</sup> Undocumented workers are crucial in this sector, but they cannot be hired directly due to their legal status so construction firms rely on brokers to recruit them. Brokers, in turn, hire undocumented workers

under exploitative conditions, including low wages, lack of health insurance, and unsafe working environments. The session analyzed the impact of these brokers on the industry and the broader implications of their practices.

### **Session III— Immigrant Workers and Visa Paths**

Participants reviewed statistics highlighting recent labor shortages in the construction industry. These shortages are primarily attributed to an aging workforce, declining national fertility rates, and reduced immigration rates. The session then discussed the impact of these factors on workers and potential solutions to address this issue. Key topics included the necessity for a revamped immigration system to craft policies that provide temporary visas for the industry, as well as innovative ways of attracting immigrant workers to the construction industry.

This report is intended to serve as an aide-mémoire to those who took part in the workshop and a general summary of discussions for those who did not.

## **Introduction**

The construction industry is a major pillar of the U.S. economy. It engages a vast workforce and plays an essential role in growing the economy by building its infrastructure.<sup>[2]</sup> The industry contributed approximately 4.4% of the national gross domestic product in 2023.<sup>[3]</sup> Despite being one of the largest and most dynamic sectors of the U.S. economy, the construction industry faces a severe labor shortage stemming from an aging workforce, lower birth rates, and decreased immigration.<sup>[4]</sup> Worse, over 40% of the current construction workforce is expected to retire within the next decade.<sup>[5]</sup> Compounding this is a changing work culture that emphasizes work-life balance and job satisfaction, making it harder to attract younger workers.<sup>[6]</sup> Regardless, the industry needs to attract an estimated 501,000 additional workers in 2024 alone to meet its current demand.<sup>[7]</sup>

Recent policy changes, such as the Infrastructure Investment and Jobs Act of 2021, (also known as the Bipartisan Infrastructure Law), may further intensify the pressure on the construction industry. The 2022 act allocates \$550 billion in federal investment to new infrastructure, including roads, bridges, and mass transit, water infrastructure, resilience, and broadband over fiscal years 2022 through 2026.<sup>[8]</sup> Just to meet these investment demands, the industry would need a 30% increase in workers.<sup>[9]</sup> Overcoming the labor shortages is essential to sustain the construction industry and ensure continued growth of the U.S. economy.

### **National Labor Shortage**

The U.S. labor shortage is not a new issue. It began in 2018 and worsened significantly during the COVID-19 pandemic, although the situation has since stabilized, the shortage remains persistent: In 2023, there were 9.3 million job vacancies in the U.S.<sup>[10]</sup> Even with 100% workforce participation of unemployed workers, 3.2 million jobs would remain unfilled.<sup>[11]</sup> This shortage is expected to continue in the coming years. With labor demand expected to grow 33% in 2005 to 53% by 2050 (Figure 1) and given the construction industry's reliance on migrant labor, attracting more immigrant workers to the U.S. appears essential.

## **Figure 1 — Projected US Population, 1960–2050**[\[12\]](#)

**Source:** “U.S. Population Projections: 2005–2050,” Pew Research Center.

### **Trends in the Industry**

Over recent decades, the construction sector has experienced fluctuating employment levels.[\[13\]](#) Numbers peaked in 2007, followed by a sharp decline during the Great Recession of 2008. The industry began to recover in 2012 but was then affected by the COVID-19 pandemic. Despite recent improvement it is still well short of the number of workers it needs to perform at its peak. The persistent labor shortage is particularly acute in skilled trades such as carpentry, plumbing, and electrical work.[\[14\]](#)

## **Role of Immigrants in the Construction Workforce**

The U.S. labor force has changed rapidly over time. Records from the U.S. Census Bureau from 1900 to 2020 show that in 1900, 85% of the foreign-born population were European. Asia and Latin America, including Mexico, represented about 1% of all foreign-born laborers. The rest of the world contributed roughly 13% of all workers (Figure 2). By 2020, there was a significant shift — Europe’s share declined to 14.2%, Asia rose to 27.5%, and Mexico, the Caribbean, Latin America, and South America surged to a combined majority of 52.1%. This shift in immigration patterns has had profound implications for the labor force, especially in the construction industry.

## **Figure 2 — Origin of Persons in the US Born in Other Countries, 1900 and 2020**[\[15\]](#)

**Source:** U.S Census Bureau.

The Pew Research Center projected U.S. population trends by race and ethnicity from 1960 to 2060 (Figure 3).[\[16\]](#) The Hispanic population is expected to increase, while the white population is expected to decrease. The proportions of other groups, such as Asians and Blacks, are anticipated to remain steady.

## **Figure 3 — Race and Ethnicity Changes in the US, 1960–2060**[\[17\]](#)

**Source:** Paul Taylor, “The Next America,” Pew Research Center.

In 2022, the National Association of Home Builders (NAHB) estimated that Hispanics represented 31.1% of the construction industry’s workforce despite representing just 18.7% of the workforce among all industries (Figure 4).[\[18\]](#) Additional statistics provide a fuller view:

- Blacks and Asians are underrepresented, comprising 11.7% and 5.1%, and 6.3% and 1.8% of all industries and construction, respectively.[\[19\]](#)
- Non- Hispanic whites, at 58.3% of the workforce among all industries and 57.5% of that of construction, enjoy equal representation.[\[20\]](#)
- The industry average for foreign-born workers is 25%.[\[21\]](#)
- More than 50% of construction workers in New Mexico, Texas, California, Arizona, and Nevada, are Hispanic.[\[22\]](#)
- Hispanics make up 47% of construction laborers and 53% of painters and paperhangers, a much higher representation than their overall share of the construction workforce, which stands at 30%. [\[23\]](#)
- Hispanics are the fastest-growing demographic group in the construction industry, with a growth rate of approximately 138% from 2001 to 2021.[\[24\]](#)

**Figure 4 — Labor Force by Race and Ethnicity, 2022**[\[25\]](#)

**Source:** Na Zhao, “One in Three Workers in Construction Is Hispanic,” Eye on Housing.

## Demographic Change

Over the years, the proportion of non-white individuals in the U.S. has risen and this trend is expected to continue. This demographic change is already evident in the construction industry, with Hispanic workers contributing significantly, well beyond their proportion in the general population. The Hispanic workforce is essential for responding to both current and future labor shortages and is poised to play an increasingly vital role in the economy.

According to the U.S. Census, the general population will become majority-minority after 2045 — Figure 5 shows the projected percentages of minority and nonminority populations in the U.S. for the period 2015–60.[\[26\]](#) The graph highlights significant demographic changes over time, emphasizing the growing diversity of the U.S. population.[\[27\]](#) These trends will undoubtedly affect certain industries, particularly those that have historically relied heavily on minority workers, such as the construction industry.

**Figure 5 — US Population Projections, 2015–60**

**Source:** Created by author using U.S. Census Bureau data.

Due to the current demographic makeup of construction workers and ongoing changes, it is important to recognize and support diversity in the construction industry.

## **Promote Diversity in Construction Industry Corporate Culture**

Diversity is a critical driver of innovation and resilience in the construction industry.[\[28\]](#) Creating a corporate culture that embraces diversity not only ensures an inclusive environment where all employees feel valued but also strengthens the overall industry. One of the key aspects of promoting diversity in construction is recognizing and integrating the contributions of migrant workers, who represent a significant portion of the workforce. Their skills and labor are essential to filling gaps in the industry.

To truly embrace diversity, construction companies should implement training programs and policies that foster inclusivity, ensuring that workers from different backgrounds, including immigrants, feel welcome and respected.[\[29\]](#) This involves addressing biases, creating equitable opportunities for advancement, and ensuring that the contributions of all workers, regardless of background, are recognized.

Promoting diversity should be seen as part of the industry's broader strategic planning and lobbying efforts. Migrant labor is an integral part of the construction workforce, and by incorporating this reality into policy discussions and advocating for pathways to legal status for undocumented workers, the industry can help stabilize its workforce. By doing so, companies not only contribute to the success of their own operations but also support a more stable, efficient, and diverse labor market that benefits the entire construction sector.

## **Education Levels**

The construction industry relies heavily on workers with low levels of formal education, as shown by American Community Survey (ACS) data.[\[30\]](#) Around 38.4% of Hispanic construction workers do not have a high school diploma, and an additional third did not pursue education beyond high school. Figure 6 illustrates a clear disparity: A higher percentage of Hispanic workers have lower formal education levels than non-Hispanic workers. About 22% of Hispanic workers have education levels below ninth grade, compared to only about 2% of non-Hispanic workers. This does not bode well for the industry in general — as the U.S. workforce becomes more credentialed, attracting U.S.-born workers with higher educational attainment into construction jobs will become increasingly difficult, drawing only Hispanic workers toward lower-skilled trades.

**Figure 6 — Labor Force Statistics by Race and Ethnicity, 2020**[\[31\]](#)

**Source:** Center for Construction Research and Training (CPWR), “Hispanic Employment Dashboard.”

Industry trends and demographic shifts demand policies that support the recruitment and retention of a stable workforce in an industry vital to U.S. economic growth, affordable housing, commercial property, and national infrastructure. The answer may be in the immigration system.

## US Immigration and Labor Policy

The U.S. construction industry has experienced significant changes over the years, driven by demographic shifts and migration policy changes that have reshaped its workforce and operations.

- **Migration Changes** — In the post-depression era, European immigrants dominated the construction workforce, reflecting that most migration came from that continent.[\[32\]](#) However, between 1970 and 2000, as European migration slowed, there was a notable shift in the industry toward Hispanic workers.
- **Policy Changes** — Policy shifts further highlight the connection between U.S. migration trends and the construction industry workforce. The Immigration Reform and Control Act of 1986 granted amnesty to nearly 3 million undocumented residents, and many flocked to the construction industry.[\[33\]](#) For example, 2 million Mexican citizens received permanent lawful resident status (75 % of all legalizations), and this cemented the importance of Mexican workers in the industry.[\[34\]](#)
- **Undocumented Migration** — When there are no viable pathways to recruit authorized workers, the industry relies on undocumented migrants. However, mass deportation policies, such as in the mid-2000s when ICE audited workers' legal status, exacerbated the labor shortages.[\[35\]](#) The expulsion of undocumented workers from the construction workforce further deepened the industry's labor crisis.

But, due to the lack of authorized workers, reliance on undocumented labor persisted. Instead, a new class of worker providers emerged — labor brokers.

## Labor Brokers and the Construction Industry

These brokers began to organize the undocumented laborers, making them individual subcontractors. The industry contracted with the labor brokers as middleman to provide on-site workers for each construction project, and the labor brokers subcontracted the undocumented workers to show up, do the work and disappear afterward. The workers were employed on the basis of an I-9 form, used to document verification of the identity and employment authorization of each new employee (both U.S. citizens and noncitizens).[\[36\]](#) These tiered contractual arrangements led to more precarious working conditions and increased uncertainty in the industry as the workforce was no longer directly managed, limiting control over work quality and training.

While labor brokers provide the workers the industry needs, this approach has caused market distortions by making the workforce less reliable, increasing exploitation, and lowering work quality.[\[37\]](#) There are negative effects for the entire sector and key impacts include:

- The industry faces challenges relying on labor brokers for staffing.
- Brokers often engage in unethical subcontracting practices, do not train their laborers or provide them with benefits.
- Workers are more vulnerable to exploitation and poor working conditions.
- Hispanic workers are disproportionately affected, as they are more likely to be targeted by harsh immigration policies.[\[38\]](#)

Overall, everyone is worse off under this system. More details are highlighted in the following sections.

## **Effect of Independent Subcontractor Status**

Whereas in the past, workers negotiated directly with employers through unions, ensuring training, fair treatment, and favorable benefits, today undocumented workers organized by brokers often use fake IDs and employee tax ID numbers found online to work as “independent subcontractors,” going from site to site, often untrained and unprotected, have compromised job security, and are unable to negotiate good terms in exchange for their labor.[\[39\]](#)

## **Costs of Reworking and Completion Delays**

Although using labor brokers has lowered construction companies’ benefit costs, other costs have grown, for example when temporary employees lack the necessary skills or safety training, projects may have to be reworked to reach the required standard.[\[40\]](#) Further, construction projects are frequently postponed or take much longer to complete than planned because the workforce is not always available or is unreliable.

## **Health Care**

Often because they lack training, those employed through labor brokers are more prone to accidents in the high-risk construction industry and then require hospital care. Without workers’ compensation or health insurance, taxpayers bear the burden, costing billions annually in emergency care for uninsured workers.[\[41\]](#) This can also result in higher insurance premiums for the rest of the population.

## **Legal Issues**

The system incentivizes criminal activity, leaving undocumented workers vulnerable to human traffickers, coyotes, and corrupt labor brokers.

- **Trafficking** — When labor brokers recruit workers in other countries, they can inadvertently support the criminal networks that facilitate unauthorized entry into U.S. cities.
- **Wage Theft** — Labor brokers often commit wage theft, taking advantage of undocumented workers who, fearing deportation, feel they have no recourse. Though wage assurance technology could prevent this, neither brokers nor subcontracted workers are inclined to use it, as both wish to avoid detection.



- **Tax Avoidance** — Brokers often operate without leaving a trace of their activities and evade social security and payroll taxes. They pay undocumented workers in cash to avoid paying taxes, expecting the workers to file their own taxes as subcontractors, which rarely happens.
- **Bank Access** — Undocumented workers generally have little or no banking access so often resort to check-cashing services where they incur additional fees. Although California’s wage laws aim to address this issue, brokers frequently circumvent these regulations by paying in cash.

## Notable Observations

### Political Engagement and Advocacy

Current immigration policy is not aligned with the labor needs of the U.S. economy. By adopting a more flexible immigration system, industries facing labor shortages could benefit from legal pathways, including those authorizing temporary work. Achieving this requires a strong political will to reassess the immigration system framework through the lens of workforce needs.

Politicians may be hesitant to address immigration issues due to the complex political implications involved. It is up to the industry, academics, and advocates to provide policymakers with the necessary information and support to promote legislation that highlights the benefits of maintaining a stable construction workforce.

- Documenting and presenting the financial losses companies face due to labor shortages and make the public case for additional visa paths for a healthier workforce through specific policy changes.
- Providing data and analysis on economic impacts, positive and negative, can help lobbyists and politicians press for reform.
- Raising public awareness about the economic consequences of labor shortages, including stories about labor brokers exploiting the system, can also generate broader support for policy changes.
- Addressing misinformation about the working conditions of undocumented workers is also essential to fostering a more informed and supportive public.
- Partnering with media outlets to raise awareness about issues like labor brokers can also highlight the need for action.

### Economic Impact of Legalizing Workers

In industries dependent on migrant workers, expanding legal employment opportunities is likely to strengthen the stability of the U.S. labor market. Failing to do so will result in market distortions, as illustrated by the construction industry labor broker system, which generates multiple costs and losses through a layered work system. As well as protecting workers, increasing legal immigration possibilities will also make the industry more efficient in supporting the economy’s infrastructure, providing housing, and supporting commercial expansion.

The 2012 Deferred Action for Childhood Arrivals (DACA) program has already demonstrated the value of adding skilled workers to the economy.<sup>[42]</sup> DACA recipients are some of the most educated, productive workers in the U.S., although their legal status remains precarious.

Creating pathways for undocumented workers to stay legally can contribute to a more stable workforce. There are already some 12 million undocumented individuals in the U.S. who — if authorized — could join the legal workforce tomorrow and contribute to a more reliable and efficient construction workforce, also enabling them to better support their families. As the U.S. has already invested billions in educating many of these individuals (or their family members) via public schools, providing a legal path to join the workforce would not only yield a return on that investment as well as greater societal stability.

Another possible solution is a policy proposal called “ID and Tax.” The idea is that companies would be able to hire undocumented workers who have lived in the U.S. for more than five years, have passed a background check and agree to pay payroll taxes. If the undocumented immigrant complies, the U.S. government will issue a work permit that can be renewed. This is not a path to citizenship, but it can help identify undocumented people and ease the labor shortage, by providing employment eligibility to these workers who are already living in the U.S.

## **Workforce Training and Education**

The construction industry is vital to America’s economic growth. It requires a dedicated, skilled and educated workforce, in which educational outcomes are aligned with market demands to ensure a steady supply of skilled labor. Increasing the supply of skilled workers through enhanced training and educational initiatives can help reduce the reliance on undocumented labor.

- **Support Vocational Schools** — Employers should actively support education reform bills that enable private companies to establish their own vocational schools, thereby expanding educational opportunities aligned with the needs of the construction industry. Promoting vocational high schools, such as those in the German system, which has proven successful, can provide students with practical skills that prepare them more effectively for the workforce.<sup>[43]</sup>
- **Engage Families and Students About Construction Careers** — Engaging families early to highlight the benefits of careers in this industry can help alleviate future labor shortages and improve overall workforce stability.

## **Recommendations**

The issues affecting the U.S. construction industry and its workforce are multiple. Strategies to address them should include promoting a stable corporate culture, establishing legal pathways for migrants, and implementing government programs to enhance workforce development. This section lays out specific recommendations.

### **Promote Stability and Diversity in the Construction Industry Corporate Culture**

The importance of diversity in construction cannot be understated. Implementing initiatives to promote diversity within construction companies is essential for fostering an inclusive environment where all employees feel valued and respected. This should include understanding the role migrants play in the workforce and embracing it as part of the industry's strategic planning and lobbying.

## **Establish Legal Pathways for Migrants: A Construction Visa**

One of the most pressing issues facing the construction industry in the U.S. is the lack of workers and legal pathways for migrants to enable them to work and alleviate this shortage.

Comprehensive immigration reform is needed. In the interim, a three to five-year construction visa could provide legal status to undocumented workers already in the U.S., allowing them to work legally and pay taxes. This visa, targeted toward Mexican and Central American citizens, would be a new visa path, flexible enough to allow workers to come and go and to develop skills required by the U.S. economy over time.

A limited-term visa aimed at Mexican and Central American construction workers would satisfy their desire to work legally in the U.S., earn income, and then return to their home country once the visa period ends. This visa could be extended to additional workers in response to economic demand. Multiyear visas may well be preferred in the industry, instead of workers leaving soon after being trained.

This proposal not only tackles the issue of undocumented workers but also helps prevent the use of fake IDs and subcontracting schemes that undermine labor standards. By legalizing the status of these workers, their working conditions can be improved. This strategy can also bring additional benefits, such as enhancing tax revenue and contributing to a more regulated workforce. This visa could be made available to additional workers as economic activity demands. Indexing these new visa paths to economic performance will allow the industry to have the workforce it needs and support America's economic growth.

## **Improve Border Infrastructure**

Immigration policies in the U.S. strongly affect the construction industry. Improving infrastructure to monitor and secure the border is crucial to reduce human trafficking and ensure that immigration policies are enforced effectively.

## **Target Workforce Training and Development**

In addition to addressing situation at the border, state-level initiatives are needed to promote a better-skilled workforce that can adapt to the dynamic and evolving U.S. labor market. Vocational high schools that better prepare students for the workforce can close the gap between education and employment, ensuring students acquire the skills needed for in-demand jobs in this sector. Such training, however, should also be made available to migrant workers so that the industry can count on a more stable, skillful, and stronger workforce.

Preparing high school students, particularly those not planning to pursue higher education, for the construction workforce is essential to address skills gaps in the industry. This interest can be cultivated through various initiatives, such as:

- Introducing virtual reality (VR) training in elementary schools to spark interest in this field from an early age.
- Educating parents on the benefits of construction-related careers is crucial as blue-collar jobs are often viewed as less meaningful. Promoting these careers and enhancing their dignity can help shift public perception, ultimately attracting more talent to the industry.
- Raising awareness in lower-income households and other populations about the importance of blue-collar careers is also key.

Retention strategies should include language training, competitive benefits, and training foremen to be more empathetic toward their crews (addressing, for example, issues that affect workers' well-being such as high temperatures in southern states).

## **Raise Awareness About the Need for Change**

Raising awareness about the negative effects of labor market distortions is important. The workforce must be protected from exploitation, wage theft, and other negative conditions. Turning wage theft into a criminal charge, for example, is a step toward safeguarding workers and ensuring fair compensation. Currently, Washington, D.C., and states like New York have policies that require businesses to use developing technology to prevent and prove wage theft.[\[44\]](#) Construction companies need to address irregular pay practices by labor brokers.

In addition, fully reinstating the DACA provisions by allowing new applicants would add 2.3 million young people — who entered the U.S. before age 18 and have lived here continuously for at least four years — to the workforce.[\[45\]](#) DACA not only helps provide legal status to these individuals but also maximizes the investment made in their K-12 education.

## **Conclusion: It's Time for Change**

None of the current visa paths are going to solve the construction industry's labor shortages, and the country's demographic shifts further complicate the outlook. Construction companies must lead the charge for immigration reform and workforce development, advocating for policies that support a robust and equitable labor market and creating a corporate culture that embraces diversity. Documenting the economic impact of current immigration policies can provide valuable data to influence political action by raising awareness of the issues of workforce instability and market distortions.

Further, an immigration policy change should include a national ID system for immigrants and full reinstatement of DACA provisions would significantly reduce the country's labor shortage. Educational reform to enhance K-12 training in construction skills and increase industry engagement in schools can significantly strengthen this strategic sector. A limited-term visa for Mexican and Central American construction workers would allow them to legally work in the U.S. and return home after the visa period.

Addressing the multifaceted challenges of workforce development, diversity, and immigration requires a comprehensive approach. To achieve any change, a collective effort is needed. The ideas discussed in this report are a good starting point. Implementing these policy proposals and recommendations will create a more inclusive and effective workforce, boost economic growth, and ensure fair labor practices.

## Acknowledgments

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