

## 'Hot' construction industry fights wage inflation, labor crunch

By: Christian Moises, News Editor | December 6, 2006 | 0

NEW ORLEANS — At construction sites across the region, project managers and superintendents are grumbling about unprecedented wage increases and the shortage of skilled craftsmen.

"Construction worker wages in the region were already up 22 percent and 30 percent in February, and that doesn't include sign-on bonuses, hazard pay and living accommodations," said Loren Scott, a Baton Rouge economist who publishes an annual Louisiana Economic Outlook. Louisiana already had a very "hot" industry with a labor shortage before hurricanes Katrina and Rita, he added.

The situation forced contractors to hire inexperienced people at above-average wages and train them, said Robert Retz, a state licensed residential and electrical contractor. He and other reputable contractors are also being undercut by unlicensed contractors who don't carry adequate insurance.

The cost of doing construction business, including insurance and wages, has increased 40 percent since Katrina, he said.

"And if you are lucky enough to find a top-level guy, you've got to pay his friends top rate to keep him," Retz said. "A good employee before the storm was getting paid \$18 to \$20, and now you better come up with at least \$25, and you better have overtime for them or they're not staying."

From August 2005 to January, many employers were less diligent in employee screening, said Bryce Murray, a labor and employment attorney with Taggart Morton LLC of New Orleans. Background checks and routine drug screenings were dispensed with in order to garner a sufficient work force. Many contractors struggled to keep employees for four or five days in an environment of bonus-baiting, wage wars and employees running to the highest bidder, he said.

Murray now advises contractors to discover the "not-so-blatant liabilities," including exposure under the National Labor Relations Act. "Contingent workers have become a real popular topic nationwide," Murray said. "They expose employers in a lot of areas."

Contingent workers represent the lion's share of the current labor force in the recovery region. Murray lists "IRS 20 factors" that help employers categorize workers and minimize exposure to OSHA, Workers' Comp claims and tax liability. Contingent workers may be legal, English-speaking workers, but many are not. The region's work-force demands have spawned the "importation of foreign labor," Scott said.

The issue of illegal immigrants is "the big pink elephant in the room," said Bryce Murray, a labor and employment attorney with Taggart Morton LLC of New Orleans. Many consider the illegal work force to be the necessary evil to performing a lot of work quickly and cost-effectively.

"Illegals helped to rebuild portions of this city that had to be rebuilt quickly," Murray said. "There wasn't anyone to do it."

Immediately after the storm, there was a scramble to try to get immigration authorities to loosen restrictions on immigrants from Mexico, Latin America, Europe and the Far East, Scott said.

"All the construction companies and people who want things built are plugging for this because they are getting desperate," Scott said.

But immigration reform is on the horizon.

A guest bill, supported by Sens. Edward Kennedy, D-Mass.; Jeff Sessions, R-Ala.; and John McCain, R-Ariz., comes up for vote in the next legislative session. The bill would allow an illegal alien in the country for five or more years to become a citizen with stipulations requiring individuals to pay fines, back taxes and learn to read or speak English.

The guest bill sets guidelines for illegal aliens who have been in the country for varying amounts of time.

"I'm not saying it's the golden solution but it's movement we haven't seen in years," Murray said. "At least it's a step in the right direction, especially in areas like Louisiana where we need lots of workers."

As to the complaints about illegal aliens taking jobs from U.S. citizens? "The president burns me up when he says they are doing jobs Americans won't do," said Robert Retz, a state licensed residential and electrical contractor in New Orleans. "But that's half a statement. It should be finished with 'at this price.' As long as they keep those borders open, they are going to keep coming."

Their presence is affecting labor costs and employment while creating an uneven playing field for those doing business according to the law.

"I wonder what the immigrants are doing to the employment data," said Dr. Matt Murray, associate director of the University of Tennessee Center for Business and Economic Research. "It makes me distrust the job data and economic data in the construction sector. I think the job growth is understated and the job count numbers are probably low."

On any given day, hundreds of Hispanic workers can be seen loitering outside Lowe's, Home Depot or some gas stations in New Orleans.

"I went to the gas station at Vets and Causeway to hire some guys," Retz said. "There were about 50 guys who came over to my truck and I said I need two people legal. At least 38 of them walked away. The police can arrest them but they have to go through immigration and report them, and it isn't worth the trouble."

Many contractors are carefully looking the other way because the labor needs are so great. "Nationwide, housing starts are expected to drop from 2.1 (million) to 1.6 million, so that will free up some workers," Scott said. "But building 1.6 million homes will still require a lot of folks. I think pretty soon people will recognize we should start to call it the blessing of Latinos coming in, not the problem, because if it wasn't for them, you would really have a problem with recovery. The longer people look for a contractor to rebuild their homes, they will start saying, 'Man, are we glad these people came.'"