



# WHO BUILDS LA?

## THE EXPLOITATION OF RESIDENTIAL CONSTRUCTION WORKERS IN LOS ANGELES

### A SHORTAGE OF HOUSING AND WORKERS

**Los Angeles is not building enough housing**, causing rents to skyrocket, and, consequently, greater evictions and homelessness. There is strong evidence that one of the main factors in low housing production is a **shortage of residential construction workers**.<sup>1</sup> In the wake of devastating fires that destroyed billions of dollars of housing, the city faces an urgent need to attract more of these workers.

### AN EXPLOITED WORKFORCE

On top of this, residential construction workers in Los Angeles are grossly **underpaid** by national and local standards, face heightened **immigration enforcement**, rampant **wage theft**, and **safety violations**. These workers are severely exploited and the industry has little oversight.

### URGENT SOLUTIONS

In order to attract a stable and local workforce and rid the industry of these disastrous working conditions, the City of Los Angeles needs a **minimum wage and a private right of action for residential construction workers**. As the Palisades begins to rebuild after the fires, it is urgent we achieve this before a situation similar to Katrina occurs, where exploitative contractors bring out-of-state workers to rebuild for a few months, taking the revenue back out of the area.

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<sup>1</sup> A shock to the construction worker supply caused by a period of intense federal immigration enforcement from 2008–2013 led to a decrease in housing production. Troup Howard, Mengqi Wang, and Dayin Zhang, Cracking Down, Pricing Up: Housing Supply in the Wake of Mass Deportation (SSRN, February 16, 2024), [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=4729511](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4729511).

## KEY FACTS



Construction workers in Los Angeles earn a median annual income of **\$35,400** when adjusted for the cost of living of the area. This is the **2nd lowest rate** in the country among all 389 metropolitan areas.<sup>2</sup> Based on this data and a survey of construction workers in Southern California, construction workers earn around **\$18-\$25 per hour**.<sup>3</sup>



Many residential construction workers can not afford to live in Los Angeles. One out of five surveyed have been evicted and **one out of ten have been homeless** while working in the industry.<sup>4</sup>



The industry is rife with labor violations. **Eight out of ten** residential construction workers surveyed in Los Angeles have **experienced wage theft**, such as being denied overtime pay, being required to work off the clock, being misclassified as an independent contractor, or not being paid the minimum wage.<sup>5</sup>



**Three out of four** residential construction workers in Los Angeles are foreign-born.<sup>6</sup> Contractors are able to exploit many workers without documentation, who are desperate for work and afraid to report labor violations.



The Los Angeles metropolitan area ranked **third-to-last in new housing units** issued per capita among the 50 biggest metropolitan areas in 2024.<sup>7</sup>



Research shows that shocks to the residential construction workforce supply causes a **decrease in housing permits issued** and **new housing construction**. Policies designed to address housing affordability may be less effective unless they also help increase labor supplied to the construction industry.<sup>8</sup>



It is estimated that an additional **50,000 construction workers are needed** to rebuild the damages caused by the Altadena and Palisades fires.<sup>9</sup>

<sup>2</sup> Author's analysis of U.S. Census Bureau, ACSST5Y2023.S2411: Median Earnings by Occupation [American Community Survey 5-Year Estimates, 2023], combined with Bureau of Economic Analysis, Regional Price Parities by Metropolitan Statistical Area (MARPP), 2023.

<sup>3</sup> Author's analysis of 2023 ACS 5-Year file, IPUMS USA, filtering for full-time workers (>50 weeks, <35 hours/week); Carpenters/Contractors Cooperation Committee. Internal Survey of Southern California Residential Construction. Unpublished report, 2025.

<sup>4</sup> Carpenters/Contractors Cooperation Committee. Internal Survey of Southern California Residential Construction. Unpublished report, 2025.

<sup>5</sup> Ibid

<sup>6</sup> U.S. Census Bureau. [American Community Survey 2023 5-year Public Use Microdata Sample](#).

<sup>7</sup> Author's analysis of U.S. Census Bureau, *Building Permits Survey: 2024 Annual Permits by CBSA*, <https://www.census.gov/construction/bps/msamonthly.html>.

<sup>8</sup> Troup Howard, Mengqi Wang, and Dayin Zhang, *Cracking Down, Pricing Up: Housing Supply in the Wake of Mass Deportation* (SSRN, February 16, 2024), [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=4729511](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4729511).

<sup>9</sup> Urban Land Institute Los Angeles, *Project Recovery: Rebuilding Los Angeles after the January 2025 Wildfires*, version 1.0 (March 16 2025), 27, accessed August 26 2025, <https://knowledge.uli.org/-/media/files/research-reports/2025/rebuilding-los-angeles-Q41425.pdf?rev=73a723888c834e14a913df5ea771a5b3&hash=0A2F8EFF2E2D5D3192BAC7BAAOC55BB5>.

## OVERVIEW

**The City of Los Angeles faces an extreme housing crisis**, compounded by the urgent task of rebuilding from the unprecedented amount of damage caused by the recent Palisades fire. The region is simultaneously grappling with widespread homelessness, widening income inequality, immigration raids and increasing rents. Bold policy action is clearly needed to address these overlapping challenges.

However, if we are to build more housing, we must first end the exploitation of the residential construction workforce—the very workers tasked with building the housing lost in the fires. Most cannot afford to live in the city they are helping to rebuild, while others face the constant threat of abduction by federal immigration authorities at their worksites. The severe shortage of housing is mirrored by a shortage of construction workers. Addressing the conditions of this workforce is central to resolving Los Angeles’s housing crisis and the broader social and economic inequities that confront the city.

Construction workers in Los Angeles earn a median annual income of \$35,400 when adjusted for the cost of living in the area. This is the second lowest rate among all metro areas in the country.<sup>10</sup> Most are one paycheck away from evictions, and one out of every 10 has been homeless while working in the industry.<sup>11</sup> Workers on residential construction projects are especially prone to poor working conditions and poor compensation.

How does this happen? Residential construction firms increasingly subcontract tasks for completion by less specialized workers in a race to the bottom. With virtually no enforcement mechanism and a churning workforce, subcontractors undercut competitors through poor labor practices, rushing projects, and sacrificing quality. As a result, exploitative practices such as cash-only payments, non-payment of wages, non-payment of overtime, no rest or lunch breaks, wage kickbacks, worker misclassification, workers compensation fraud, trafficking and poor safety practices run rampant. Nonresidential construction workers earn 30% more than residential construction workers, and the value of fringe benefits is more than triple.<sup>12</sup> The dangerous nature of construction work is well known. Construction was the industry with the most fatal injuries in 2023 and every year since 2011.<sup>13</sup> But residential construction workers are especially prone to injury due to the employer malpractices mentioned, with injury rates twice as high as workers on commercial projects.

<sup>10</sup> Author’s analysis of U.S. Census Bureau, ACSST5Y2023.S2411: Median Earnings by Occupation [American Community Survey 5-Year Estimates, 2023], combined with Bureau of Economic Analysis, Regional Price Parities by Metropolitan Statistical Area (MARPP), 2023.

<sup>11</sup> Carpenters/Contractors Cooperation Committee. Internal Survey of Southern California Residential Construction. Unpublished report, 2025.

<sup>12</sup> Ken Jacobs and Kuochih Huang. *The Public Cost of Low-Wage Jobs in California’s Construction Industry*. UC Berkeley Labor Center, June 8, 2021. <https://laborcenter.berkeley.edu/the-public-cost-of-low-wage-jobs-in-californias-construction-industry/>, UC Berkeley Labor Center+2UC Berkeley Labor Center+2.

<sup>13</sup> <https://www.bls.gov/news.release/pdf/cfoi.pdf>

All these factors, including the danger and daily strenuousness of construction work, make this job undesirable. At the same time, the high demand for residential construction workers does not correlate with high wages. This can be explained by the concept of segmented labor markets, where labor markets are separated into two-tiers: a primary market with stable, high-quality jobs and a secondary market with low-wage, exploitative jobs.<sup>14</sup> Residential construction workers are concentrated in the secondary market, where employers take advantage of their lack of occupational mobility caused by undocumented status, lack of English-language fluency, and limited knowledge of other work opportunities.<sup>15</sup> In other words, the desperation of residential construction workers to find employment allows contractors to treat them poorly despite their need for more workers.

In Los Angeles, this is especially apparent, as three out of every four residential construction workers are foreign born.<sup>16</sup> As a result, construction workers in Los Angeles earn around \$18-\$25 per hour, meaning the people who build our housing can barely afford their own housing. Los Angeles committed to the State of California to build 450,000 housing units in the next four years to meet its regional housing needs assessment (RHNA) goals.<sup>17</sup> In 2024, only 8,700 units were permitted<sup>18</sup>—not necessarily built—and this was prior to losing over 6,000 housing units in the Palisades fire.<sup>19</sup> An additional 50,000 construction workers are needed to rebuild the buildings destroyed by the Palisades and Altadena fires in a timely manner.<sup>20</sup> In order to attract a stable workforce that can address our housing needs, construction workers must be compensated fairly.

A minimum wage for residential construction workers in the City of Los Angeles would alleviate poverty conditions for thousands of workers, attract the workers needed to respond to the extreme demands of rebuilding the Palisades, and provide a local, stabilized workforce with predictable wages to address the existing housing shortage.

We cannot afford another “Hurricane Katrina” situation in which out-of-state contractors bring their exploited workforce here for a few months and take the revenue back out of the area.<sup>21</sup> This economy needs more local spending that generates more tax revenue.

<sup>14</sup> Paul Taubman and Michael L. Wachter. “Segmented Labor Market.” In *Handbook of Labor Economics*, edited by Orley Ashenfelter and Richard Layard, 1183-1217. Vol. 2. Amsterdam: North-Holland, 1986. [https://doi.org/10.1016/S1573-4463\(86\)02011-4](https://doi.org/10.1016/S1573-4463(86)02011-4).

<sup>15</sup> Stephanie L. Canizales. *Sin Padres, Ni Papeles: Unaccompanied Migrant Youth Coming of Age in the United States*. Oakland: University of California Press, 2024.

<sup>16</sup> Author’s analysis of U.S. Census Bureau, American Community Survey 1-Year Estimates Public Use Microdata Sample (ACS PUMS), 2023.

<sup>17</sup> Los Angeles City Planning Commission. Housing Element 2021-2029: The Plan to House LA. PC 7, November 1, 2021. [https://cityclerk.lacity.org/online/docs/2015/15-0103-S3\\_pc\\_7\\_11-1-2021.pdf](https://cityclerk.lacity.org/online/docs/2015/15-0103-S3_pc_7_11-1-2021.pdf).

<sup>18</sup> Hilgard Analytics. Residential Permitting in the City of Los Angeles: Q4/Annual 2024 Update. Los Angeles: Hilgard Analytics, 2024. [https://static1.squarespace.com/static/64d6d04f67d26f28af9ac83/t/67841a56e3cc347185db5c9/1736710744240/Residential\\_Permitting\\_Trends\\_Q4\\_Annual\\_2024.pdf](https://static1.squarespace.com/static/64d6d04f67d26f28af9ac83/t/67841a56e3cc347185db5c9/1736710744240/Residential_Permitting_Trends_Q4_Annual_2024.pdf), Hilgard Economics+1

<sup>19</sup> Sean Greene, Sandhya Kambhampati, Colleen Shalby, and Noah Haggerty. “Mapping the Damage from the Eaton and Palisades Fires.” Los Angeles Times, January 16, 2025. <https://www.latimes.com/california/story/2025-01-16/mapping-los-angeles-damage-from-the-eaton-and-palisades-fires-altadena-pasadena>.

<sup>20</sup> Urban Land Institute Los Angeles, Project Recovery: Rebuilding Los Angeles after the January 2025 Wildfires, version 1.0 (March 16 2025), 27, accessed August 26 2025, <https://knowledge.uli.org/-/media/files/research-reports/2025/rebuilding-los-angeles-041425.pdf?rev=73a723888c834e14a913df5ea771a5b3&hash=0A2F8EFF2E2D5D3192BAC7BAAOC55BB5>.

<sup>21</sup> Dave Davies, “‘The Great Escape’ Covers a Post-Katrina Human-Trafficking Story.” NPR, January 23, 2023. <https://www.npr.org/2023/01/23/1150684455/human-trafficking-katrina-india-great-escape-saket-soni>.

## POLICY RECOMMENDATIONS

**The City of Los Angeles should commission a study** that evaluates the impacts of a wage hike for residential construction workers on the local economy and housing production. The analysis should include whether adjusting such a wage may maximize the benefits including but not limited to a stabilized, predictable construction workforce and minimize any negative impacts. If appropriate, the study may also recommend alternative wage levels.

**This policy brief proposes the city pass an ordinance that establishes the following:**

### WAGES

Create a minimum wage of **\$32.35 per hour** for residential construction workers on qualifying projects.

### HEALTHCARE

An additional **health care credit of \$7.65 per hour**, consistent with other city minimum wage standards.

### COVERAGE

The minimum wage should apply to **mid-size residential construction**, including mixed use developments that contain a residential component, defined as equal to or greater than 10 units and below 85 feet. Projects excluded from the minimum wage include all projects required to pay prevailing wages and/or are under a project labor agreement. These parameters are consistent with those established under SB 4 and SB 423.

### RIGHT OF PRIVATE ACTION

Allow joint labor management committees to **file a civil action** in a court of competent jurisdiction against any Owner or Construction Employer alleged to have violated the above provisions.

## ESTIMATED WORKER REACH

**There are currently around 80,000 construction trades workers** in the City of Los Angeles<sup>22</sup>, 13,500 of which are working on residential projects.<sup>23</sup> The scope of a proposed ordinance would not impact...

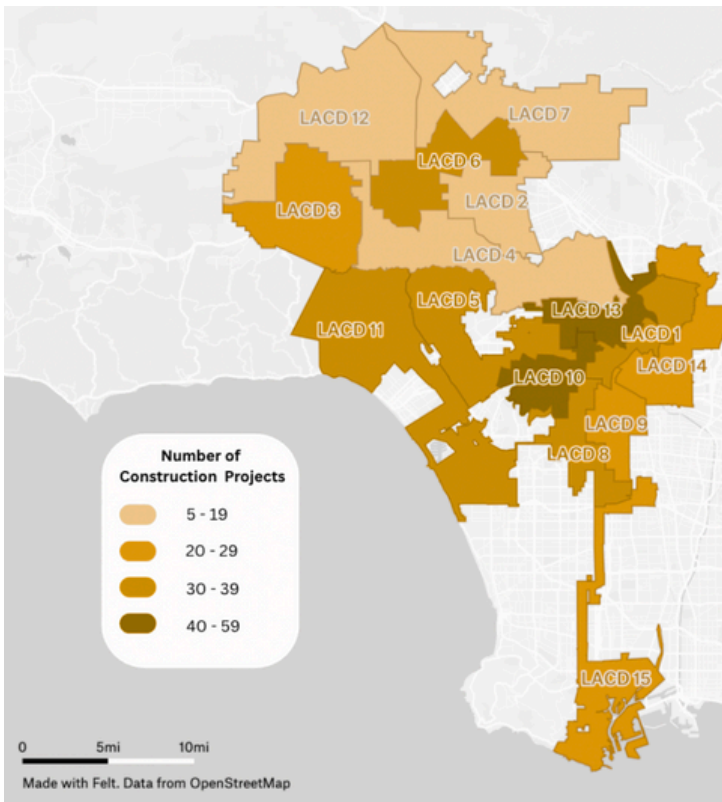
<sup>22</sup> Author's analysis of U.S. Census Bureau, American Community Survey 1-Year Estimates Public Use Microdata Sample (ACS PUMS), 2023.

<sup>23</sup> Carpenters/Contractors Cooperation Committee. Internal Survey of Southern California Residential Construction. Unpublished report, 2025.

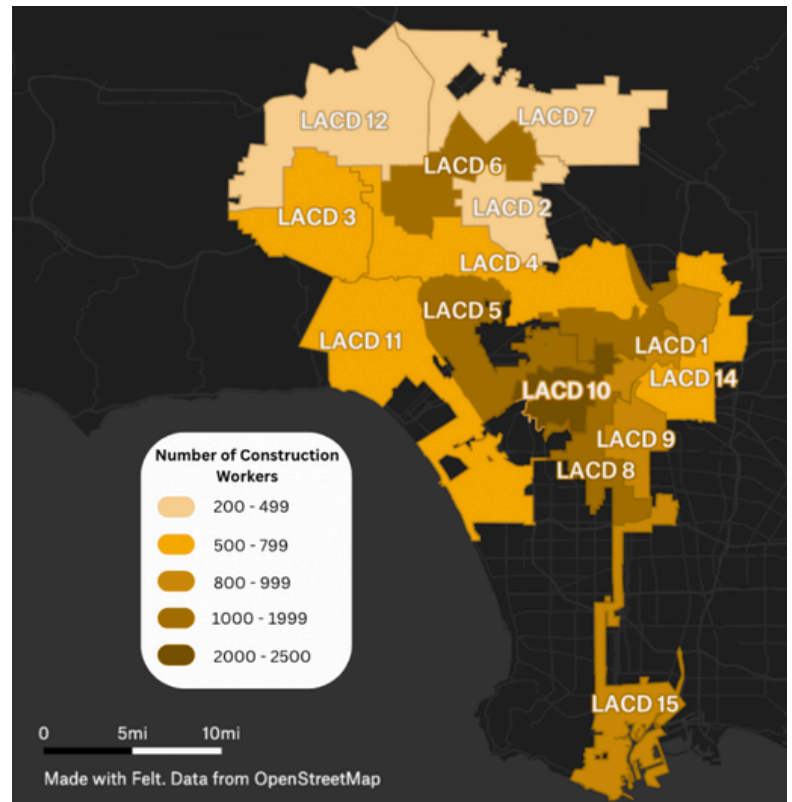


...single-family home construction or projects paying prevailing wages, so this number is an overestimation of the ordinance's reach. Estimates of the numbers of L.A. workers impacted vary by source. American Community Survey, which generates data from direct questioning of workers, reveals that 83 percent of residential construction workers overall will receive a wage increase with the establishment of a \$32.35 minimum wage.<sup>24</sup> Analysis of data from Bureau of Labor Statistics Occupational Employment and Wage Statistics data, which surveys employers, estimates that 46 percent of construction workers overall will receive a wage increase with the \$32.35 minimum wage.<sup>25</sup>

## Residential Construction Projects in Los Angeles City Council Districts



## Residential Construction Workers in Los Angeles City Council Districts



## WHAT ARE THE WORKING CONDITIONS OF RESIDENTIAL CONSTRUCTION WORKERS?

### WAGES

In the LA metro area, the median construction worker makes **\$40,814 annually**,<sup>26</sup> or around **\$18/hour**. When adjusted for the cost of living in the area, using regional price parities, this annual...

<sup>24</sup> Author's Analysis of 2023 ACS 5-Year file, IPUMS USA, filtering for full-time workers (>50 weeks, <35 hours/week)

<sup>25</sup> Author's estimates of percentile hourly wage data from U.S. Bureau of Labor Statistics. May 2024 *Occupational Employment and Wage Estimates: Los Angeles-Long Beach-Anaheim, CA Metropolitan Statistical Area*. Last modified May 2024. [https://www.bls.gov/oes/2024/may/oes\\_31080.htm](https://www.bls.gov/oes/2024/may/oes_31080.htm) Bureau of Labor Statistics+4Bureau of Labor Statistics+4Bureau of Labor Statistics+4

<sup>26</sup> U.S. Census Bureau, ACSST5Y2023.S2411: Median Earnings by Occupation, RPP-Adjusted, All U.S. States, American Community Survey 5-Year Estimates, 2023.

...income falls to **\$35,400**, which is the **second lowest rate in the country** among 389 metropolitan areas.<sup>27</sup> These figures include construction occupations in mostly non-unionized residential construction and industrial/commercial projects that primarily pay prevailing wages.

## HEALTHCARE

**Over 70 percent of the construction workforce does not receive healthcare** from their employer.<sup>28</sup> The rate at which CA construction workers lack health insurance is more than **two and a half times** the rate for all CA workers.<sup>29</sup>

## INJURIES

A lack of healthcare coverage is especially impactful to construction workers due to the high rates of on the job injuries. The industry is incredibly dangerous – **one out of every five fatal occupational injuries in 2023 was in construction**.<sup>30</sup> Residential construction workers are especially prone to injury due to the employer malpractices mentioned, with injury rates **twice as high** as workers on commercial projects.<sup>31</sup> On top of this, many contractors and subcontractors on residential projects operate without purchasing workers compensation insurance policies to cover the medical cost following a workplace injury, despite being legally required by law.<sup>32</sup> Employers often try to convince workers to avoid getting care for an injury, expecting them to take unpaid days off to heal or keep working while injured.

## MISCLASSIFICATION

Employers who misclassify their workers actively defund and defraud government programs, including workers' compensation, Social Security, and Medicare. Misclassification costs state and federal coffers at least **\$3,000 annually** for every worker that is misclassified.<sup>33</sup> California is the state most financially impacted by misclassification, with a cost of over **\$1 billion**. Over **13 percent of construction workers are misclassified** and is the state most financially impacted by misclassification, with a cost of over \$1051.5 (in the millions) for taxpayers.<sup>34</sup> Misclassification prevents employees from being able to utilize worker's compensation insurance, or unemployment insurance when they need it. These workers are also more likely to not receive...

<sup>27</sup> Author's analysis of U.S. Census Bureau, ACSST5Y2023.S2411: Median Earnings by Occupation [American Community Survey 5-Year Estimates, 2023], combined with Bureau of Economic Analysis, Regional Price Parities by Metropolitan Statistical Area (MARPP), 2023.

<sup>28</sup> U.S. Census Bureau. 2023 American Community Survey 1-Year Public Use Microdata Sample (PUMS). Released October 17, 2024. <https://www.census.gov/programs-surveys/acs/microdata/datasets>.

<sup>29</sup> Ken Jacobs and Kuochih Huang. The Public Cost of Low-Wage Jobs in California's Construction Industry. UC Berkeley Labor Center, June 8, 2021. <https://laborcenter.berkeley.edu/the-public-cost-of-low-wage-jobs-in-californias-construction-industry/>. UC Berkeley Labor Center+2UC Berkeley Labor Center+2.

<sup>30</sup> Census of Fatal Occupational Injuries News Release - 2023 A01 Results

<sup>31</sup> Ann Marie Dale, Diane S. Rohlman, Lisa Hayibor, and Bradley A. Evanoff. "Work Organization Factors Associated with Health and Work Outcomes among Apprentice Construction Workers: Comparison between the Residential and Commercial Sectors." International Journal of Environmental Research and Public Health 18, no. 17 (August 24, 2021): 8899. <https://doi.org/10.3390/ijerph18178899>. PubMed.

<sup>32</sup> Ormiston, Russell, Dale Belman, Julie Brockman, and Matt Hinkel. "Rebuilding Residential Construction." In *Creating Good Jobs*, 75-114. MIT Press, January 2020. <https://doi.org/10.7551/mitpress/11893.003.0006>.

<sup>33</sup> Ken Jacobs and Kuochih Huang. The Public Cost of Low-Wage Jobs in California's Construction Industry. UC Berkeley Labor Center, June 8, 2021. <https://laborcenter.berkeley.edu/the-public-cost-of-low-wage-jobs-in-californias-construction-industry/>. UC Berkeley Labor Center+2UC Berkeley Labor Center+2.

<sup>34</sup> Laura Valle Gutierrez, Russ Ormiston, Dale L. Belman and Jody Calemine. "Up to 2.1 Million U.S. Construction Workers Are Illegally Misclassified or Paid off the Books." 2023. The Century Foundation. November 12, 2023. <https://tcf.org/content/report/up-to-2-1-million-u-s-construction-workers-are-illegally-misclassified-or-paid-off-the-books/>

overtime pay, minimum wage, certain workplace safety protections, paid family and medical leave, discrimination-and-sexual-harassment-free workplace, and collective bargaining. Workers and lawmakers have fought for these rights and protections, preventing workers from receiving them is harmful and exploitative.

## IMMIGRATION

Data shows that immigrant workers remain a vital and flexible source of labor to the construction industry. Roughly **three out of four residential construction workers** in the City of Los Angeles are foreign born,<sup>35</sup> and roughly half of those are undocumented, which factors into why these exploitative working conditions go underreported. Workers will almost never approach law enforcement for wage protection due to lack of trust in today's environment.

## LACK OF APPRENTICESHIP PROGRAMS

The skills needed to work in this field used to be attainable through residential construction apprentice programs. Today, **residential apprentice programs are rare-offered** almost exclusively for nonresidential projects or publicly funded residential projects. This often does not include projects funded with Low-Income Housing Tax Credits (LIHTC), which make up a vast majority of affordable housing construction.

## WAGE THEFT

**Over 80 percent of all low-wage workers**, such as construction workers, in Los Angeles experience wage theft.<sup>36</sup> An estimated **\$26-28 million are stolen from workers** every week in LA County.<sup>37</sup> In 2015, California workers **lost nearly \$2 billion** just from not being paid the minimum wage.<sup>38</sup> Wage theft presents itself in various forms such as not being paid overtime, lack of meal or rest breaks, tip stealing, illegal deductions, misclassification as an independent contractor, being paid by the piece, and complete non-payment.

## LABOR TRAFFICKING

Construction is among the **top 3 most common industries for situations involving labor trafficking** reported to the National Human Trafficking Hotline in 2021. Research links a rise in worker abuse to natural disasters, most notably in the construction industry. Individuals who worked in the recovery and reconstruction of a natural disaster experienced higher rates of exploitation involving recruitment, employment practices and penalties, and emotional and psychological abuse than individuals who had not. A study found that lifetime labor trafficking 16% for workers who did not have experience working in construction post-disaster compared to **32% for those who did**.

<sup>35</sup> U.S. Census Bureau. *American Community Survey 2023 5-year Public Use Microdata Sample*.

<sup>36</sup> "Fact Sheet: Wage Theft." Los Angeles Worker Center Network. May 22, 2023. <https://laworkercenternetwork.org/wage-theft/>

<sup>37</sup> Ibid

<sup>38</sup> Ibid



## COST OF LIVING

On top of the exploitative working conditions that construction workers face, those who reside in Los Angeles are also dealing with **high costs of basic necessities** such as housing and food.

## WORKER TESTIMONY



## JOSUE TREJO

Josue Trejo has worked in construction since 2014, beginning as a construction laborer. He works 6 days a week from 6am to 6pm, commuting up to two hours each way to the job site. Most days, he does not see his four young children, who are asleep by the time he arrives home.

He stated that most of his employers do not offer any time off or sick leave, and commit shady practices to avoid paying liability insurance. Companies will tell workers who get injured on the job to go home, avoid going to the hospital, and return when they are healed. They promise to pay them when they return, and often instead fire them, saying there is no proof they were injured in the first place.

“

**You don't know you're going to be the guy who makes the mistake and hurt himself. If you are the guy, then your days are numbered. You're a liability. They don't want you there and the first moment they get, you're gone.**

”

Josue has had two of his fingers smashed while working, a piece of shrapnel exploded into his leg and still remains in his tissue, and was cut badly on his face when a co-worker failed to warn him of falling debris while he was walking through a doorway. No incident report was made, and no paramedics were called. His employer told him to go home and recover. When he came back, he was not paid for time off.

He has also regularly experienced wage theft, working up to 80-hour weeks and only getting paid for 20 hours of work. He mentioned the company was late with a check at least once a month.

“

Some of these companies put profit over your own personal safety and life. They don't care-you're just a number. They have no interest in taking care of you.

”

## LOS ANGELES CONSTRUCTION WORKER SURVEY DATA

A survey of over 500 residential construction workers in 2025 revealed the following:



**3 in 4** residential construction workers risk being evicted if they miss just one paycheck



**1 in 5** residential construction workers have been evicted



**1 in 10** residential construction workers have been homeless



**8 in 10** residential construction workers have experienced wage theft, such as being denied overtime pay, being required to work off the clock, being misclassified as an independent contractor, or not being paid the minimum wage.



**1 in 5** residential construction workers have been injured on the job



**4 in 5** residential construction workers do not receive benefits, forcing many to pay their own medical bills when injured on the job

## HOUSING CRISIS IN LOS ANGELES

In the City of Los Angeles, **multifamily permits dropped 46 percent** between 2022 and 2024.<sup>39</sup> Data from the Construction Industry Research Board show even larger drops: 49% in the city and 39% in the county.<sup>40</sup>

In 2024, San Diego reached 56% of its Regional Housing Needs Assessment (RHNA) target through issued permits — more than **Los Angeles, which reached just 24%**.<sup>41</sup>

The Los Angeles metropolitan area ranked **third-to-last in new housing units** issued per capita among the 50 biggest metropolitan areas in 2024.<sup>42</sup>

## COST TO TAXPAYERS

The low wages of construction workers also have major consequences for taxpayers, as nearly **half of construction worker families in California are enrolled in safety net programs**, costing the state over \$3 billion annually based on 2019 figures.<sup>43</sup> Considering inflation and Medi-Cal expansion, this number is higher now.

**48 percent of families of construction workers** are enrolled in at least one safety net program.<sup>44</sup>

## FINANCIAL

### CURRENT SPENDING ON CONSTRUCTION LABOR

For California residential projects using LIHTC that had no requirement to pay prevailing wages, construction **workers captured just 14 percent of the total development cost**, including their wages and benefits.<sup>45</sup> Developers, construction firm owners, landowners, and banks together captured more than double that amount—35 percent.<sup>46</sup>

A report by the California Assembly Select Committee on Permitting Reform in March 2025 found that **failures in the permitting process played a major role in the failure to meet RHNA needs** – NOT labor costs.<sup>47</sup> This counters the claim made by many developers that California construction labor costs are to blame for the lack of housing development.

<sup>39</sup> U.S. Census Bureau <https://www2.census.gov/econ/bps/Place/West%20Region/we2022a.txt>

<sup>40</sup> Andrew Khouri, "California is building fewer homes. The state could get even more expensive." April 2, 2024. <https://www.latimes.com/california/story/2024-04-02/california-is-building-fewer-homes-the-state-could-get-even-more-expensive>

<sup>41</sup> California Assembly Select Committee on Permitting Reform. March 2025. [https://drive.google.com/file/d/1kC2i-tGdDOHBWTZO\\_g4DwinLD4ZSQvRy/view](https://drive.google.com/file/d/1kC2i-tGdDOHBWTZO_g4DwinLD4ZSQvRy/view)

<sup>42</sup> Analysis of U.S. Census Bureau Building Permits Survey, 2024 Annual Permits by CBSA.

<sup>43</sup> Ken Jacobs and Kuochih Huang. The Public Cost of Low-Wage Jobs in California's Construction Industry. UC Berkeley Labor Center, June 8, 2021. <https://laborcenter.berkeley.edu/the-public-cost-of-low-wage-jobs-in-californias-construction-industry/>, UC Berkeley Labor Center+2UC Berkeley Labor Center+2.

<sup>44</sup> <https://laborcenter.berkeley.edu/the-public-cost-of-low-wage-jobs-in-californias-construction-industry/>

<sup>45</sup> Scott Littlehale, "Low Income Housing Tax Credits: Assessing the Costs, Impacts and Policy Implications of Tax Subsidies for Affordable Housing," Smart Cities Preval (2020, October).

<sup>46</sup> Ibid

<sup>47</sup> California Assembly Select Committee on Permitting Reform. March 2025. [https://drive.google.com/file/d/1kC2i-tGdDOHBWTZO\\_g4DwinLD4ZSQvRy/view](https://drive.google.com/file/d/1kC2i-tGdDOHBWTZO_g4DwinLD4ZSQvRy/view)

## DEVELOPERS CAN AFFORD TO PAY HIGHER WAGES

Residential housing developers acknowledge that a labor shortage is present in the construction industry and that the **difficulties in building more housing is made difficult by the lack of skilled workers** and workers in general.<sup>48</sup> At the same time, multiple housing developers with a wide range of projects in California and Los Angeles continue to report high profits each year.<sup>49 50</sup>

Empirical analysis of the US construction industry shows that firms face upward-sloping labor supply curves and, therefore, have wage-setting power in the labor market.<sup>51</sup> However, **wages in the construction industry have remained stagnant** even amongst high demand for housing and low labor supply. The minimum wage ordinance is thus needed to intervene and ensure fair wages for the workers who will be tasked with building Los Angeles.

## HOUSING CRISIS RELIEF

Contractors have said that they **need a more stable workforce to build housing** on a mass scale. Increasing the supply of construction workers by improving working conditions and compensation would help create this region's needs to meet its RHNA goals.

Research shows that **increasing the supply of housing often lowers housing costs**, which would allow millions of workers to comfortably live in the area that they work, lower poverty rates, and address the homelessness crisis.<sup>52</sup>

## LOS ANGELES ECONOMY

Higher wages recirculate money in the local economy. An increase in worker compensation would allow Los Angeles to collect more revenue through payroll taxes and property taxes from new construction. This would also **boost economic activity by giving more money for workers** to spend in Los Angeles.

## A RESIDENTIAL CONSTRUCTION MINIMUM WAGE ORDINANCE IS NEEDED

Amidst a housing crisis and natural disaster, Los Angeles needs to ensure that housing units are built efficiently and with high skilled labor. For this to happen, wages need to be increased in the residential construction industry in order to attract and retain the 50,000 workers needed annually. Setting a floor for a fair wage will not only attract new workers but also help lift existing workers from poverty and away from reliance on social programs.

<sup>48</sup> LGI Homes Inc. Form 10-K [Form 10-K for LGI Homes INC filed 02/20/2024](#)

<sup>49</sup> KB Homes. "Sustainability Report." 2025 [Sustainability Report](#)

<sup>50</sup> D.R. Horton. "D.R. Horton, Inc., America's Builder, Reports Fiscal 2025 Second Quarter Earnings and Declares Quarterly Dividend of \$0.40 Per Share." April 17, 2025. Press Release. <https://investor.drhorton.com/news-and-events/press-releases/2025/04-17-2025-113034293>

<sup>51</sup> Kory Kroft, Yao Luo, Magne Mogstad, and Bradley Setzler. "Imperfect Competition and Rents in Labor and Product Markets: The Case of the Construction Industry." Becker Friedman Institute. University of Chicago. July 2020. [Imperfect Competition and Rents in Labor and Product Markets: The Case of the Construction Industry](#)

<sup>52</sup> "National Rent Report." Apartment List. August 2025. <https://www.apartmentlist.com/research/national-rent-data>