

# 'BRICK & KICK,' OPEN THE BORDERS, OR...?

CHOICES AND RESPONSIBILITIES IN  
SOLVING THE TRADE SHORTAGE

By Scott Sedam, Contributing Editor



**T**he late Stephen Covey, author of one of the all-time best-selling business books, *The 7 Habits of Highly Effective People*, often wrote about “the world of abundance.” In Covey’s view, there’s always enough of virtually everything to go around, if we approach it with the right frame of mind. It’s all there, you just have to learn how to find it—or to create it. One thing that never works, though, is to sit back and hope abundance finds you.

Whether you’re debating the availability of food, clean water, land, business opportunities, or promotions, Covey taught that the “scarcity mentality”—the zero-sum game where for you to win, someone else must lose—is responsible for many of the world’s woes, from countries to companies, sports teams to schools, and families to individuals.

Today there are several hundred home builders who may vehemently disagree with Covey, especially in regard to the nationwide shortage of trade labor. Their solution? Currently it appears to simply be “pay more and buy the supply over the next guy.” But with most builders facing a significant squeeze on profit margins, that’s not a compelling strategy. Covey’s approach, by comparison, requires a change in our basic beliefs—the hardest change to make, next to changing the beliefs of someone else.

## HEARING BOTH SIDES

When I started this series in *Professional Builder*, the first article, “America’s Trade Shortage: The Failure of an Industry” (March 2016), cited our industry’s slowness to engage on the issue of the trade labor shortage in a productive, proactive way. I anticipated both a measure of support along with a dose of criticism and even hate mail, and my expectations were fulfilled.

The emails and calls supporting my position and those willing to share their efforts to develop the trade base were both gratifying and enlightening. But it’s important to also give a nod to those who see things differently because, in truth, they are many.

Some of the pretzel logic and circular reasoning coming from the hate mail boggled my mind, and it was tempting to just dismiss it. But recalling the old story about the boy who digs through a huge manure pile each day after school because “with this much crap, there has to be a pony in here somewhere,” I’ll try to translate their key points.

Here are the primary pushbacks. (I’ll leave out the ones claiming the universal answer, “It’s all Obama’s fault!” because everyone already knows that, correct?)

**Mass deportation.** I went so far in the March article as to provide some conservative and simple math showing that mass deportation of undocumented aliens is neither practical nor affordable. Yet this is the first position taken by many. Often citing “rule of law,” mass deportation beyond a massive, impenetrable wall, is non-negotiable. We won’t do the math



## GIVEN THAT TRADES ARE A CRITICAL ASSET IN SHORT SUPPLY, TAKING THE UTMOST CARE TO PROTECT THAT ASSET SHOULD BE AT THE TOP OF THE BUSINESS RESPONSIBILITIES LIST.

again, but, suffice it to say, the numbers are totally lost on those who hold fast to this belief. For them, it's about the kind of country we want this to be, and anything other than immediate expulsion is a threat to the Republic. The issue is black and white. They came here illegally, so they all must go—now. Whatever it takes.

I asked one hardliner who called me directly, how we would solve the “family problem.” I explained that one of our leading presidential candidates emphatically stated during the debates that we can't break up families—there are literally millions of families where the father, mother, or both are undocumented while their offspring, born and raised in the U.S., are citizens. My caller had no answer for this “crazy, liberal notion,” and when I told him that well, no, actually it was Republican Sen. Ted Cruz who said that, the caller just replied, “I'll check on that,” clearly unbelieving. So far, no one has an answer to that issue, but note that considering families ups the ante—and the sheer numbers—significantly. You may argue that the law granting citizenship simply by birth-right alone should be changed going forward, but that does nothing to solve the current problem.

I was also accused of supporting a totally open-border policy. When I protested, the reasoning went like this: If you don't think mass deportation is viable, you must be for open borders. Right. Again, it's black and white to some. No gray area or nuances allowed. But in case you're wondering, I believe totally open borders would be a disaster. Besides, I just don't trust those Canadians. They have a new premier and God only knows what they might be up to.

**Illegals take American jobs.** Either by staying on the move or participating in multi-layers of contracting and subcontracting that are difficult to track, the reality is there are more than 10 million illegals in the workforce and, according to some folks who contacted me, they take jobs that should rightfully go to Americans. Besides construction, illegals do considerable work in agriculture, food services, hospitality, home services, and senior care, among others. Yet what I hear time and time again are stories of employers who try to hire “traditional American workers” (and no, don't ask me to define that term), in what are typically lower-paid positions, and have a difficult to impossible

task finding the labor they need. Some say that's because these so-called traditional American workers are either unavailable for or unwilling to do this lower-paid work, but I was told it was due primarily to low wages, even in the skilled trades.

**Illegals depress American pay.** Several callers and writers described this with palpable frustration. Men from my generation recounted a life spent building their trade contracting companies, yet their children have no interest in the business. The reason? Lousy pay. These witnesses claim the only thing that matters to builders today is bid price, and due to illegals there is always someone willing to do it cheaper and not as well. But again, across the nation, all I hear is case after case of substantial increases in labor prices.

Our TrueNorth team members report back on this every week from our work with builders around the country, and I can speak from recent personal experience due to a rash of roof and plumbing leaks at my own home, and the subsequent desire to “just remodel while we're at it.” In the past six months my family has employed drywallers, plumbers, and installers for skylights, flooring, and HVAC, and they were each paid quite well. We'd love to have hired a tile layer, but after a months-long search, we did the project ourselves. Several lost weekends and a couple of aching knees later, I'd have paid a king's ransom for someone else to do the work. Then I think about a family member who is an electrical contractor, and let's just say most of us would love to trade bank accounts with him.

**Brick and kick!** I can't speak to other industries, but there's scant evidence that illegals have held back wages in home building. How about picking tomatoes in the “thumb” area of Michigan or staffing the summer resorts on Mackinac Island? Do they hire immigrants, legal or otherwise, because they can pay them so little, or because traditional American workers just won't do the seasonal jobs? Farmers and hoteliers claim the latter, but who really knows? Regardless, let's say somehow the “brick and kick” (brick the big border wall and kick out all the illegals) gang wins the day and labor rates increase by 15 to 20 percent, or more. As I've written in previous columns, we're in a period where builder margins are falling despite higher sales because the market won't support the price increases required to cover increasing costs in all areas of the



business. A significant rise in labor rates may stop our post-recession housing growth in its tracks.

**It's the government, stupid.** The primary arguments here are that the borders are not secure enough and deportation is too slow. If you're bored, Google search "Deportation under Obama," and you'll find articles stating that Obama, with a year to go in his term, has deported 2.5 million illegals; 23 percent more than George W. Bush did in eight years. You can also read about how the current administration has deported more illegals than 19 previous presidents from 1898 to 2000 combined. Then you'll read that last year saw the lowest rate of deportation in a decade. So pick whatever "facts" suit your agenda.

But ... it's not the employers. I was compelled to ask the "brick and kick" crowd why, amidst all the chest-pounding by candidates over just how big a wall they'd build and how quickly they'd launch mass deportation, not one mentioned going after the employers. I'm not taking a position here, except to note that illegals come here for the jobs and opportunity. If there were no jobs and no money, word would quickly get back to the countries of origin and the flow would slow to a trickle. Would this not be a far less expensive approach than brick and kick? Just sayin' ... But no one bit on my challenge. For those who are dead-set on just culling these workers, I ask you, Why are the employers virtually untouched? I don't know, but I'm curious. I anxiously await your explanation.

Let's add on one more big issue, however: We are overly focused on pushing high school kids toward college degrees, when we should also be pushing them—equally or perhaps more—toward trade and technical training. School loans? How about this: Reimburse trade and technical school students 50 percent of the cost of each course passed with a "C" or better, and if they complete the program, reimburse them the other 50 percent. Once you reach age 18, you should have to have "skin in the game" to get any help, presuming you are of able body and mind.

## WHO'S RESPONSIBLE?

I recently spent a day with an exceptional management team, setting up their Lean Process implementation. They are No. 1 in their midsize market, build great quality homes, and I was amazed at the detail and amenities they provide at each price point. They are committed, enthusiastic, focused, clearly love the business, and care about customers, suppliers, trades, and

one another. In most builder teams there is a resident skeptic or two who holds back, and that's normal. Yet I couldn't find one in this group, despite my provocations.

Was there any deficiency at all in this team? It didn't turn up until late in the day. I asked them—given their position as market leader and possessed of such a strong, progressive team—what specific actions they'd taken in the past year to help develop the trade base they are so dependent upon. They looked at one another, then at me, perhaps a bit embarrassed, when finally the CEO said, "In truth, nothing." I let that sit awhile, then asked if perhaps this was a responsibility they had overlooked.

When considering the roles and responsibilities of management and leadership, responsibility for trade development is crystal clear to me and inarguable. Leaders are charged with building and protecting the assets of their company. Given that trades are a critical asset in short supply, taking the utmost care to protect that asset lies at the top of the business responsibilities list. Could this even be a moral responsibility? Be brutally honest with yourself and your team. What are you doing to build and protect this asset? I'll suggest that if it isn't difficult, your efforts aren't meaningful. What would happen if we reached genuine critical mass with builders stepping up? What if the national builders required each of their several hundred divisions to annually demonstrate their performance on trade development metrics just as they must demonstrate profit, growth, and more traditional asset management? What if the leading regionals and locals did the same?

While you ponder that, I hope most of you are now asking, How? and that will be the focus of the next few columns I write. We'll report and explore specific examples from the national efforts by the NAHB and its HBI (Homebuilder Institute) arm, local programs from HBA/BIA's, the work of local vocational and technical schools, steps taken by product manufacturers, and progress made by local builders. Are you going to sit around and pray that abundance shows up on your doorstep or are you going to take action to create it?

Meanwhile, I'll put my money on at least one strong local builder with a committed management team being among those leading the way in the near future. **PB**

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