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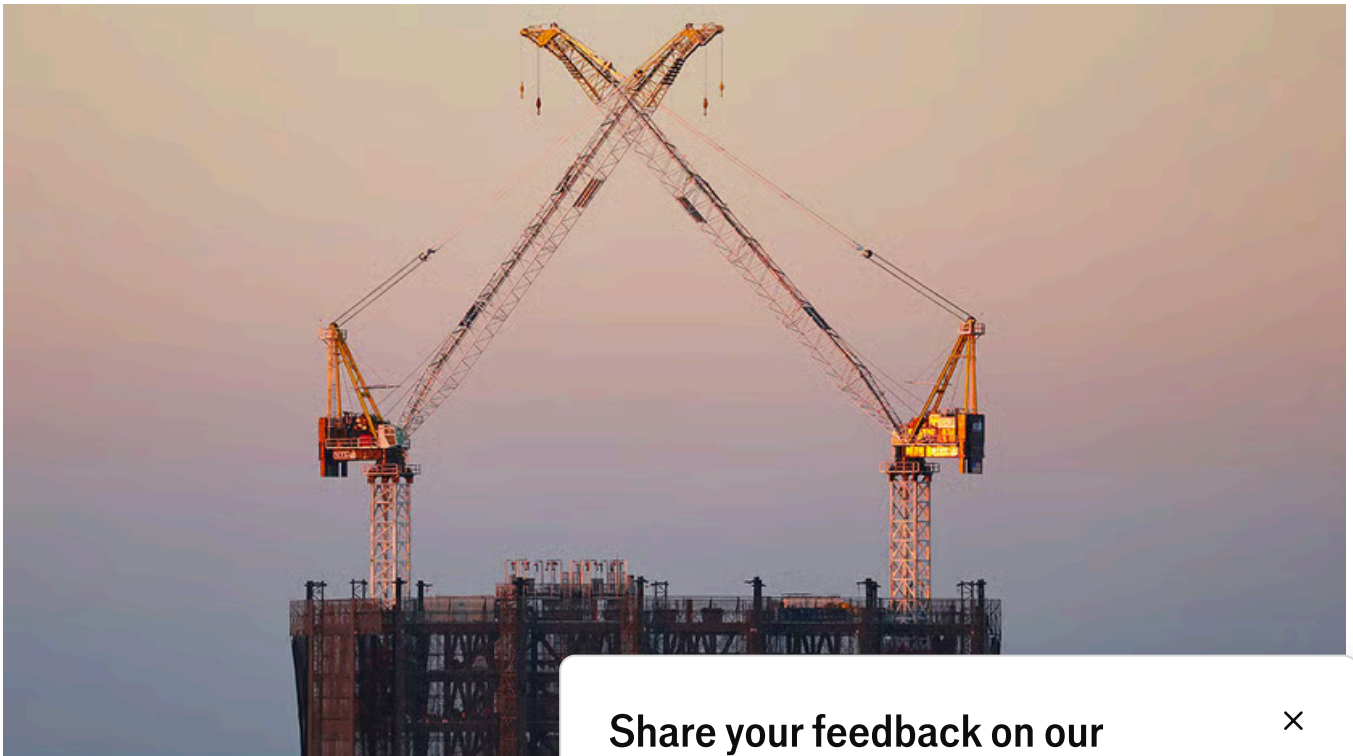
Business | Deconstructed

America's broken construction industry is a big problem for Trump

It is beset by fragmentation, overregulation and underinvestment

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THE EMPIRE STATE BUILDING, finished in 1931, was erected in just 410 days. That same year construction began on the Hoover Dam. It was meant to take seven years, but was built in five. Such feats now seem hard to imagine. Last year half of America's construction firms reported that commercial projects they were working on had been delayed or abandoned. In 2008 Californian voters approved a high-speed-rail line connecting Los Angeles to San Francisco, to be finished by 2020. It will be at least a decade late.

America's inability to build is a problem for Donald Trump. Although he has again delayed levying "reciprocal" tariffs until August 1st, the president's commitment to reviving American manufacturing through protectionism is as strong as ever. But can the country build the factories, warehouses and bridges needed to reindustrialise, and do so quickly enough? And if the administration is to achieve its ambition to win the artificial-intelligence race, it will have to ramp up the construction of data centres and electrical infrastructure, too.



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Demand for projects is certainly soaring. Turner Construction Company, America's largest commercial builder, reported that its order backlog rose by a fifth, year on year, in the first quarter of 2025. Yet delays and cost overruns remain inevitable. Productivity has gone

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house-building companies construct an average of one new employee as they did nine decades ago.

and soaring prices. Behind this dismal state of affairs is a combination of

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Start with fragmentation. By one count, there are around 750,000 companies operating in America's construction industry, roughly three times as many as in manufacturing, which accounts for twice the share of GDP. The result is forgone economies of scale. According to a study by Leonardo D'Amico of Harvard University and co-authors, construction firms with more than 500 employees are around twice as productive as those with between 100 and 499, and four times as productive as those with fewer than 20 workers.

The industry is also characterised by a lack of vertical integration. Giants such as Turner or Bechtel will take on responsibility for big commercial projects but contract out much of the building work to smaller local firms, some of which also sub-contract parts of the job. Housebuilding follows a similar model. That leads to layers of co-ordination, negotiation and payment, all of which can slow down projects. The business is also highly fragmented, too, with inadequate

Why, then, has the industry not cut through the thicket of building regulations that has accumulated? These have not only gummed up the process but also forced firms to develop detailed knowledge of local rules to state and even across towns. Companies have had to enlist local contractors to help with the process, but they may also be better placed to recruit

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The Economist

scale contractors, which typically operate with razor-thin profit margins, lack the wherewithal to invest in labour-saving technologies, particularly in an industry with such volatile demand. According to Jan Mischke of McKinsey, a consultancy, capital expenditure by the average American construction firm comes to about 3% of revenue, compared with 13% across other industries.

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The adoption of new technologies has been lacklustre as a result. The patchy uptake of software tools to plan and manage jobs does not bode well for the industry's embrace of artificial intelligence. Builders have also been slow to make use of the robots that are increasingly found in factories. There are only six of these for every 100,000 workers in America's construction industry, according to ING, a bank, compared with almost 3,000 in manufacturing (which is still far below its potential). Of course, the variation in building projects means they cannot be all the same. Even so, robots are able to perform tasks such as welding or moving materials, that would otherwise take workers' time.

What could pull the industry out of its slump? Partly away at federal rules that stymie innovation. The Occupational Safety and Health Administration's required amount of illumination for construction sites. President Trump also wants to deport workers who entered America illegally, which

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