



CBTU SMCC

CANADA'S BUILDING TRADES UNIONS
LES SYNDICATS DES MÉTIERS DE LA CONSTRUCTION DU CANADA
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Consultation on Labour Conditions for Clean Tech and Clean Hydrogen Investment Tax Credits

January 2023

Ottawa, ON



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BACKGROUND

Canada's Building Trades Unions (CBTU) are the national voice of over half a million Canadian construction workers — [members of 14 international unions](#) who work in more than 60 different trades and occupations and generate six per cent of this country's GDP. Our work is not just done on-site, but in a number of facilities that provide modules or other components that are incorporated into the structures that we work on. Once structures are built, we are employed in their renovation, maintenance, and repurposing.

Each year our industry – through our members and contractor partners – invests over \$300 million to fund and operate 195 apprenticeship training and education facilities across Canada. Since 1908, our members have built the roads, bridges, factories, hospitals, schools, and green construction projects that benefit communities and Canadians from coast to coast. As our industry evolves, we continue to adapt our skills and training to ensure our members maintain the highest level of skills in their respective crafts.

SUMMARY OF RECOMMENDATIONS

1. The Prevailing Wage is determined using the total wage package which includes all pensions and benefits negotiated through the applicable multi-employer collective bargaining agreement agreed to by regional and provincial bargaining agents in the provinces and territories for ICI (Industrial, Commercial and Institutional) construction and fabrication projects unless a previously established Project Labour Agreement is already in place.
2. The investment tax credits announced in the Fall Economic Statement need to be strengthened to remain competitive with the United States' tax credits which are increased by five times when prevailing wage and apprenticeship requirements are met. CBTU recommends:
 - a. Increasing the Investment Tax Credit for Clean Technologies up to a maximum of 40 per cent if good labour conditions as per recommendation #1 are met.
 - b. Increasing the Investment Tax Credit for Clean Hydrogen up to a 50 per cent maximum if good labour conditions as per recommendation #1 are met.
3. The apprenticeship and diversity requirements for these credits be as follows:
 - The overall apprenticeship hours to journeyperson hours be 25 per cent for all worker hours averaged over a project;
 - Minimum of 10 per cent of all hours worked to be performed by underrepresented groups (Indigenous Peoples, Women, Black Canadians, people of colour), veterans.





PUTTING WORKERS FIRST IN THE TRANSITION TO A GREENER ECONOMY

The shift away from fossil fuels towards a greener, more sustainable economy is the greatest shift for industrialized economies since the Industrial Revolution. If we are to learn from our history, a large economic shift the industrial revolution created a painful period of adjustment as the nature of work changed. To minimize the negative impacts of the transition to net zero on workers, communities and our economy, thoughtful planning and Government supports are incredibly important. According to a 2021 report by TD Economics, an estimated 600,000 Canadians are either directly or indirectly employed in the oil and gas sector and approximately 50-75 per cent of those workers are at risk of displacement during the transition through to 2050. Figures like this have caused uncertainty and apprehension among workers who are concerned about the future of their careers and ability to earn a good living and support their families. According to a 2021 survey conducted by Abacus Data and commissioned by Let's Build Canada, 76 per cent of workers are concerned that jobs in the renewable sector will not pay as well as jobs in oil and gas. And, they're not wrong; current data demonstrates that jobs in the renewable sector do not pay as well. According to the [United States Bureau of Labor](#), the median annual wage for a solar photovoltaic installer in 2019 was \$44,890 USD while the median annual wage for a wind turbine service technician was \$52,910 USD. In contrast, jobs in the [fossil fuel power sector](#) paid between \$70,310 USD and \$81,460 USD.

With these concerns in mind, it is imperative to get the right supports and incentives to help the industry transition and ensure good jobs are maintained in the transition to net zero. This submission responds to the Government's consultation questions on the Clean Technology Tax Credit and Hydrogen Tax Credit to ensure the credits support well-paying, middle-class jobs.

CONSULTATION QUESTIONS

- 1. Are there modifications to the prevailing wage and apprenticeship rules introduced in the *Inflation Reduction Act* in the United States that should be considered in the Canadian context? If yes, how should they differ and why?**

The Prevailing Wage in the United States is defined as the combination of the hourly wage rate combined with work benefits like life insurance, health insurance, pension plans and vacation pay. Whereas according to the [Government of Canada](#), the Prevailing Wage is determined based on data contained in the National Occupational Classification, based on location and adjusted on a semi-regular basis.

CBTU has reviewed these definitions and through research and consultation with our stakeholders, recommends the Canadian Government determine the prevailing wage by using the total wage package which includes all pensions and benefits negotiated through the applicable multi-employer collective bargaining agreement agreed to by regional





and provincial bargaining agents in the provinces and territories for ICI (Industrial, Commercial and Institutional) construction and fabrication projects unless a previously established Project Labour Agreement is already in place.

In order for a Just Transition to be successful, the incentives found in the 2022 Fall Economic Statement must be strengthened. The tax credits in the Inflation Reduction Act, like the Clean Electricity Investment Credit and the Nuclear Power Production Credit, are increased by five times if prevailing wage and apprenticeship requirements are met. In contrast, the tax credits in the Fall Economic Statement are only increased by 10 per cent if labour conditions are met. This will not encourage investment in clean technology, promote good labour conditions, or help Canada remain competitive in this sector, particularly with the United States.

Instead, the tax credits for committing to prevailing wage, as defined above, and apprenticeship requirements should be 20 per cent higher if good labour conditions are met to create a real incentive for businesses to provide good jobs. This would bring the maximum for the **Investment Tax Credit for Clean Technologies up to a maximum of 40 per cent** and **the Investment Tax Credit for Clean Hydrogen up to a 50 per cent maximum** when good labour conditions are met. Strengthening these tax credits will foster private capital investment into new technologies for a greener economy, create more certainty for businesses and worker and help us align more closely to the Inflation Reduction Act to remain competitive with the United States. They will also help grow Canada's labour force in the clean energy sector by supporting good, well-paying job opportunities.

For apprenticeship requirements, CBTU recommends the Government implement the following apprenticeship and diversity targets:

- The overall apprenticeship hours to journeyman hours shall be 25 per cent for all worker hours averaged over a project
 - This percentage may be amended to reflect any amendments or requirements to the respective Provincial Apprenticeship Ratio Policy
 - Minimum of 10 per cent of all hours worked to be performed by underrepresented groups (Indigenous Peoples, Women, Black Canadians, people of colour), veterans;
 - These targets and ratios should be outlined by way of contractual agreement and with clearly defined identified targets. Not aspirational.
2. **What effects could requirements for paying prevailing wages and creating apprenticeship opportunities have on clean technology and clean hydrogen investment projects?**

Implementing prevailing wages and apprenticeship opportunities on clean technology and hydrogen projects would have a number of positive outcomes including leveling the playing field for all contractors bidding on these projects as labour costs would be equal.





This would encourage contractors to focus on innovation either through the use of technology or through innovative project delivery methods.

It would also build greater confidence that labour supply will be available for these projects. According to BuildForce Canada, 156,000 workers – approximately 13 per cent of the 2021 labour force in construction – are expected to retire by 2027. While the industry is expected to recruit approximately 142,850 workers under the age of 30 over the next several years, the industry is likely to be short roughly 29,000 workers by the same year.

Under its current definition, the prevailing wage puts on downward pressure on wages in the construction industry as the median wage fails to capture the wages and benefits for journeymen and apprentices. When looking at wages in Lower Mainland BC in 2021, the wages being posted on the Government's Job Bank were typically 20 to 30 per cent lower than both union and open-shop workplace wages. This creates problems for recruiting Canadian workers as pressure on wages does not encourage more Canadians to join this sector, especially at this time where there are labour availability concerns across the country.

Therefore, by the Government including collective bargaining wage rates and benefits in the prevailing wage, more Canadians will be encouraged to join the construction industry easing concerns around labour availability. Ensuring jobs created through new technologies pay a union wage and offer benefits and a pension will make these jobs more attractive to Canadians.

Lastly, conditions for apprenticeship opportunities could be used to provide employment opportunities for underrepresented groups in Canada including Indigenous Canadians, women, veterans, people with disabilities, Newcomers, and people of colour. By mandating a percentage of work to be carried out by apprentices and diversity requirements for apprentices, it would utilise untapped pools of labour and help diversify the construction industry.

3. What effects could conditions for paying prevailing wages and creating apprenticeship opportunities have on workers?

Requiring the use of prevailing wages and apprenticeship opportunities in order to qualify for a tax credit on clean tech projects will raise the bar for all construction workers, not just unionized construction workers. A strong prevailing wage defined by the total wage package through multiemployer collective bargaining will create strong, middle-class jobs with family-sustaining wages that will help grow communities. In addition, providing apprenticeship opportunities will help grow and diversify the workforce which will ease concerns around labour availability. As the construction industry faces increasing demands for labour, these projects must have strong wages in order to incentivize Canadians to join the building trades so that projects can be completed on time and on budget.





By implementing strong investment incentives, it will also give awareness among the different trades and occupations on the role they are playing in helping Canada reach climate goals including reaching Net Zero by 2050.

4. Are there certain occupations that the prevailing wage or apprenticeship conditions should (or should not) apply to (such as, in the case of apprentices, the 54 designated Red Seal trades)?

In order to create uniformity and predictability within these tax credits, the prevailing wage and apprenticeship requirements should be applied to any and all occupations involved in the project in accordance with Provincial guidelines.

5. Has your organization encountered prevailing wage or apprenticeship conditions in other contexts, for example with respect to government contracts or programs, federally, provincially, locally or in other jurisdictions? If yes, what is your experience with these rules and are there any specific issues that should be noted when developing the labour conditions?

Across Canada, different jurisdictions both provincially and locally have utilized diversity targets and apprenticeship opportunities to grow and diversify the workforce, including Community Benefits Agreements/Workforce Development Agreements.

For example, British Columbia created the British Columbia Infrastructure Benefits (BCIB) which supplies a qualified skilled trades workforce for the construction of public infrastructure projects operating under a Community Benefits Plan. The Community Benefits Agreements ensure the apprenticeship ratio is 25 per cent on apprenticeable trades (which may be amended at any time by the employer to reflect any amendments to the Provincial Apprenticeship Ratio Policy). BCIB has been successful in creating a robust labour supply and demand model that ensures an adequate supply of labour information is available to contractors and other stakeholders. This initiative has also been successful at diversifying the workforce in British Columbia by mandating diversity requirements in its contractors with employers. BCIB reported in its first project season, approximately 50 per cent of the craft hours completed were done by one or more of the priority hires (locals, Indigenous peoples, women, veterans, people with disabilities and other underrepresented groups).

Another jurisdiction that been a leader on CBAs is Nova Scotia. Since March 2020, every provincially procured project over \$100,000 has a CBA attached to it. The targets include: 25 per cent of all designated trade/craft hours worked to be performed by registered apprentices; a minimum of 10 per cent of the hours worked shall be performed by underrepresented groups; and, a minimum of 10 per cent of all workforce shall be comprised of underrepresented groups.





Other jurisdictions have found success in growing and diversifying their workforce through other mechanisms. For example, Newfoundland and Labrador has successfully increased the percentage of women in the building trades through its Office to Advance Women Apprentices (OAWA). In contrast to the national average of three to four per cent, Newfoundland and Labrador now has between 13 to 21 per cent women, depending on the trade, in the building trades workforce. OAWA achieves success by providing ongoing support to tradeswomen seeking careers in the skilled trades by providing career services, employment supports creating networking opportunities for tradeswomen, and connecting female tradespersons with unions and employers.

6. Employers would need to be able to demonstrate compliance with the labour conditions. What considerations should be taken into account in this respect when designing the conditions?

There must be strong measures in place to certify that employers are meeting the conditions to qualify for the tax credits. Employers must share wage data with the government and provide detailed information on the apprentices that have been recruited for their project and report on the completion of apprenticeships. For example, in the US, employers are required to submit “certified payrolls” that outline how much workers are being paid in wages and benefits weekly. This includes tracking apprentices’ start and completion dates. Employers are required to maintain that data in order to comply with the Fair Labor Standards Act and to qualify for the investment tax credits.

Secondly, there must be measures in place that will allow hired apprentices to work on the project for an extended period of time and are not merely an item on a checklist. To ensure apprentices receive fair opportunities on its infrastructure projects, Nova Scotia records the hours an individual apprentice works on a project to ensure they were not just hired for a day in order to meet apprenticeship and diversity targets.

CBTU and our partners would be happy to work with the Government to develop an efficient and transparent reporting structure to establish apprenticeship opportunities on Canada’s energy infrastructure projects going forward.

7. In certain situations, an employer could subcontract work to be performed. Are there specific limitations in applying labour conditions to a subcontractor?

The labour conditions for the tax credits must apply to all contract or subcontract work. Not applying labour conditions to the subcontract work would create a loophole and defeat the purpose of these tax incentives.

8. Are there any circumstances for which exemption from the conditions should be considered, such as for certain types of investments or for certain locations? What reasons would justify these exemptions?





There should be no exemptions for any types of projects or locations, particularly in northern and remote communities. Infrastructure projects in remote places are great opportunities for apprentices. Like journeypersons, apprentices are flown to these camp jobs and remote nature of the work allows them to gain the hours they need in order to complete their apprenticeship requirements.

9. Should there be a threshold of investment required (or other metrics such as number of workers) for the labour conditions to apply? If so, what would be an appropriate threshold?

There should not be an investment threshold for the prevailing wage conditions and apprenticeship requirements to be applied under these tax credits.

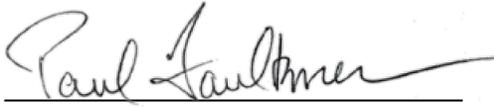
This submission is on behalf of Canada's Building Trades Unions.

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General Vice President, International
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On behalf of the International Unions of Canada's Building Trades



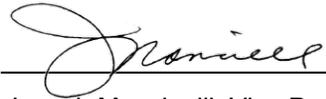
Paul Faulkner, International Vice President,
International Association of Heat and Frost
Insulators and Allied Workers



Patrick Campbell, Canadian Director
International Union of Operating Engineers



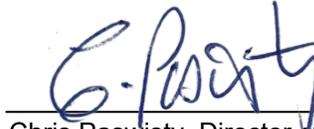
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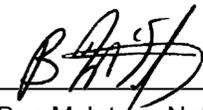
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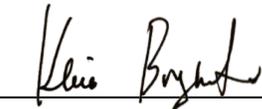
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