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CANADA'S BUILDING TRADES UNIONS
LES SYNDICATS DES MÉTIERS DE LA CONSTRUCTION DU CANADA
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July 18, 2014

Standing Committee on Finance Study:

Budget 2015

C/O Christine Lafrance, Clerk of the Committee

Please accept this submission for the committee's study and meetings regarding Budget 2015.

Respectfully,

Bob Blakely

Canadian Operating Officer

Executive Summary

Our submission to the Standing Committee on Finance for Budget 2015 calls for federal action on labour mobility. Canada's Building Trades Unions (CBTU) calls for either a labour-mobility tax credit or an EI travel voucher as a response to skills shortages and demographic changes. There are two major human-resources challenges facing the construction industry: labour shortages and allocation, and barriers to labour mobility. In this section we describe both, offer further details about our proposed solution, explain why now is the right time to implement such a proposal, and list some of the short- and long-term economic benefits that the Government of Canada will realize by taking action.

Canada's construction industry at a glance

More than one million Canadians are employed in construction's diverse trades

Each year, construction workers install, repair and renovate more than $150 billion worth of infrastructure.

Investment in construction accounts for 12 percent of Canada's GDP.

More than 260,000 businesses operate in the construction industry.

A vast majority of construction firms (90 percent of residential-focused businesses and 70 percent of non-residential businesses) employ five or fewer people.

By 2019, the construction industry will require 320,000 new workers to sustain activity and meet demand.

A worker's average mobility cost is approximately $3,500.

CHALLENGE #1: LABOUR SHORTAGES AND ALLOCATION

The 2014 edition of the Build Force Canada *Construction Looking Forward* report suggests that to replace retiring workers and maintain productivity, construction employers collectively must hire more than 300,000 new workers between now and 2019.[i] Of that total, the report projects that 132,000 workers must be recruited from non-traditional labour sources such as Aboriginal workers and new Canadians, while the remaining 167,000 must be taken from among new workforce entrants, and workers who relocate themselves from other regions of country.[ii] Clearly, these will result in significant labour shortages in the next decade.

Provinces, such as Ontario, will offer work opportunities between 2015 and 2019. Another group (among them, Quebec, Nova Scotia and Alberta) will offer consistently high numbers of opportunities.[iii] Construction is a transitory business. Jobs last for months at a time and no worker expects to move his or her family to new cities regularly. The construction industry, therefore, can partially solve its skills shortages by encouraging workers to temporarily relocate to other parts of the country to pursue new work. In its report, CSC assumes that construction can recruit as many as 163,000 new workers from other provinces if "interprovincial labour mobility [is] maximized to take full advantage of the national workforce."[iv] Unfortunately, labour mobility is not so unencumbered.

CHALLENGE #2: BARRIERS TO LABOUR MOBILITY

Most workers in the construction industry are not strangers to mobility. There exists within our industry a large subset of people who retain homes or families in communities across the country, but who routinely work elsewhere in the country. In *Working Local, A Study of Labour Mobility in Canada's Industrial Construction Sector*, Build Force Canada demonstrated that nearly 70 percent of the more than 1,200 workers surveyed had travelled within Canada to find new work at one point in their careers. Most said they would entertain moves to other parts of the country for financial reasons, or if those were the only opportunities available to them. Respondents indicated that the cost to relocate was the second largest impediment to working mobile.[v]

Figures compiled on behalf of the CBTU suggest that the average mobile worker spends approximately $3,500 of his or her own money to temporarily relocate.[vi] Because this cost is seldom reimbursed to the worker by his or her employer, it represents a significant barrier to the appeal of obtaining employment or completing an apprenticeship.

THE SOLUTION

The solution could be styled a number of ways including a tax credit or a revamp of EI benefit payments as outlined below:

> *A solution to construction's labour supply and allocation challenges is a labour-mobility tax credit that enables mobile workers to deduct the costs of expenses incurred for employment purposes—such as travel, meals and lodging— less any money paid by the employer for these purposes. Doing so would remove one of the largest stated barriers to labour mobility and pave the road for workers to move more freely between regions of the country where their skills are in most demand*.

> *A solution to construction's labour supply and allocation challenges is a restructuring of EI benefits, styled as a travel voucher. A travel grant at the beginning of the benefit period (after the waiting period) would help the Canadian economy. For example, the EI recipient could have a grant of $2,000 dollars for travel costs to obtain employment sooner and in a region of Canada short of that worker's skillset the economy ought to benefit. The travel voucher isn't new EI benefits , simply, it is an advance of future benefit payment.*

THE OPPORTUNITY

The Government of Canada has shown great leadership during difficult economic times. Through a series of measures aimed at sparking competitiveness and streamlining legislation, you have invigorated the construction industry and its small-business employers at times in which this industry needed the most support. More than this, you have demonstrated a strong commitment to the industry's workers through the proposed Canada Job Grant. Now is the time to build on this momentum. The Government of Canada must introduce a mobility measure for those workers who are prepared to disrupt their lives and those of their loved ones to fill this important industry's worker shortages.

THE PAYBACK

Our proposal for policy change makes eminent business sense for the Government of Canada. Introduced in Budget 2015, we expect that a three- or four-year pilot project to test this initiative will yield significant benefits for workers, employers and government alike.

Workers will benefit from a reduction in their temporary relocation costs and a reduction in time spent unemployed.

Employers will benefit from access to larger pools of qualified workers, and reduced costs relating to participation in programs such as the Temporary Foreign Worker program.

In exchange for modest, short-term per-worker losses of tax revenues, the Government of Canada will benefit from increased long-term income-tax revenues and reduced dependence on costly social programs.

The data in the following scenario (implemented in NB, NL, NS and PEI) demonstrates how a labour-mobility tax policy will yield a return on the government's investment of nearly 5:1

Please Note: Further detailed projections are included in the Audit of Projections appendix of this submission.

BUILDING AND CONSTRUCTION TRADES DEPARTMENT, AFL-CIO

Bill C-227 Projections

Assumptions effective June 23, 2010

Scenario #2

Adopted in New Brunswick, Newfoundland/Labrador, Nova Scotia, & Prince Edward Island

			Per worker	Total	
Total number of construction industry participants (Note 3)				80,000	
Affected workforce (Note 2)				10%	
Number of eligible travelling skilled trades workers				8,000	
Annual eligible travel expenditures (Note 2)		$	3,500	28,000,000	
Tax credit (Note 2)			15%	15%	
Total projected implementation cost			(525)	(4,200,000)	A
Projected savings in EI benefits paid per trades worker (Note 3)			1,572	12,576,000	
Marginal federal tax paid on EI benefits (Note 3)	22.00%		346	2,768,000	
After tax savings			1,226	9,808,000	B
Average weekly construction earnings (Note 3)			1,050	8,400,000	
Number of weeks unemployed during the year (Note 3)			6	6	
			6,300	50,400,000	
Marginal federal tax rate			22.00%	22.00%	
Additional tax revenue due to employment			1,386	11,088,000	C
Net savings (cost) of implementation		$	2,087	16,696,000	(A+B+C)

See Notes 5 and 6 demonstrating the sensitivity to the total projected implementation cost (Line A) and net savings (cost) of implementation (Line A+B+C), respectively, due to changes in percentage participation and annual eligible travel expenditures.

Tools to monitor compliance and measure success

If policy change is to successfully entice construction workers to seek work outside of their home jurisdictions, its implementation must be closely monitored. CBTU recommends a number of tools to gauge the pilot program's quantitative success (to monitor compliance) and its qualitative success (measure its success).

MEASUREMENTS OF QUANTITATIVE SUCCESS

1. *Through reporting statistics provided by the Canada Revenue Agency.*
   The adoption of current tax programs can be measured by compiling information gained through Canadians' T1 forms.

2. *Through Employment Insurance program monitoring in target markets.*
   Measurement between periods will show (barring any major macro-employment improvements) a decreased reliance on the EI program. We anticipate that the average duration of any unemployment periods among pilot participants will also decrease.

3. *Through reduced use of the Temporary Foreign Worker (TFW) program in pilot-program markets.*
   ESDC and Citizenship and Immigration Canada monitor and measure labour market opinions that will be fundamental to measuring the success of this program. Labour-market demand for TFWs will decline as the pilot ages and more Canadian workers are encouraged to move to new regions.

4. *Through a Build Force-based monitoring initiative.*
   Buildforce will assume responsibility for matching program use and program need. Because it monitors construction labour-market data, the council is an obvious choice to monitor the uptake of such an initiative.

5. *Through the horizontal monitoring of associated programs.*
   The Treasury Board Secretariat maintains a number of initiatives to measure or monitor the use of key government-administered programs. As the labour-mobility pilot ages, the costs to run associated programs (such as the TFW program) will decrease.

MEASUREMENTS OF QUALITATIVE SUCCESS

1. *Through surveys of participating employers*
   The labour-mobility tax credit will provide employers with access to a larger pool of highly trained, skilled workers. Therefore, the feedback of construction employers will be essential to monitoring this program's success.

   Employer surveys will make companies aware of the fact that workers on their projects benefitted from the labour-mobility tax credit. The survey will ask employers to gauge the extent to which they believe the tax credit contributed to workforce planning and supply.

2. *Through surveys of tax-benefit recipients.*
   The main beneficiaries of the labour-mobility tax credit will be individual workers. The data gathered from surveys of workers who participate in this program will therefore be essential to the program's further development.

Legislative background
Policy change has been proposed to government before.

In April 2008, the Standing Committee of Human Resources, Social Development and the Status of Persons with Disabilities recommended that the federal government:

1. Examine the moving expenses provision of the *Income Tax Act* with a view to extending this provision to individuals who must leave their principal residence to work on a temporary basis, provided their primary residence is retained; and

2. Provide funding to assist individuals who agree to relocate to enter employment in occupations experiencing skills shortages.[viii]

The Standing Committee on Finance (as recently as May 2014)[i] has heard evidence from stakeholders highlighting the economic need for such incentives including changes how EI benefits are paid to eligible employment seekers. All stakeholders in construction and large industry (for example oil sands mining) are in favour of policy change. Canada would alleviate some strain on regional and structural skill shortages.

Conclusion

The Government of Canada has continually demonstrated a high degree of leadership and foresight as its actions pertain to supporting industries and the broader economy in times of crisis. Time and again, this government has come to the assistance of small businesses and construction companies, offering solutions that stimulate growth, encourage innovation and reduce administrative burdens.

As we move forward into the middle years of this decade, construction again faces a crisis. Acute worker shortages threaten to derail the excellent work the government has encouraged through its stimulus programs. If construction companies across Canada are unable to recruit tens of thousands of new workers in each of the next ten years, the businesses that literally build this nation will be unable to continue to do so. Productivity countrywide will suffer as a result.

A partial solution to alleviating industry-wide regional labour shortages exists, however. By enacting new financial labour mobility policy measure the government can encourage construction workers to fill regional employment gaps and sustain construction's performance as Canada's largest private-sector industry. In doing so, the government will not only keep construction working during a time of need, but also collect additional income-tax revenues and lessen workers' and employers' dependences on costly programs such as EI and the TFW program.

A labour-mobility pilot program makes eminent sense for workers, employers and government alike. CBTU urges this government to introduce such a measure in the 2015 federal budget.

Assumptions in attached Financial Scenarios -10% of the construction workforce in any geographic area travels more than 80km from principal residence to obtain employment six weeks of the calendar year -$3,500 is the average annual expense a skilled tradesperson incurs to obtain employment that is not reimbursed by the employer

(1 flight at 1,000, 4 vehicle trips at 300Km=1,200 km @.51/km = $612, 10 hotel nights at 88/night = $880) -the propensity to work is greater than the propensity to collect EI during those six weeks of unemployment -any tax benefit received from a pilot project would be in the form of a tax credit at 15% of any eligible monies spent -Figures which outline provincial employment by industry were obtained from Statistics Canada and the Construction Sector Council:

References

i http://www.buildforce.ca/en/products/national-summary-2014-highlights

ii *ibid.*

iii ibid

iv ibid, p.14.

v *Working Local: A Study of Labour Mobility in Canada's Industrial Construction Sector.* Construction Sector Council. 2007. P.7-8.

vi For a detailed description of these costs, see "Key Assumptions" in the Appendix to this submission.

vii *Build Force Report as above*

viii *Employability in Canada: Preparing for the Future. Standing Committee on Human Resources, Social*

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