

Legislative Issues Briefing – Canadian Legislative Conference 2011

Canada is on the cusp of a recovery from the economic events of 2008 and 2009. Our recovery is partly dependant upon intervention in the economy from the Government of Canada, events beyond our control in the global economy and “the rest” will be up to industry to be flexible, nimble and leaders in innovation.

As leaders in the highly successful Construction industry, our organization has the ability to impact public policy. There are a number of issues facing Canadians and Canada at large, in which we can engage. Some of these issues directly impact our industry and some of these issues directly impact Canadian values, traditions and our families.

Legislative Issue Summary 2011

1. Skilled Trades Mobility Pilot and necessary changes the *Income Tax Act*

Skilled Trades Mobility Pilot – Canadian Legislative Conference 2011

Background and about the Industry

Statistical highlights and compelling economic reasons for a regional Mobility Pilot

- One out of 16 workers employed in Canada earns a living in the construction industry.
- More than one million Canadian men and women are employed in many diverse construction trades and professions.
- Construction workers are involved in the installation, repair or renovation of more than \$150 billion of work every year.
- There are over 260,000 firms in the construction industry: over 65,000 in residential construction and 150,000 in the trade contracting industry.
- Though the industry stands out as one of the major employers of workers, the size of the average construction firm is quite small. In the residential sector, nearly 90% of firms have less than 5 employees. In the non-residential sector, almost 70% of the firms have 5 employees or less.
- Construction investment represents approximately 12% of annual GDP.
- The average age of a construction worker in May, 2001 was 41 years old.
- In 2005, most construction workers were located in Ontario (39%), followed by Quebec (18%), and British Columbia and Alberta (16%).

Background:

Current Situation:

Out of work tradespeople currently have to finance some or all of their own travel and accommodation should they wish to travel to another region where skills are in higher demand.

For over thirty years, the Building Trades have lobbied successive governments to rectify this situation. We have asked Members of Parliament to amend the Income Tax Act to allow tradespersons to deduct travel and accommodation expenses in the event they have to travel to another region for a job. This would put them on even footing with thousands of other Canadians who now use such a deduction.

In the 2007 federal budget, truckers were granted such a tax write-off, but inexplicably, construction workers were ignored.

The **Standing Committee of Human Resources, Social Development and the Status of Persons with Disabilities** recommended, in April 2008:

Recommendation 1.6

The Committee recommends that the federal government 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.

Recommendation 1.7

The Committee recommends that the federal government provide funding to assist individuals who agree to relocate to enter employment in occupations experiencing skills shortages.

For some time now, members of the Building Trades Unions have been urging MPs to support Bill C-390. This private Member's bill was introduced in the House by Chris Charlton, NDP Member for Hamilton Mountain. If enacted, it would allow tradespersons and indentured apprentices to deduct travel and accommodation expenses from their taxable income so they can secure and maintain employment at a construction site that is more than 80 kilometres from their home.

BCTD Policy:

The BCTD policy on this issue has been consistent; we believe the mobile construction workforce is worthy of support, just like other sectors which do get support. We have, in the past, advocated support for mobility from a variety of sources such as EI – **but given this Bill is currently in play in the HOC, we are asking you to support it.**

We commend the Member from Hamilton Mountain, Chris Charlton, for introducing *Bill C-227*. We firmly believe it is eminently sensible and reasonable. What makes little sense is having a surplus of skilled labour in one part of the country and a chronic shortage in another and economic disincentives keeping the workforce at home.

The bill is economically viable and would actually have a positive impact on the public purse. The benefits for workers, for their employers, for the employers' customers, and for the regional economies would be substantial. In your kits there is a breakdown that shows that the GOC actually makes money if our unemployed members are working (and claiming travel expenses against their income!!) This bill extends the same tax treatment for construction workers as traveling salespeople or self-employed consultants. **We urge all Parliamentarians to support the rapid passage of Bill C-390 through the House of Commons and the Senate.**

Summary

The Government of Canada has a responsibility to ensure a system of tax fairness is in place for Canadians who belong to a mobile workforce and who may work for more than one employer during a tax year. This class of employee and taxpayer has distinct characteristics from other single employer classified Canadians. For example, this mobile workforce retains home and family in communities across Canada while spending personal funds to travel to gain employment. In the unionized sector, this class is also dispatched to jobsites through a hiring hall which generally covers a large geographic area. In some instances, this hiring hall sends the employees outside of this geographic area to obtain employment. In the non-unionized sector, individuals bear the same travel cost barriers. Tax measures that allow the deductibility of travel expenses for employment purposes are required for individuals currently classified as employees under the Income Tax Act. Included would be cost of travel, meals and lodging less any money paid by the employer for said purposes. The pilot program should be incorporated into Budget 2011 on a temporary basis to

address skill shortages. ⁱ The Building Trades have made a number of submissions to the Standing Committee on Finance and the Minister of Finance on this issue.

Construction workers often incur large personal expenses to travel to worksites before becoming employees of construction companies and this cost is not tax deductible under the Income Tax Act for individuals. In other cases they subsidize the cost of meals, lodging and travel. In addition, construction employers often face large expenses to secure a workforce for the life cycle of their project. **Construction employers face a disincentive to hire workers from other provinces for their jobsites which creates business risk for all involved in the planning process.** If there were a tax regime in place that incited industry to use Canadian workers where there is a shortage of work it would alleviate the high cost employers face when using Human Resources and Skills Development Canada's Temporary Foreign Worker Program. Information compiled from Treasury Board's *Horizontal Initiative 2007 Workplace Skills (HRSDC) and Temporary Resident Program (CIC)* indicate ongoing program costs of approximately \$67MM to the Government of Canada.ⁱⁱ A pilot project as noted in the following pages will ultimately reduce construction's reliance on the Temporary Foreign Worker program and decrease cost of administering this program to the Government of Canada. Primarily however and for the purposes of this paper, if the taxation regime were to change it certainly would alleviate pressure on the Employment Insurance account and lessen construction's draw. For reference purposes, Budget 2008 provided this kind of a tax break to truck drivers to assist with mobility challenges in their industry.

It is proposed, that this program be introduced on a trial basis, until 2015 to address anticipated labour market conditions.

Legislative Background

There is currently a Private Members Bill (C-227) before the House of Commons introduced by the Member from Hamilton-Mountain. This Bill has been before the House since early 2006.

The **Standing Committee of Human Resources, Social Development and the Status of Persons with Disabilities** recommended, in April 2008:

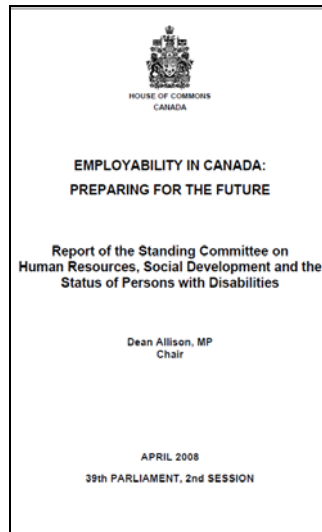
Recommendation 1.6

The Committee recommends that the federal government 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.

Recommendation 1.7

The Committee recommends that the federal government provide funding to assist individuals who agree to relocate to enter employment in occupations experiencing skills shortages. ⁱⁱⁱ

The official Government response to these recommendations from the committee recommendation was inadequate and in fact, the Government response encouraged individuals to move their primary residence to where the work is located. ^{iv} **In our industry because of the highly transitory nature of our workforce, there is agreement by owners, contractors and workers that permanent relocation simply does not work and is not desirable.**



The Data

The *Construction Sector Council* in the June 2010 Construction Looking Forward report, indicated that by 2017 more than 316,000 skilled trades people will be required to meet both retirement and industry growth demands. Canada's construction workforce has grown significantly over the last 15 years – however, there remains regional skilled labour shortages impacting economic growth and the development of this necessary workforce.

Table 4 RETIREMENT DEMAND AND CHANGE IN EMPLOYMENT, 2009–2017

Province	Retirement 2009-17f	Change in employment 2009-17f	Total 2009-17f
Newfoundland and Labrador	3,190	3,165	6,355
Prince Edward Island	962	112	1,074
Nova Scotia	5,877	639	6,516
New Brunswick	5,231	691	5,922
Quebec	35,332	47,905	83,237
Ontario	59,761	74,858	134,619
Manitoba	5,230	5,370	10,600
Saskatchewan	4,381	1,822	6,203
Alberta	21,699	8,061	29,760
British Columbia	25,885	6,426	32,311
Canada (sum of provinces)	167,547	149,049	316,596

f – forecast

Sources: Construction Sector Council, Statistics Canada

Pilot Proposal

It is the intention that the pilot and its inherent changes to the Income Tax Act operate on a trial basis until 2015 using the data set and assumptions of the Construction Sector Council as a template for operations and eligibility.

Based on available datasets created by the Construction Sector Council in Construction Looking Forward it is most efficient to allow eligibility for this proposed tax credit to market region and trades assigned a ranking of **4 or 5** for the purposes of pilot. These rankings address both trade and region - and take into account industry forecasting.

Rankings for purposes of the Construction Sector Council report are as follows:

MARKET RANKINGS

- 1 Workers meeting employer qualifications are available in local markets to meet an increase in demand at the current offered rate of compensation and other current working conditions. Excess supply is apparent and there is a risk of losing workers to other markets.
- 2 Workers meeting employer qualifications are available in local or adjacent markets to meet an increase in demand at the current offered rate of compensation and other working conditions.
- 3 The availability of workers meeting employer qualifications in the local market may be limited by large projects, plant shutdowns or other short-term increases in demand. Similar or weaker conditions exist in adjacent markets so that mobility is an option. Employers may need to compete to attract needed workers. Established patterns of recruiting and mobility are sufficient to meet job requirements.
- 4 Workers meeting employer qualifications are generally not available in local and adjacent markets to meet any increase. Employers will need to compete to attract additional workers. Recruiting and mobility may extend beyond traditional sources and practices.
- 5 Needed workers meeting employer qualifications are not available in local or adjacent markets to meet current demand so that projects or production may be delayed or deferred. There is excess demand, competition is intense and recruiting reaches to remote markets.

They read:

4. Workers meeting employer qualifications are generally not available in local and adjacent markets to meet any increase. Employers will need to compete to attract additional workers. Recruiting and mobility may extend beyond traditional sources and practices.

5. Needed workers meeting employer qualifications are not available in local or adjacent markets to meet current demand so that projects or production may be delayed or deferred. There is excess demand; competition is intense and recruiting reaches to remote markets.

Compliance, Monitoring and Measuring Success?

Compliance, monitoring and success management are key components to any pilot project program.

Quantitative success will be measured in a number of ways:

1. CRA uptake
2. EI account monitoring and uptake in those eligible markets
3. TFW use in key market place
4. Construction Sector Council monitoring initiative
5. Horizontal Initiative Monitoring of Workplace Skills (HRSDC) and Temporary Resident Program (CIC)

1. The uptake on any tax pilot is easily measured by reporting statistics provided by the Canada Revenue Agency. Current tax items are measured by compiling information in T1 forms filled out by Canadians.
2. The Employment Insurance account is easily measured - the Monitoring and Annual report document measures industrial usage of the program by region of the country. Measurement period to period will show (barring any major improvements to macro-employment in said area) a decreased reliance on the program. It is anticipated the average duration of the period of unemployment for pilot participants will decrease.
3. HRSDC and CIC monitor and measure Labour Market Opinions (LMO) on an annual basis. The comparison and analysis of LMOs will be fundamental to measuring success in this pilot. In theory, labour market demand for TFWs will decline with the pilot to facilitate mobility of the Canadian workforce.
4. The Construction Sector Council would be responsible for matching up program usage and program need - they are the natural home for this monitoring initiative as they monitor labour force information for our industry. Their initiative www.constructionforecasts.ca would stand to benefit from implementable policy aimed at helping identified industry issues.
5. Treasury Board has a number of initiatives to measure / monitor key programs and initiatives. With implementation of a pilot, the cost to run associated programs (like the Temporary Foreign Worker program) naturally will decrease.

Qualitative Success will be measured in a number of ways:

1. Survey of stakeholders (employers) conducted by third party firm
 2. Survey of tax benefit recipients conducted by third party firm
-
1. Construction employers stand to benefit from this mobility initiative and their feedback would be essential in monitoring success. The survey design would ensure relevant information would be received by the Government of Canada. Employers will be made aware that workers on their projects benefited from this tax credit – the survey will garner how much of an impact the availability of this credit made to workforce planning and supply on their project. Because of the limited number of large, industrial projects / contractors this sample of information will be representational of the industry at large. The Construction Sector Council maintains/ administers a list of large construction contractors across Canada and would be the best “home” for administration of this survey.
 2. The main beneficiaries of this mobility initiative are individuals – a survey of pilot participants would be beneficial. The Canadian Apprenticeship forum recently undertook a survey of apprentices across the country – something similar for participants of the pilot would be advisable.

How would it work?

→ Purchaser of construction services (PCS) would be able to register for participation in mobility pilot with HRSDC

→ HRSDC would then issue relevant Revenue Canada form that the PCS can issue to employee or (group of employees) who have incurred eligible expenses at the employer's request

→ Employees then complete form with proof of travel expenses compiled

→ Employees then apply for tax credit at the end of taxation year

→ Current Canada Revenue Agency (CRA) reporting practices (similar to Home Renovation Tax Credit processes) exist and therefore is considered reasonable to assume it is technically feasible for the program to be implemented

2. The Underground Economy and Canada's missed opportunity

ⁱ <http://www2.parl.gc.ca/HousePublications/Publication.aspx?DocId=3634128&Language=e&Mode=1>

ⁱⁱ Retrieved October 25 2010
<http://www.tbs-sct.gc.ca/dpr-rmr/2008-2009/inst/csd/st-ts05-eng.asp>

ⁱⁱⁱ Retrieved March 24, 2010
<http://www2.parl.gc.ca/CommitteeBusiness/StudyActivityHome.aspx?Cmte=HUMA&Language=E&Mode=1&Parl=39&Ses=2&Stac=2219738>

^{iv} Retrieved March 25, 2010
<http://www2.parl.gc.ca/CommitteeBusiness/StudyActivityHome.aspx?Cmte=HUMA&Language=E&Mode=1&Parl=39&Ses=2&Stac=2219738>