

Issue Brief

Labour Legislation



Overview

The construction industry in Alberta has been in need of modernized labour legislation in order to create an environment where construction projects could proceed on a more cost effective basis. Over the past several years, the provincial government has commissioned three reports, two by Hope and Chomyn, and one by Sims. Two of the reports have remained confidential advice to government, never having been made public, while the last fundamentally flawed report by Sims was endorsed by legislators of the day to inform legislative reforms. The current status is a pause in any potential legislative or regulatory revisions, and another stakeholder consultation.

Labour legislation must promote fair and competitive labour relations rules that strengthen Alberta's construction industry, through: improving Alberta's competitive position compared to other markets; securing costs and creating economic advantages; creating bargaining structures for today's workplaces; and, improving fairness for employers and employees.

Merit Supports

- Increased competitive and fair labour environments
- Consultation with not only contractors and worker representative organizations, but also major construction purchasers
- A revised Labour Code to reflect:
 - the current construction market, i.e. the facilitation of all-employee certifications and when firms are certified by a union the completing of existing work under previously agreed upon terms and conditions of employment
 - restrictions on union fines
 - the closing of gaps in enforcement of the prohibition on cross sectoral subsidies (MERFs)
 - financial transparency of union dues

- Union dues being optional for activities related to collective bargaining and grievance administration

Merit Opposes

- Changes to labour legislation impacting the industrial sector under Section 8 without significant and thorough consultation with major construction purchasers
- Changes to labour legislation based on biased, unsubstantiated reports with erroneous information and data
- Maintaining the status quo

Background

Alberta is again poised at the edge of a significant boom, but there are indications of concern from potential investors regarding the labour situation in the province. The energy situation in North America is also shifting. Recent changes could herald a slowdown in energy investment in Alberta unless we respond with increased competitiveness. Canada has long held beliefs that the U.S. will remain dependent on Canadian energy exports. That may have been true a few years ago, but while the US Government has dithered on pipeline approvals, like the Keystone XL project, Washington has quietly paved the way for increased imports from Mexico. In July 2104, the U.S – Mexico Transboundary Hydrocarbons Agreement came into force, which enables the joint exploration and development of oil and gas deposits straddling the common maritime boundary in the Gulf of Mexico. This area has the potential for the extraction of 170 million barrels of oil, and 300 billion cubic feet of natural gas. As a result, Canada may be left with energy reserves that are unwanted by the U.S. and too expensive to extract due to project costs. And without a dedicated transportation corridor to markets outside of the U.S., the economic engine of Canada will sputter and potentially fail.

These circumstances will not be apparent in the short term, but action must be taken to address the long term consequences if competitiveness and productivity issues remain the status quo. Modernizing labour legislation and policy is not the only solution to future challenges, but it would go a long way to addressing the issue. The Alberta energy environment is unique, and requires strategies to ensure that natural resource investors view Alberta as a jurisdiction that provides reasonable cost certainty for their investments. Unfortunately, Alberta's labour relations regime has fallen behind other competing jurisdictions (particularly BC and Saskatchewan) in terms of cost certainty and efficiency for investors and their capital investment decisions. Labour

costs are the most variable aspect of a construction project and constitute the greatest risk element to a potential investor in terms of costs and completion schedules.

Past construction of multiple large scale projects in the oilsands and ancillary industries suffered from unprecedented cost overruns due to labour and material shortages. For many investors, the litany of cost over-runs on major projects contributes to a climate of uncertainty that has eroded the perceived competitive advantage of building a major construction project in Alberta.

Alberta appears to be entering another period of economic growth. This period may include labour shortages similar to the problems faced prior to 2008. In fact, recent statistics predicts sustained shortages of skilled labour in the Alberta construction industry of 96,000 workers over the next decade.

Alberta must take advantage of all reasonable mechanisms for creating an environment that provides the economic conditions for Alberta as a jurisdiction with reasonable investment cost certainty. Since labour costs are the most variable aspect of a construction project and constitute the greatest risk element to a potential investor, mechanisms that facilitate efficient and progressive labour relations strategies will improve the efficiency and competitiveness of the Alberta construction industry. Some of this may be achieved through amendments to Alberta's labour relations regime. Though the Labour Code was amended in 2003 and 2008, it has not significantly changed since 1988. However, Alberta's economy and construction industry have undergone dramatic changes since that time, which should be reflected in labour legislation.