

Alberta - Economic Study

Potential Impact of the Employer Liaison Service and Canada-China Free Trade on the Construction Labour Force

This economic study examines the potential impact of the Temporary Foreign Worker Program's (TFWP) new Employer Liaison Service (2017-2019) on construction labour in Alberta. To put this analysis in context, the link between migrant workers, unemployment and construction labour in Alberta is examined, during a period of economic decline (2015-2016). In addition, the study assesses the proposed Canada-China free trade agreement, which could involve the importation of migrant workers for Chinese-financed construction projects in Alberta's oil sands region. The main recommendation is the federal government should undertake a full inquiry into the impact of the TFWP and the International Mobility Program (IMP) on the construction labour force in Alberta.

**Includes
Recommendations
for Change**

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1 - INTRODUCTION

1.1 AIMS AND OBJECTIVES

The collapse of oil prices from a peak in June 2014 (\$US 105.79) to a low in March 2016 (\$US 37.55) caused a rapid decline in economic activity in Alberta, especially investment in the construction of infrastructure for the production and export of oil. As a result, the Alberta labour force experienced a deep recession in 2015 and 2016, which caused high unemployment in the construction industry and provincial economy. The main aims of this study are:

- ◇ to analyze the potential economic impact of the Temporary Foreign Worker Program (TFWP) and its new Employer Liaison Service on the construction labour force in Alberta (2017-2019);
- ◇ to investigate the relationship between migrant workers, unemployment and the construction labour force in Alberta, during a period of economic decline (2015-2016);
- ◇ to assess the potential impact of a Canada-China free trade agreement, which allows the import of migrant workers for the construction of Chinese-financed oil sands projects in Alberta.

The main objective of this economic study is to investigate the impact of the TFWP and the International Mobility Program (IMP) on the construction labour force in Alberta.

1.2 POLICY ISSUE 1:

MIGRANT WORKERS, UNEMPLOYMENT AND CONSTRUCTION LABOUR

The new Employer Liaison Service (2017-2019) in Alberta is a pilot project designed to ensure employers hire local workers in 29 high-wage occupations, before importing temporary foreign workers (TFWs). The pilot is based on a “Refusal to Process” list, which includes 18 high-skilled construction occupations.

The Alberta NDP and the Alberta Federation (AFL) of Labour said the pilot project will help local workers gain access to job opportunities, as well as stop TFWs from being exploited and used to suppress local wage rates. The project is also expected to encourage employers in the construction industry to focus on apprenticeships and training (AFL Press Release, 2017). A federal Conservative MP is criticizing the pilot project for using job categories that are restricted to a small percentage of unemployed workers in Alberta. There are also complaints the implementation of the new initiative was too slow to mitigate the impact of Alberta’s recession and the existing unemployment problem (Trynacity, 2017).

1.3 POLICY ISSUE 2:

CANADA-CHINESE FREE TRADE AND OIL SANDS CONSTRUCTION

The Canadian Government began exploratory talks with the Chinese government in April 2017 to determine whether there is sufficient interest and economic benefits to pursue negotiations for a free-trade agreement (FTA) (Susan Lunn, 2017). As part of the negotiations, the Liberal government is being pressured by the Chinese government to remove restrictions on Chinese investment and allow the importation of an unrestricted number of Chinese foreign workers for oil sands construction projects. After this initial public consultation, the Liberal government has not made a commitment to ensure employers provide Canadians and permanent residents with the first opportunity for jobs.

1.4 BACKGROUND:

THE LABOUR MARKET IMPACT ASSESSMENT

Under the TFWP, employers are allowed to import foreign nationals to fill short-term labour shortages. The application for approval from Employment and Social Development Canada (ESDC) involves a document known as a Labour Market Impact Assessment (LMIA), which verifies the need for TFWs and that no qualified Canadians are available to do the job. To obtain an LMIA, an employer must advertise the job locally or nationally for a certain period of time, as well as report the number of Canadians who applied for the job, and the number interviewed. Employers are also required to explain why Canadians were not hired.

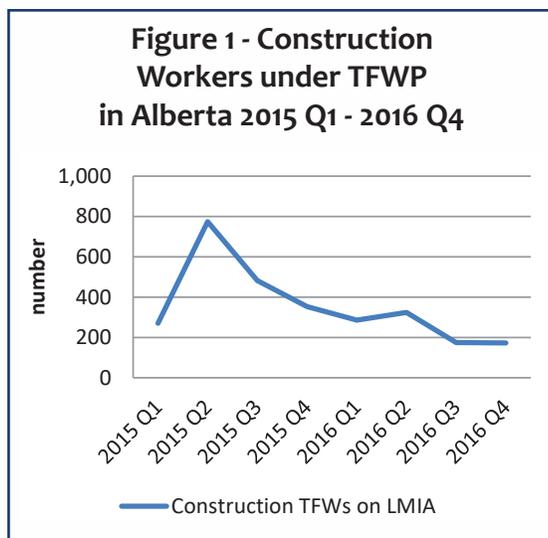
2 THE POTENTIAL IMPACT OF THE EMPLOYER LIAISON SERVICE ON THE CONSTRUCTION LABOUR FORCE IN ALBERTA (2017-2019)

2.1 INTRODUCTION

The Employer Liaison Service is a federal-provincial initiative in Alberta, which was launched on April 19, 2017 in Edmonton, by the new Liberal Employment, Workforce Development and Labour Minister Patty Hajdu and the Alberta New Democratic Party (NDP) Labour Minister Christina Gray. The federal Liberal and Alberta NDP governments created the two-year pilot project (2017-2019), in response to complaints about Canadians being displaced by TFWs during a severe recession in 2015 and 2016. The project is designed to ensure employers are required to hire workers in the domestic labour market, before importing foreign nationals using the TFWP (Employment and Social Development Canada, 2017a).

The program is aimed at employers, who are looking for skilled workers in sectors with higher rates of unemployment. The service will provide employers with recruitment support to hire Albertans, rather than making an application to the ESDC to import TFWs. This section evaluates the potential impact of this service through an analysis of the number of TFWs imported to Alberta under the high-wage construction occupations included in the Refusal to Process list, during a period of economic decline and high-unemployment (2015-2016).

2.2 TFWs IN ALBERTA’S CONSTRUCTION INDUSTRY (Q1 2015 - Q4 2016)



ESDC measured the number of TFW positions in Alberta on positive LMIAs between Q1 2015 and Q4 2016 using the North American Industry Classification System (NAICS) Canada 2012. The NAICS system defines construction as firms engaged in constructing, repairing and renovating buildings and engineering works, and in subdividing and developing land. Firms operate on their own or under contract to other firms or property owners. They produce projects or just parts of projects. Firms often subcontract some or all of the work involved in a project, or work in joint ventures (Statistics Canada, 2016). Figure 1 shows the number of TFW positions on positive LMIAs in

Alberta was 270 in Q1 2015 and jumped to 774 in Q2 2015. The number of TFWs fell to 482 in Q3 2015 and reached 286 in Q1 2016. In Q2 2016, the number of TFWs rose slightly to 324, and then fell to 173 in Q4 2016. The total number of TFWs entering the Alberta construction industry on a positive LMIA in 2015 and 2016 was 2837. To put things in perspective, a total number of 23,997 TFWs entered Alberta in 2015 and 2016.

The construction industry accounted for about 9% of the total number of migrant workers in Alberta in Q1 2015. This share increased to a peak of about 22 % in Q2 2015 and then fell to the 10 % level in Q4 2015 and Q1 2016. After rising to 11 % in Q2 2016, the share of construction fell to 7 % in Q4 2016.

2.3 THE REFUSAL TO PROCESS LIST

The Refusal to Process list targets employers who want to make an application to import TFWs in 29 high-skilled occupations, in five categories under the National Occupational Classification (NOC). This study has identified the following 18 high-wage construction occupations on the list, under three NOC categories (Employment and Social Development Canada, 2017b).

Trades, transport and equipment operators

- ◇ 7202 Contractors and supervisors, electrical trades and telecommunications occupations
- ◇ 7237 Welders and related machine operators
- ◇ 7241 Electricians (except industrial and power system)
- ◇ 7242 Industrial electricians
- ◇ 7251 Plumbers
- ◇ 7271 Carpenters
- ◇ 7301 Contractors and supervisors, mechanic trades
- ◇ 7302 Contractors and supervisors, heavy equipment operator crews
- ◇ 7311 Construction millwrights and industrial mechanics
- ◇ 7312 Heavy-duty equipment mechanics

Natural and applied sciences

- ◇ 2131 Civil engineers
- ◇ 2132 Mechanical engineers
- ◇ 2133 Electrical and electronic engineers
- ◇ 2212 Geological and mineral technologists and technicians
- ◇ 2231 Civil engineering technologists and technicians
- ◇ 2233 Industrial engineering and manufacturing technologists and technicians
- ◇ 2261 Non-destructive testers and inspection technicians

Management

- ◇ 0211 Engineering managers

Immigration, Refugees and Citizenship Canada (IRCC) released data in January 2017 on the number of TFWP work permit holders in Alberta by intended occupation (4-digit NOC 2011) between Q1 2015 and Q4 2016.

The number of TFWs who entered Alberta under a positive LMIA using the construction categories identified by the Employer Liaison Service was 450 in 2015 and 550 in 2016 (Table 1).

The largest group of TFWs imported by construction employers were carpenters with 120 in 2015 and 280 in 2016, while the second largest was welders and related machine operators with 70 and 60 in the same years. The third largest was the industrial electricians with 105 in 2015 and 20 in 2016. These three categories account for 655 workers out of a total of 1000 TFWs, who entered Alberta in 2015 and 2016.

**Table 1 -
TFWs entering Alberta under construction occupations covered
by Employer Liaison Service 2015 - 2016**

	2015	2016
7202 - Contractors and supervisors, electrical trades and telecommunications occupations	5	5
7237 - Welders and related machine operators	70	60
7241 - Electricians (except industrial and power system)	20	35
7242 - Industrial electricians	105	20
7251 - Plumbers	10	20
7271 - Carpenters	120	280
7301 - Contractors and supervisors, mechanic trades	15	10
7302 - Contractors and supervisors, heavy equipment operator crews	10	15
7311 - Construction millwrights and industrial mechanics	15	--
7312 - Heavy-duty equipment mechanics	15	40
2131 - Civil engineers	5	10
2132 - Mechanical engineers	5	5
2133 - Electrical and electronics engineers	30	20
2212 - Geological and mineral technologists and technicians	0	5
2231 - Civil engineering technologists and technicians	--	0
2233 - Industrial engineering and manufacturing technologists and technicians	15	10
2261 - Non-destructive testers and inspection technicians	--	--
0211 - Engineering managers	10	15
Total	450	550
Total 2015-2016 (1,000)		

The number of TFWs imported by employers to Alberta using the LMIA process under construction categories not included in the Employer Liaison Service was 655 in 2015 and 760 in 2016 (Table 2). The largest number of TFWs imported in a construction occupation not included in the pilot project was the steamfitters, pipefitters and sprinkler system installers, with 65 in 2015 and 125 in 2016.

**Table 2 -
TFWs entering Alberta in construction occupations not covered
by the Employer Liaison Service 2015 - 2016**

	2015	2016
7201 - Contractors and supervisors, machining, metal forming, shaping and erecting trades and related occupations	--	10
7203 - Contractors and supervisors, pipefitting trades	0	--
7204 - Contractors and supervisors, carpentry trades	10	15
7205 - Contractors and supervisors, other construction trades, installers, repairers and servicers	35	30
7231 - Machinists and machining and tooling inspectors	10	5
7232 - Tool and die makers	--	--
7233 - Sheet metal workers	--	10
7234 - Boilermakers	--	15
7235 - Structural metal and platework fabricators and fitters	25	35
7236 - Ironworkers	30	10
7243 - Power system electricians	0	--
7244 - Electrical power line and cable workers	10	5
7245 - Telecommunications line and cable workers	10	15
7246 - Telecommunications installation and repair workers	--	--
7252 - Steamfitters, pipefitters and sprinkler system installers	65	125
7272 - Cabinetmakers	5	10
7281 - Bricklayers	10	10
7282 - Concrete finishers	35	35
7283 - Tilesetters	15	30
7284 - Plasterers, drywall installers and finishers and lathers	30	40
7291 - Roofers and shinglers	5	15
7292 - Glaziers	10	40
7293 - Insulators	35	--
7294 - Painters and decorators (except interior decorators)	85	70
7295 - Floor covering installers	75	35
7313 - Refrigeration and air conditioning mechanics	50	35
7371 - Crane operators	--	5
7521 - Heavy equipment operators (except crane)	--	5
7611 - Construction trades helpers and labourers	30	75
0711 - Construction managers	10	15
2232 - Mechanical engineering technologists and technicians	50	50
2233 - Industrial engineering and manufacturing technologists and technicians	15	10
Total	655	755
Total 2015-2016 (1,415)		

Painters and decorators were the second largest group of TFWs imported in a construction occupation, with 85 in 2015 and 70 in 2016. The third largest group of TFWs entering Alberta using the LMIA was the floor covering installers, with 75 in 2015 and 35 in 2016. In the occupation of construction trades helpers and labourers, there were 30 TFWs imported by employers in 2015 and 75 in 2016.

There are 32 construction occupations not included in the Employer Liaison Service, but only 18 construction occupations on the Refusal to Process list. In addition, there were no TFWs imported to Alberta in 2015 and 2016 in two of the construction occupations included on the list. Employers in Alberta imported more TFWs (1415) in construction occupations that were not included on the list, than the number of TFWs (1,000) on the list, during the period of decline (2015-2016).

2.4 UNEMPLOYED BUILDING TRADES

The National Occupational Classification (NOC) 2016 includes the following occupations under the category of trades, transport and equipment operators: trades supervisors and contractors, construction and mechanical tradespersons, operators of transportation and heavy equipment and trades helpers. These occupations are found in a range of industrial sectors, but the category represents most of the building trades in the construction industry (Statistics Canada, 2016).

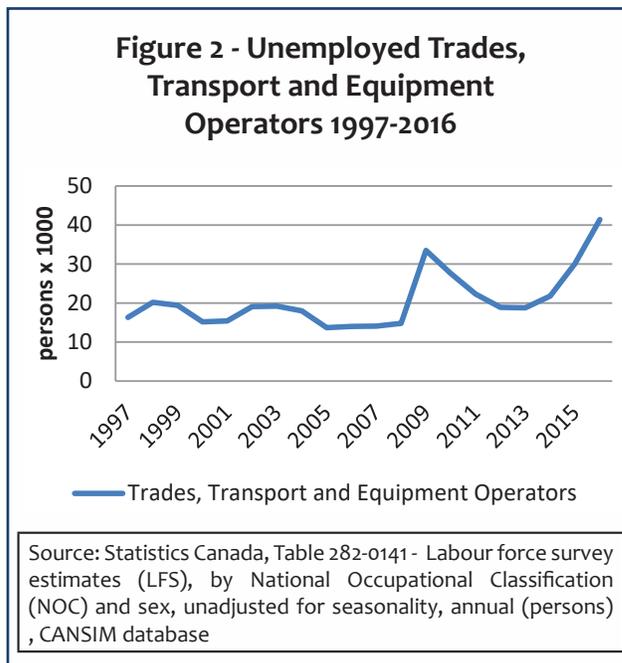


Figure 2 shows the number of unemployed trades, transport and equipment operators fluctuated between about 14,000 and 20,000 from 1997 to 2008. However, the number jumped by 127 % to 33,500 people in 2009 from 14,800 people in 2008.

After 2009, the number of unemployed trades, transport and equipment operators fell rapidly to a low of 18,800 people in 2013. After increasing rapidly in 2014 (16 %), 2015 (38 %) and 2016 (38 %), the number of unemployed workers in this category reached a new high of 41,400 people.

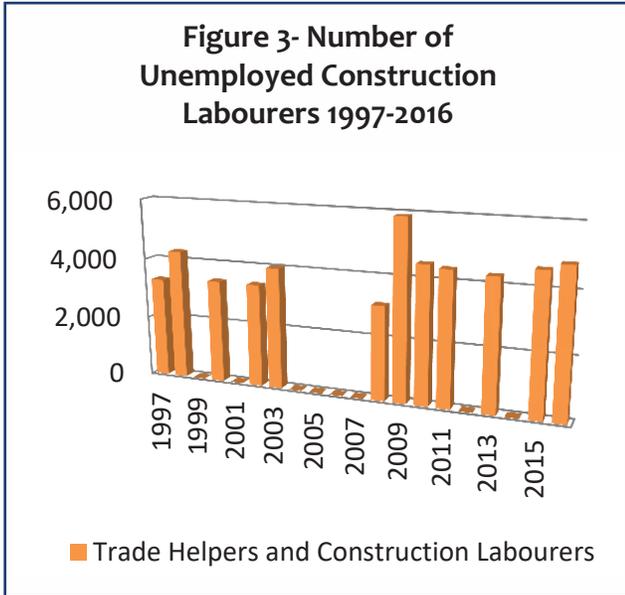
The category defined as trades, transport and equipment operators is made up of five major groups:

- 72 Industrial, electrical and construction trades
- 73 Maintenance and equipment operation trades
- 74 Other installers, repairers and servicers and material handlers
- 75 Transport and heavy equipment operation and related maintenance occupations
- 76 Trades helpers, construction labourers and related occupations.

This category represented 18 % to 22 % of the total unemployed in all occupations in Alberta between 1997 and 2016.

2.5 UNEMPLOYED CONSTRUCTION LABOURERS

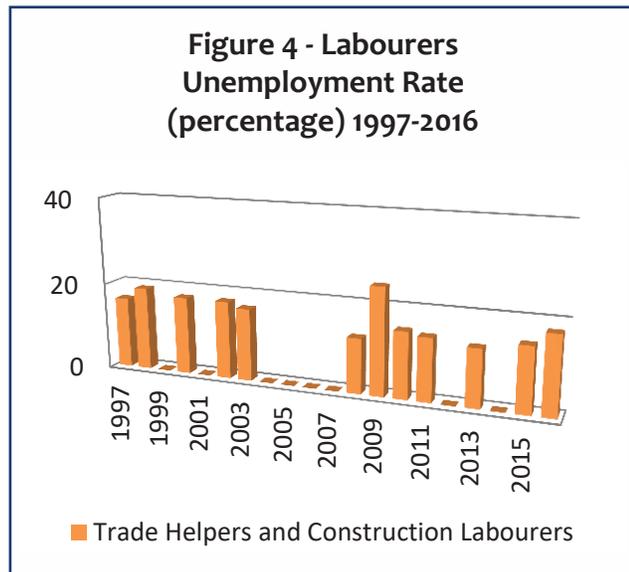
Figure 3 shows the number of unemployed trade helpers and construction labourers in Alberta was 4,600 people in 2015 and 4,800 people in 2016.



A few years are missing, but the data series reveal there have been more than 4,000 unemployed people in this occupation in Alberta since 2009, when the number reached a high of 5,900 people.

Figure 4 shows that ESDC allowed employers to import TFWs to Alberta when the unemployment rate for construction helpers and labourers was 15 % and 18 % during the period of economic decline in 2015 and 2016.

The unemployment rate for trade helpers and construction labourers was 24.4 %, during the recession in 2009. The unemployment rate in this group ranged from 13 % to 24 % between 1997 and 2016 for the years there is data available.



3 MIGRANT WORKERS, UNEMPLOYMENT AND THE CONSTRUCTION LABOUR FORCE IN ALBERTA (2015-2016)

3.1 INTRODUCTION

The TFWP is designed to fill short-term labour shortages, which means employers must have an incentive to find other solutions to longer-term shortages in supply. If the TFWP is performing its stated function in the Alberta economy, it is logical to assume a rise in unemployment during a period of economic decline will reduce employer demand for TFWs and LMIA approvals by ESDC. Using this logic, a fall in unemployment during a period of economic growth will increase employer demand for TFWs and LMIA approvals by ESDC. In economics, this is known as an inverse relationship, which means two variables move in opposite direction. This section investigates the relationship between migrant workers, unemployment and the construction labour force in Alberta, during a period of economic decline (2015-2016).

3.2 MIGRANT WORKERS AND UNEMPLOYMENT IN CANADA

Documents obtained by the opposition federal NDP in 2015 under access to information revealed that industries employing a large share of the youth labour force in Canada are also among the employers hiring the most TFWs. Five of the top six industries that employ youth were also in the top half of users of the TFWP, according to a briefing note prepared in August 2013 for Jason Kenny, former Conservative Minister of ESDC. The industries listed as employing the most youth and TFWs include construction, accommodation and food service and information and cultural industries. Critics of the TFWP said the number of TFWs in Canada continued to grow to almost 340,000 in December 2014, despite the recession and a high unemployment rate (Alex Boutilier, 2015).

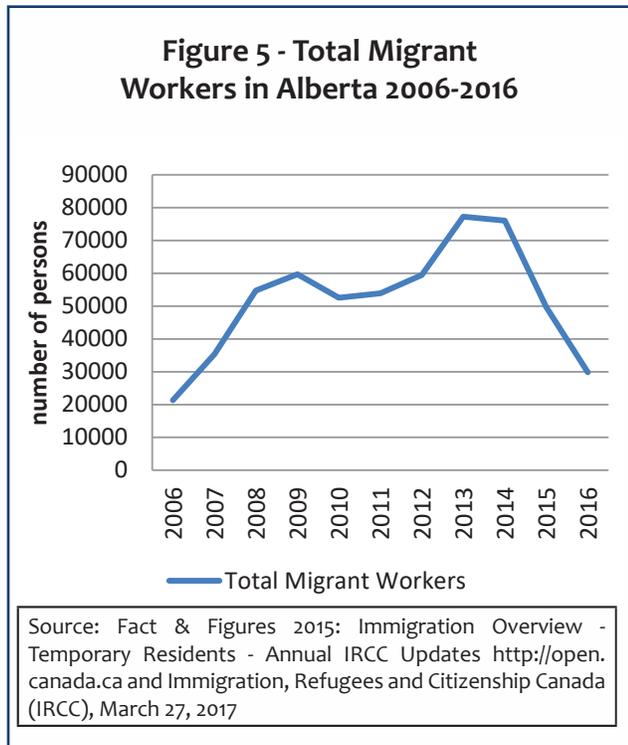
Foster (2012) found unemployment increased in Canada during the recession from 2009 to mid-2010, while the total number of TFWs rose by 12.8 % in 2009 and 0.3 % in 2010, eventually levelling off at about 280,000 (Jason Foster, 2012). Gross (2014) found the unemployment rate in Alberta and British Columbia was accelerated by reforms to the TFWP between 2002 and 2012, which made it easier for employers to hire TFWs (Gross, 2014). These studies indicate the TFWP is not sensitive to sudden change in the economic environment, including recession and unemployment.

3.3 TFWP AND THE INTERNATIONAL MOBILITY PROGRAM IN ALBERTA

ESDC Minister Kenny introduced the main TFWP reforms by the former Conservative government in June 2014, when the migrant workforce in Canada was split into two streams: (1) the TFWP: and (2) the International Mobility Program (IMP). The TFWP requires foreign workers who enter Canada at the request of employers to be approved through a LMIA. The IMP refers to foreign nationals who enter Canada with a work permit where no LMIA is required. These foreign workers will be selected to advance Canada's economic and cultural national interest (Employment and Social Development Canada, 2014a).

3.3.1 TOTAL MIGRANT WORKERS IN ALBERTA 2006 - 2016

Figure 5 shows an 11-year period of expansion and contraction between 2006 and 2016 in Alberta’s migrant worker population, which includes foreign nationals entering Canada under both the TFWP and IMP. The total migrant worker population reached a peak of 59,705 in 2009, after increasing rapidly in 2007 (65%) and 2008 (55%) during a period of economic growth (2000-2008).



The number of migrant workers fell by 12% in 2010 to 52,555, but rebounded by 10% in 2012 and 30% in 2013 to reach a new peak of 77,214. The migrant population in Alberta began to fall in 2014, and then dropped by 35% in 2015 and 40% in 2016 to 29,910 people, during a period of economic decline (2015-2016). The migrant worker population in Alberta rose by 9% in 2009. This growth during the period of decline in 2009 may have been the result of a lag effect. Work permits were issued for one or two years and TFWs with valid permits were initially allowed to stay in Canada.

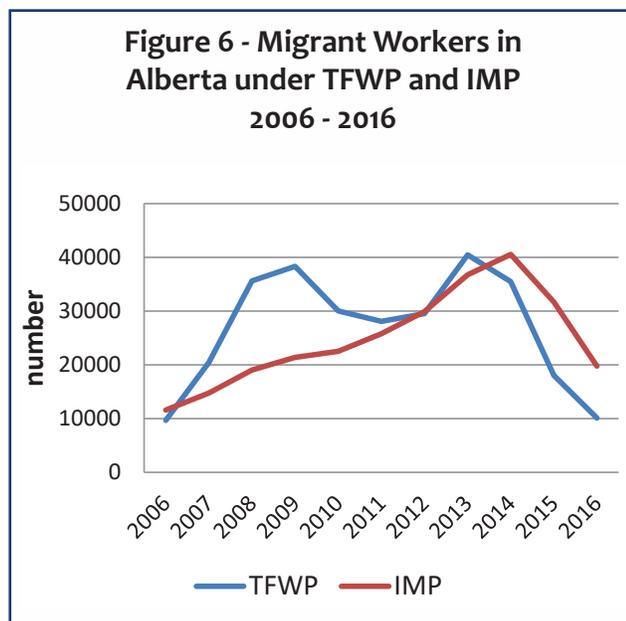
The number of migrant workers fell by 12% in 2010 to 52,555, but rebounded by 10% in 2012 and 30% in 2013 to reach a new peak of 77,214. The migrant population in Alberta began to fall in 2014, and then dropped by 35% in 2015 and 40% in 2016 to 29,910 people, during a period of economic decline (2015-2016). The migrant worker population in Alberta rose by 9% in 2009. This growth during the period of decline in 2009 may have been the result of a lag effect. Work permits were issued for one or two years and TFWs with valid permits were initially allowed to stay in Canada.

3.3.2 MIGRANT WORKERS UNDER THE IMP AND TFWP

Figure 6 separates the number of migrant workers in Alberta under TFWP and the IMP over an 11-year period between 2006 and 2016.

The number of migrant workers under the TFWP began the period at 9,701 people in 2006. The number increased rapidly in 2007 (110%) and 2008 (74%) to a peak of 38,313 people in 2009. It then declined for two years to 25,794 in 2011, and rebounded for two years to a new peak in 2013 of 40,461 people. The number declined rapidly after 2013 with a fall of 49% in 2015 and 44% in 2016 to 10,135 people.

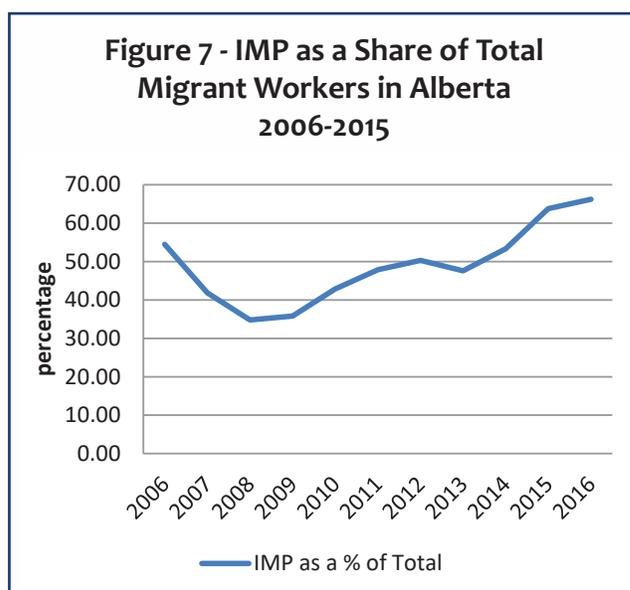
The number of migrant workers in Alberta under the IMP was 11,611 in 2006 and increased steadily over this period to a peak of 40,559 in 2014. The number declined rapidly in 2015 (22%) and 2016 (38%) to 19,775. There was a large divergence in the number of migrant workers entering Alberta under



the TFWP and the IMP, during the period of economic growth (2007-2008), when there was a rapid rise in the TFWP. The number of migrant workers under the TFWP and IMP continued to rise through the recession in 2009. However, the number using the TFWP fell in 2010 and 2011. This suggests the federal government reduced the number of migrant workers under the TFWP, while encouraging the growth of the IMP. The TFWP and the IMP reduced the number of migrant workers in Alberta, during the period of economic decline (2015-2016). At the same time, the IMP surpassed the TFWP as the main source of migrant workers in Alberta.

3.3.3 IMP AS A SHARE OF TOTAL MIGRANT WORKERS

Figure 7 shows the IMP represented about 55 % of all migrant workers in Alberta in 2006. This share fell to a low of 35 % in 2008, with the rapid expansion of the TFWP during the economic boom.



After the recession in 2009, the IMP as a share of total migrant workers began to rise as migrant workers under the TFWP were sent home.

The IMP's share of the total migrant workforce continued to rise as the federal government made reforms to the TFWP. By 2012, the IMP as a share of all migrant workers returned to about 50 % and grew to a high of 66 % in 2016. The IMP has accounted for the largest share of the migrant workforce in Alberta since 2014.

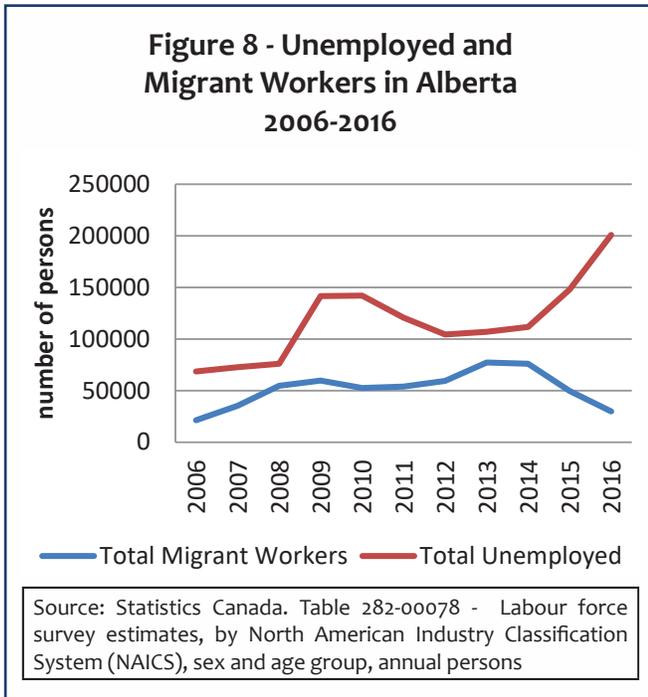
The IMP refers to foreign nationals who are exempt from the LMIA and comprises two main pathways or streams: 1) Canadian Interest; and 2) International Agreements. Canadian interest involves the selection

of foreign workers to advance the economic, cultural and national interest. International companies are allowed to bring foreign nationals to Canada without a LMIA, because intra-company transferees are considered to be in the national interest.

Exemptions for intra-company transferees are also included in the North American Free Trade Agreement (NAFTA), the Comprehensive Economic and Trade Agreement (CETA) with Europe and the Trans-Pacific Partnership (TPP) with Pacific Rim countries. For many of those not requiring an LMIA, the occupational skill level is not registered, because workers can obtain an open work permit. As a result, it is not known what work they perform.

3.4 UNEMPLOYMENT AND MIGRANT WORKERS IN ALBERTA

The total number of unemployed was higher than the total number of migrant workers in Alberta between 2006 and 2016 (Figure 8). The number of unemployed began to rise in 2013, increasing by 33 % in 2015 and 36 % in 2016, to reach 208,000 people. The number of migrant workers started to decline in 2014, falling 35 % in 2015 and 40 % in 2016, to 29,866 people.



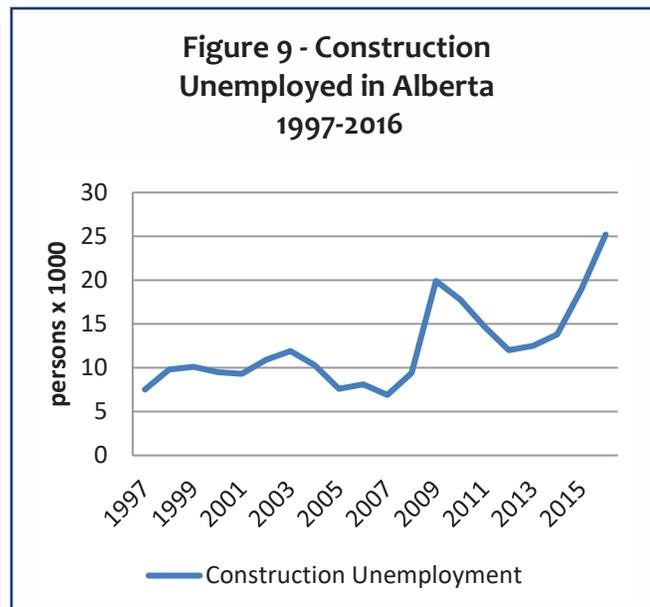
Total unemployment jumped by 86 % in 2009 to 141,500 people, while total migrant workers grew by 8 % to 59,712. However, the number of migrant workers fell by 12 % in 2010 to 52,533 people. In 2011, unemployment fell by 15 % and the migrant workforce grew by 2.6 %. The number of unemployed fell by 15 % in 2012, while the migrant workforce grew by 10 %.

3.4.1 NUMBER OF CONSTRUCTION UNEMPLOYED

The number of unemployed in the construction industry in Alberta fell to a low of 6,900 people in 2007, during a period of economic growth (2000-2008) (Figure 9). This is the lowest level in the study period (1997-2016).

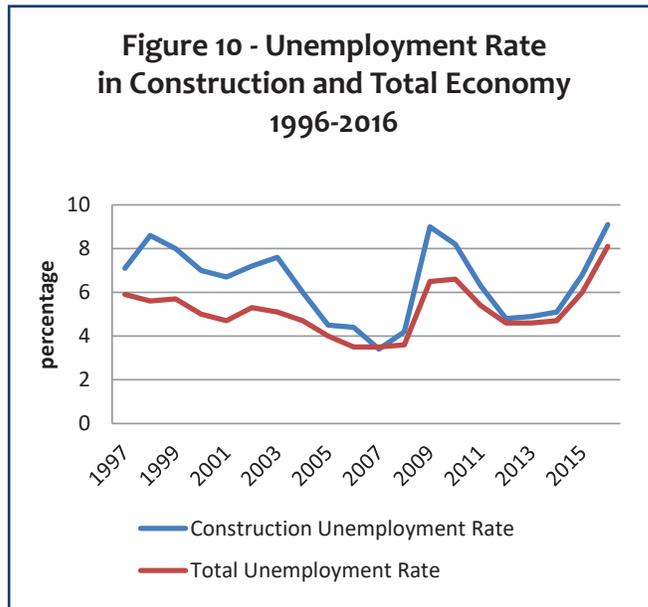
Construction unemployment in Alberta began to rise in 2008 and reached a peak of 19,900 people, during the recession in 2009. After the recession, the number of unemployed people in the construction industry fell for three consecutive years to a low of 12,000 in 2012.

However, the number of unemployed construction workers in Alberta began to grow in 2013 and reached 13,800 people in 2014. During the period of economic decline (2015-2016), the number of construction unemployed increased rapidly by 33 % in 2015 and 36 % in 2016 to reach a high of 25,000 people.



3.4.2 CONSTRUCTION UNEMPLOYMENT RATE

During a period of economic growth (2000-2008), the construction unemployment rate was higher than the total economy. But, the gap between the two decreased steadily until 2007, when the construction unemployment rate (3.4 %) fell below the rate for the total economy 3.5 % (Figure 10).



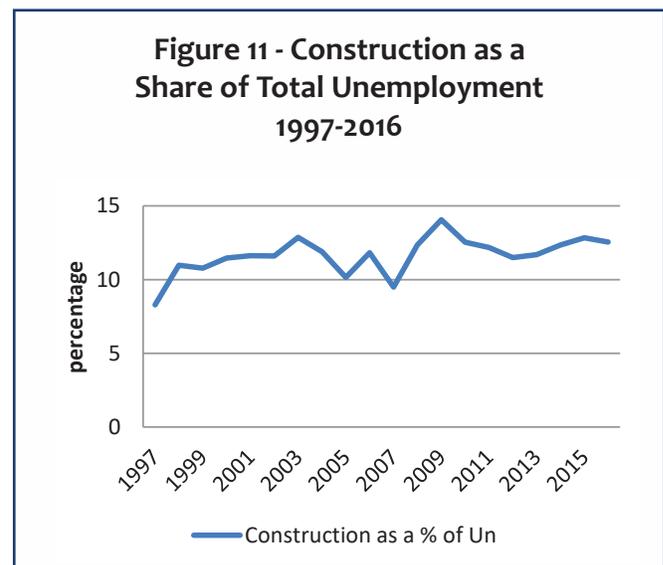
After 2007, the construction unemployment rate began to rise and hit 9 % in 2009, while the total economy reached a rate of 6.6 % in 2010. The construction unemployment rate fell to another low of 4.8 % in 2012, while the total rate of unemployment was 4.6 % in 2012 and 2013. Since 2012, the construction unemployment rate has increased to reach a high of 9.1 % in 2016, while the total rate in Alberta was a high of 8.1 %.

3.4.3 CONSTRUCTION UNEMPLOYMENT AS A SHARE OF TOTAL UNEMPLOYMENT

The share of construction unemployment in total unemployment reached a peak of 14 %, during the recession in 2009 (Figure 7). The share of construction in total unemployment began to fall in 2010 and reached a low of 11.5 % in 2012, before levelling off at about 13 % in 2015 and 2016.

In 2003, the share of construction unemployment in total employment hit 13 %, before falling to 10 % in 2005. The share of construction jumped to 12 % in 2006 and then dropped to 9.5 % in 2007.

The share of the construction industry in total unemployment in Alberta was in the range of 8 % to 14 % between 1997 and 2016. In comparison, construction value-added accounted for 7 % to 12 % of total GDP in Alberta in the same period. This means construction is a labour intensive industry, which demonstrates the importance of the construction labour force to the provincial economy.



4 CHINESE FREE TRADE AND ALBERTA OIL SANDS CONSTRUCTION

4.1 INTRODUCTION

The federal government has asked for public input to define Canada's interests in a free trade agreement with China. This involved the completion of an online consultation form and making a written submission. After the 90-day consultation period ended on June 2, 2017, the federal government archived the web page, which was set up to manage the consultation process and collect public input on the proposed trade agreement. So far, the public submissions made to Global Affairs Canada have not been released. The purpose of this section is to assess the potential impact of a Canada-China free trade agreement on the importation of migrant workers to Alberta for the construction of Chinese-financed oil sands projects.

4.2 CHINESE FREE TRADE, AUSTRALIA AND LABOUR MOBILITY

A study commissioned by the Canadian Council of Chief Executives and the Canada-China Business Council in 2016 predicts the negotiation of a Canada-China free trade agreement will stimulate investment, increase exports and create high-value Canadian jobs. The study estimates a free trade deal would generate \$7.8 billion in additional economic activity within 15 years and create 25,000 new Canadian jobs. The study points out the case of Australia, which signed a free trade agreement with China in December 2015, after 10 years of negotiation. The pact will eliminate 95 per cent of tariffs between the two countries over a 10 year period and is projected to generate AU\$18 billion in additional economic activity in Australia (Dawson, Laura, and Dan Ciuriak, 2016).

In a study entitled "Chasing China: Why an economic agreement with China is necessary for Canada's continued prosperity," Laura Dawson and Dan Ciuriak argue Canadian manufacturers and exporters will be left out of China's economic growth plans without a free trade agreement. Australia's gains in China will displace Canadian exporters until Canada achieves similar market access commitments. The authors also argue the China-Australia Free Trade agreement (ChAFTA) provides a template for an agreement text with China, which will accelerate Canada's negotiating process. The study identifies labour mobility as a potential benefit of a Canada-China free trade agreement.

"Labour mobility also makes significant strides in ChAFTA," said Dawson and Ciuriak. "New Investment Facilitation Arrangements (IFAs) will operate under the framework of the Australian visa system. These will allow certain Chinese-owned companies that invest in Australian infrastructure projects above AU\$150 million to negotiate labour market access flexibilities."

Lauren and Dawson identify labour mobility as an element of the proposed Canada-China free trade agreement. However, the authors fail to mention this includes the importation of Chinese nationals to work on major construction projects undertaken by Chinese state-owned enterprises in Canada.

4.3 MIGRANT WORKERS AND CHINESE FOREIGN INVESTMENT

The United Steel Workers of Canada made a submission to Global Affairs Canada, which is published on the union's web site. It argues the top priority for the Chinese government in free trade negotiations is the right to bring foreign nationals to work on Chinese-financed construction projects.

“We can look to Australia for a sample of what China will likely demand in negotiations with Canada,” said National Director Ken Neumann. “Chapter 10 of the China-Australia FTA removes the requirement of local labour market testing for temporary skilled workers from China and a further side letter removes skills assessment for several trades occupations without a clear means of assessing whether Australian certifications and/or standards will be met (Ken Neumann, 2017).”

In addition, Neumann said the language governing Investment Facilitation Arrangements (IFAs) enables Chinese investment projects meeting the low threshold of \$AUS 150 million to bypass local workforces and employ unlimited numbers of temporary workers with no clear means of skills assessments or monitoring of wages and working conditions.

Neumann argues the Chinese model of globalization hinges on the importation of low cost Chinese labour for the construction of infrastructure projects overseas. Charles Burton, an associate political science professor at Brock University, agrees. He said the use of Chinese labour by Chinese companies on international construction projects is considered to be a normal business practice.

“What the Chinese hope to gain is the ability to engage in infrastructure projects using their own workers in accordance with Chinese labour standards,” said Burton a former counsellor at the Canadian embassy in Beijing. “That is a significant advantage for them (Jeremy J. Nuttall, 2016).”

According to Burton, the Canadian government is sure to be pressured by Beijing, with promises of economic prosperity, if these provisions to import an unrestricted number of Chinese foreign workers for construction projects are allowed. He said the Liberal government has not made a commitment to protect Canadian jobs, by preventing Chinese state-owned enterprises from importing foreign workers (Charles Burton, 2017).

However, Conservative Leader Andrew Scheer said in late June that his party is opposed to the Liberal government’s effort to negotiate a free-trade deal with China, due to concerns about human rights, labour standards and the domination of the Chinese economy by state-owned enterprises.

“There are so many concerns with the Chinese government – their human rights record, the way their economy works. We don’t want to see Canadian manufacturers, Canadian workers put on a completely uneven playing field,” said Scheer. “I would uphold Canada’s environmental regulations and regime, our labour standards and our working conditions versus the Chinese. These are all things we are proud of in Canada (Amy Minsky, 2017).”

4.4 CHINESE INVESTMENT AND OIL SANDS CONSTRUCTION

Canada’s new ambassador to China, John McCallum said a second round of exploratory talks with the Chinese government on free trade is set for July 2017 (Monique Scott, 2017). Canada’s Ambassador to China, John McCallum, said a decision is expected in fall 2017 on possible trade negotiations with China. In support of this effort, Canada Natural Resources Minister Jim Carr was in China for five days in June 2017. One of his most important messages was to invite Chinese investors to take advantage of business opportunities in Alberta’s oil sands sector.

“We think there are opportunities and we laid out, along with experts from industry, what we believe to be opportunities for them,” Carr said to reporters on June 8 during a conference call. “We would welcome investment from any nation that’s interested in the oil sands (Nia Williams, 2017).”

The Chinese government is pushing hard for a reversal of policies implemented by the former Conservative government, which restrict the ability of Chinese state-owned businesses to invest in the Canadian energy sector. As a result, some people view Carr's statement as a reversal of the former Conservative government's policy to limit investment by Chinese state-owned enterprises. Carr denied the statement was a policy change or reversal.

"The Canadian government is prepared to talk to the Chinese government about investments in most sectors of our economy," he said. "I don't think that represents a change in public policy as a general expression of our willingness to talk. We're talking with the Chinese more seriously in exploratory talks towards a trade agreement so that would be consistent (Tonda McCharles, 2017)."

Chinese Vice Minister of Financial and Economic Affairs Han Jun was sent to Ottawa in January 2016 for discussions with senior bureaucrats about the prospect of negotiating its first free-trade deal with a North American country. Han said China will come to the negotiation table and demand Canadian concessions on investment restrictions and a commitment to build an energy pipeline to the coast.

"The Chinese felt that we changed the rules for special state-owned enterprises. They feel the rules that have been imposed are very difficult. They would like a re-examination of that," said Colin Robertson, a senior fellow at the Canadian Global Affairs Institute. "They would like to buy our Canadian oil and gas, but they can't get it there because they don't have the pipeline. Basically, they want us to get pipelines (Robert Fife, 2016)."

If a free trade agreement is reached, the Chinese will most likely use Kinder Morgan's Trans Mountain pipeline, because the expansion has already received approval from the Canadian government. However, the B.C. Government has refused to support the \$6.8-billion Trans Mountain expansion project. As a result, the leading contender for new construction is the Energy East, which would deliver oil from Western Canada to refineries and port terminals in New Brunswick and possibly Quebec. This project is years from regulatory approval. (Charles Burton, 2017).

Chinese state-owned enterprises made foreign direct investments in the Canadian energy sector with an estimated value of \$29 billion between 2011 and 2013. The acquisition of Calgary-based Nexen Inc. by the Chinese National Offshore Oil Corporation (CNOOC) for \$15.1 billion in 2012 was the largest investment by a state-owned enterprise in Canada (Chris Varcoe, 2017). It was a landmark decision for Chinese state-owned enterprises, because it reflected a strong commitment to North America, as a source of oil for China's economy and its energy security. At the time, China was reducing its imports of Iranian oil at the request of the United States government (Shawn McCarthy, 2012).

CNOOC, China's largest offshore oil and gas producer, mounted an aggressive campaign to win federal government approval on a deal. However, the acquisition of Nexen raised the prospect of Chinese companies owning a dominant share of Canada's oil sector. It also raised questions about state-owned enterprises, energy security, national security, human rights and labour practices. In response, Prime Minister Stephen Harper allowed the sale, but new rules were implemented to prevent any more Chinese companies from gaining controlling interests in the oil sands (Claudia Cattaneo, 2014).

"The Government of Canada has determined that foreign state control of oil sands development has reached the point at which further foreign state control would not be of net benefit to Canada," said Harper. "Therefore, going forward, the Minister will find the acquisition of control of a Canadian oil-sands business by a foreign state-owned enterprise to be of net benefit, only in an exceptional circumstance (Government of Canada News Release, 2012)."

5 CONCLUSION AND POLICY RECOMMENDATIONS

This economic study makes a contribution to the public debate on the reform of the Temporary Foreign Worker Program (TFWP) and the International Mobility Program (IMP) in Canada, by analyzing the potential impact of the new Employer Liaison Service (2017-2019) on the construction labour force in Alberta. A methodology was developed to analyze the number of migrant workers imported to Alberta under the 18 high-wage construction occupations included in the Refusal to Process list, during a period of economic decline and high-unemployment (2015-2016).

To put this analysis in context, the study investigates the relationship between migrant workers, unemployment and the construction labour force in Alberta (2015-2016). In addition, the study assesses the proposed Canada-China free trade agreement in Alberta, which could involve the removal of restrictions on Chinese foreign investment and the importation of migrant workers for the construction of Chinese-financed oil sands projects.

5.1 SUMMARY OF FINDINGS

5.1.1 TFWs IN ALBERTA'S CONSTRUCTION INDUSTRY (Q1 2015 - Q4 2016)

A total of 2837 TFWs were imported to Alberta on a positive LMIA to work in the construction industry in 2015 and 2016, compared to a total number of 23,997 TFWs who entered the province in this period. The number of TFWs imported to work in construction on a quarterly basis jumped to 774 in Q2 2015, which was 22% of the total number of foreign nationals entering Alberta under the TFWP. The spike in TFWs occurs more than one year after the Alberta economy was hit by a drop in oil prices. However, quarterly figures show the number of TFWs entering Alberta fell steadily after Q2 2015 to Q4 2016. The construction industry accounted for 9 % to 22 % of the total number of foreign nationals entering Alberta on a quarterly basis using the TFWP in 2015 and 2016.

5.1.2 CONSTRUCTION TFWs AND THE EMPLOYER LIAISON SERVICE

There are 32 construction occupations not included in the Employer Liaison Service, but only 18 on the Refusal to Process list. In two of these 18 construction occupations, there were no TFWs imported to Alberta in 2015 and 2016. As a result, Alberta employers imported more TFWs (1415) in construction occupations that were not included on the Refusal to Process list, than the number of TFWs (1,000) in construction occupations included on the list, during the period of decline (2015-2016). There were 105 TFWs imported by employers to Alberta as construction trades helpers and labourers between 2015 and 2016, but this occupation is not included on the list. ESDC allowed employers in Alberta to import TFWs, while there were thousands of unemployed construction helpers and labourers.

5.1.3 UNEMPLOYMENT IN ALBERTA'S BUILDING TRADES

The number of unemployed trades, transport and equipment operators increased rapidly in 2014 (16 %), 2015 (38 %) and 2016 (38 %) to reach a 20-year high of 41,400 people. This NOC category includes most of the building trades in the construction industry and represented 18 % to 22 % of the unemployed in all occupations in Alberta between 1997 and 2016. The trades helpers and construction labourers are one of five major groups in this category.

5.1.4 UNEMPLOYED CONSTRUCTION HELPERS AND LABOURERS

The number of unemployed construction helpers and labourers was 4,600 people in 2015 and 4,800 people in 2016. There have been more than 4,000 unemployed construction labourers and

helpers in Alberta in each year since 2009, when the number reached a high of 5,900 people. ESDC allowed employers to import TFWs to Alberta during a period of economic decline (2015 – 2016), when the unemployment rate for construction helpers and labourers in Alberta was 15 % and 18 %.

5.1.5 MIGRANT WORKERS IN ALBERTA

The total migrant population in Alberta, which includes foreign nationals under the TFWP and the IMP, dropped by 35 % in 2015 and 40 % in 2016 to 29,910 people. The TFWP and the IMP reduced the number of migrant workers in Alberta, during the period of economic decline (2015-2016). The number of migrant workers in Alberta under the TFWP declined rapidly in 2015 (49 %) and in 2016 (44 %) to 10,135 people. The number of migrant workers in Alberta under the IMP declined rapidly in 2015 (22%) and 2016 (38%) to 19,775. At the same time, the IMP surpassed the TFWP as the main source of migrant workers in Alberta.

5.1.6 IMP AS A SHARE OF TOTAL MIGRANT WORKERS

Since the federal government made reforms to the TFWP in 2013, the IMP's share of the total migrant workforce has increased. The IMP as a share of all migrant workers returned to about 50 % in 2012 and grew to a high of 66 % in 2016. The IMP has accounted for the largest share of the migrant workforce in Alberta since 2014. Employers importing foreign nationals to Alberta are not required to go through the LMIA process to obtain a work permit, so the occupational skill level is not registered. As a result, it is not known what type of work they perform.

5.1.7 UNEMPLOYMENT AND MIGRANT WORKERS

The total number of unemployed in Alberta increased rapidly in 2015 (33 %) and 2016 (36 %) to reach a high of 208,000 people. The number of migrant workers declined rapidly in 2015 (35 %) and 2016 (40 %) to 29,866 people.

5.1.8 CONSTRUCTION UNEMPLOYMENT

The number of construction unemployed in Alberta increased rapidly in 2015 (33 %) and 2016 (36 %) to reach a high of 25,000 people, during the period of economic decline. The construction unemployment rate has increased since 2012 to reach a high of 9.1 % in 2016, while the total rate of unemployment in Alberta hit a high of 8.1 % in the same year. The share of construction in total unemployment was about 13 % in 2015 and 2016.

5.1.9 CANADA-CHINA FREE TRADE AND OIL SANDS CONSTRUCTION

A second round of exploratory talks between the Canadian and Chinese governments is set for July 2017, while a decision is expected in fall 2017 on possible trade negotiations. The Canadian government has already invited Chinese companies to invest in Alberta's oil sands sector, as the Chinese government pushes hard for the removal of policies, which restrict Chinese investment in the Canadian energy sector. The Chinese government is also demanding the right to bring Chinese foreign nationals to work on Chinese-financed construction projects. The Chinese model of globalization hinges on the importation of low cost Chinese labour for the construction of infrastructure projects overseas.

5.2 SUMMARY OF FINDINGS

Minister Hajdu said the results of the Employer Liaison Service will be monitored closely to see how these measures can be extended to other provinces or the rest of the country. The success of the pilot will be determined by the extent to which the service is used by employers, and the number of Albertans and Canadians who are matched with available jobs.

5.2.1 LACK OF LABOUR FORCE DATA

Public attention on migrant workers has focused on the TFWP and the LMIA process. At the same time, the federal government has disclosed very little or no information about the impact of the IMP and the TFWP on the Canadian labour market. But, reforms to the TFWP have direct implications for the IMP, which includes foreign nationals who are imported to Canada via Intra-Company Transfer as well as free-trade agreements such as NAFTA.

Despite this fact, the federal government does not track the skills possessed by foreign workers entering Canada under the IMP. As a result, there is a lack of reliable and complete data on the TFWP and IMP, which makes it difficult to assess the impact of foreign workers on the construction industry and the Alberta economy. LiUNA recommends the federal government publish complete and accurate information on provincial and regional labour markets to support evidence-based policy decisions on Canada's foreign worker programs.

5.2.2 ENFORCEMENT AND TIMING OF MEASURES

Measures designed to regulate the labour market must be sensitive to sudden change in the economic environment, including recession and unemployment. For example, measures to ensure employers hire domestic workers before TFWs need to be implemented during the early stages of a recession. In this case, the new measures were implemented in April 2017, when it was clear there was a recession by late 2014. As a result, these measures may provide very little benefit to the construction labour force. Given the problems with timing, the Refusal to Process list should be enforced during periods of economic growth and decline to provide the greatest positive impact to the local labour market.

5.2.3 EXPAND REFUSAL TO PROCESS LIST

For the pilot project to have a greater positive benefit to the labour force in Alberta, the Refusal to Process list should be expanded to include more construction occupations, including trade helpers and construction labourers.

5.2.4 REJECT LABOUR MOBILITY PROVISION IN CANADA-CHINA FTA

Canadian negotiators should reject Chinese demands for labour mobility provisions that increase the ability of Chinese workers to access the Canadian labour market, while failing to safeguard Canadian job opportunities, wages and conditions.

5.2.5 INQUIRY NEEDED INTO IMPACT OF TFWP AND IMP ON CONSTRUCTION

More than 200,000 experienced, qualified and educated Albertans were unemployed in 2016, when about 30,000 migrant workers were employed in the province. TFWs continued to enter Alberta in construction occupations during a period of economic decline, while the construction industry represented the largest share of the unemployed. During the period of decline, the IMP surpassed the TFWP as the main source of migrant workers in Alberta. As a result, there is a need to determine whether or not all of these migrant workers were needed in Alberta to fill short-term labour shortages. However, the completion of this economic analysis in Alberta is confounded by a lack of data on foreign worker occupations under the IMP.

Given these facts, LiUNA recommends the Liberal government undertake a full inquiry into the impact of the TFWP and the IMP on the construction labour force in Alberta. Until this inquiry is completed, there should be a temporary prohibition of activity in both programs.

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