

What You Need to Know to Take Advantage of the Inflation Reduction Act

By Alexandra McManus | Monday, March 13, 2023



The recent [Inflation Reduction Act \(IRA\)](#) offers asset owners and contractors considerable financial incentives for building qualified clean-energy projects. There are two main components to the IRA: apprenticeship utilization and the prevailing wage requirement. If these project requirements are met, the base credit increases from 6% to 30% for each project—and it brings more skilled workers into the industry at a time when they are desperately needed. This is outstanding motivation to get things right!

To be successful, it is critical to understand upfront what workforce data needs to be collected to stay within guidelines of the IRA. Also key is the ability to ease the reporting burden on construction teams by automating data collection processes. Doing so ensures the right metrics are captured to remain in compliance.

Let's break down the data required for each component of the IRA and how to simplify the data capture and reporting elements, so you can fully leverage available incentives.

APPRENTICESHIP REQUIREMENT

The law's apprenticeship utilization standards require that, starting in 2022, 10% of total labor hours on an IRA-supported construction site must be completed by qualified apprentices; the requirement increases to 15% by 2024. This requirement applies to all site workers, from owners' reps down to the lowest-tier trade partner.

This aspect of the legislation is valuable on two levels. First, it enables organizations to feel good about the finished product, knowing that well-trained professionals are conducting or overseeing the work conducted. It adds another layer of confidence and professionalism to a job. At the same time, such a requirement ensures that the future workforce receives the training it needs before the existing workforce ages out, taking relevant on-the-job knowledge with it.

But meeting the apprenticeship requirement also poses some challenges. It begs the question: How do we collect and report on that that crosses multiple trades and organizations? These are some important factors to consider:

- **Centralize the data** – In order to gain a complete picture of who is on your project, it starts with a centralized database of workforce data. Having a centralized database avoids the challenges associated with fragmented data coming from multiple trade partners; such data places an unnecessary burden on the project administration team that would have to manually aggregate and normalize the data. It is also key to ensure that this database is updated, that project teams can quickly react if requirements are not being met.
- **Automate data collection** – Equipping the entire workforce with tools like IoT-based badges and beacons, for example, can greatly simplify the daily collection of worker hours as well as their related certifications and background data (such as details about their apprentice status). By automating the collection process, teams eliminate the need to manually collect data on paper, in a spreadsheet or via a field app, which is a huge time savings. It also gets rid of the human-error problem, if something is entered incorrectly or someone forgets to enter it at all. Automated tools make sure all data is updated and accessible in real time.
- **Automate the reporting** – When workforce data—the apprenticeship status data in particular—is stored in one centralized database, it becomes easy to automate the reporting of the exact percentage of the total workforce represented by apprentices.

PREVAILING WAGE REQUIREMENT

Prevailing wage requirements typically accompany federal funding of and assistance for construction projects through the Davis-Bacon Act. The IRA ensures that all clean-energy projects follow the same prevailing wage requirements consistent with other federal projects.

A prevailing wage requirement essentially ensures that workers on any given project are paid the basic hourly rate and benefits paid to other similarly employed workers in the same geography. This ensures fair wages, but like the apprenticeship requirements, the prevailing wage requirements could put an extra burden on project teams to collect and report on the workforce data down to the lowest tier trade partner. Below are some best practices to streamline this process:

- **Distribute the workforce classification process** – Adhering to the IRA's and Davis-Bacon's prevailing wage requirements starts with classifying workers on your project. Many project teams leverage a highly efficient “self-registration” process, where workers enter their own credentials and certifications into the company’s system. In these cases, each worker selects the proper classifications during the registration process based on the work they will be performing. Selections can be reviewed by

their supervisors and ultimately approved by the project administration team. For example, a sprinkler fitter would select their Davis-Bacon trade denotation “SFL08211” from a restricted list of classifications. In addition to Davis-Bacon requirements, each project team can collect other attributes of each worker, such as their demographic or certification information, and keep them within the centralized system.

- **Automate overtime reporting** – Davis-Bacon requires that overtime hours are paid at a rate of one-and-a-half times the base hourly rate. An automated process for collecting onsite hours greatly simplifies the monitoring and reporting of overtime hours on any site. It also ensures that data is collected accurately, reducing the possibility of downstream audits or disputes.
- **Distribute the approval process** – Having a centralized database with role and permission controls allows for supervisors to review and approve time collected on a weekly or monthly basis. Decentralized approvals ensure accountability for each trade to report and “certify” the actual onsite project hours.

BEYOND LEGISLATION

Companies should want to comply with the stipulations set forth in the IRA. They have a purpose, and the rewards for compliance are significant. For the organizations implementing an approach that automatically brings all of their workforce data into a centralized system for reporting purposes, there are also many other benefits. These include:

- **Safety management** – Having a centralized database helps safety professionals manage their safety programs both proactively and reactively. Safety teams can run analytics on their workforce data and start to predict which projects are at risk for safety events. Examples include fatigue or turnover reports, which are both leading indicators of potential safety risks. Another example is tracking equipment certifications to ensure that only trained and certified workers can operate certain types of equipment. A centralized database also affords reactive benefits, including mass text messaging or automated mustering check-ins in the case of a safety event.
- **Productivity monitoring** – Connecting workforce data to either a CPM or Lean schedule automates the process of comparing projected vs. actual hours. This greatly reduces the reporting burden on project teams and provides key insights into which projects are at risk of schedule delays.
- **Compliance and certification tracking** – IRA and Davis-Bacon are just two examples of workforce reporting requirements that project teams must manage. OSHA has other requirements, and having a centralized database allows for project teams to quickly report on which workers are OSHA 10/30 certified and when their respective certifications expire. Certification tracking makes reporting remarkably simple.

CLOSING THOUGHTS

The IRA is an outstanding piece of legislation for construction companies. Its financial incentives will push organizations to automate and refine their processes in ways that will benefit them for decades to come. It will also ensure that we bring in trainable workers that can be efficiently deployed on specific projects. Firms will gain greater visibility into their workforce, so they can use them more strategically moving forward.

From a risk-mitigation perspective, automating compliance reporting helps avoid the potential for a company to have to pay back five-sixths of their incentives credit (in the event that the IRA requirements are not met). This alone could be reason enough to modernize systems.

Ultimately, though, the construction industry and its workforce win when data is captured and reported in a fast, easy and reliable way. Data, after all, is power.

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