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Direct Pay: Building Jobs & Sustainable Public Energy in Local Communities | *FAQs on How to Protect Direct Pay Project Workers*

What protections did the Inflation Reduction Act (IRA) include for workers who will build new clean energy projects?

Thanks to the IRA, tax-exempt entities like towns, schools, houses of worship, and more can get tax-free, cash payments (“Direct Pay”) from the government for sustainable energy projects. Specifically, these entities are now eligible for the Investment Tax Credit (ITC) and Production Tax Credit (PTC). The ITC is a one-time singular credit the IRS gives once the project begins producing energy. The PTC is based on the electricity the renewable energy system produces over 10 years. For more information, see [FAQs on Direct Pay: Building Jobs & Sustainable Public Energy in Local Communities](#).

To ensure workers are paid fairly and to build a clean energy workforce, the IRA included labor-related requirements for projects with an output greater than 1 Megawatt, such as a solar farm or a wind turbine. These requirements include prevailing wages and registered apprenticeships:

- **Prevailing wage.** Direct Pay funding recipients must pay workers at least the current going rate for similar projects in a given geographic area.
- **Registered apprenticeships.** Funding recipients must use registered apprentices on Direct Pay projects. If a project begins in 2023, qualified apprentices must complete 12.5 percent of total labor hours on a supported construction site. After 2023, that requirement increases to 15 percent.

The ITC increases from 6 percent to 30 percent if projects meet these prevailing wage and apprenticeship requirements. The PTC similarly increases from 0.55 cents per kilowatt/hour to 2.75 cents per kilowatt/hour.

What does “prevailing wage” mean?

For the purposes of meeting the Inflation Reduction Act’s requirements, “prevailing wage” means the minimum rates employers must pay laborers and mechanics constructing—and, in some circumstances, modifying or repairing—a project. It includes workers’ hourly wages and fringe benefits, like health insurance. Prevailing wage may also be called Davis-Bacon Act requirements or simply “Davis-Bacon” requirements.

There is no one prevailing wage applicable to all workers: it varies by project type, location, and the type of worker in question (e.g., their trade or occupation). For example, on August 31, 2023, the prevailing wage for an electrician in Washington, DC working on a heavy construction project, such as a utility project, was \$70.49 per hour. *This example is for illustrative purposes only and should not be used to determine the prevailing wage for any worker in any location at any time.*

How do I determine the prevailing wage relevant to my project?

Prevailing wages depend on what your project is, where it is located, and the type of workers doing the project. You can determine the prevailing wage relevant to your project using [this search tool](#). You can also check out [this step-by-step video](#) for help using the search tool, or [this guide](#) from the Department of Labor.

What are “registered” apprentices?

“Registered” apprenticeships must meet specific federal standards, including around wages, training quality, and apprentice safety to protect apprentices on the job and ensure their experiences allow them to succeed long-term. Registered apprenticeships are credentialed by the Department of Labor or a [State Apprenticeship Agency](#). They are distinct from “industry-recognized” apprenticeships, under which private companies create training programs not subject to the same standards. [Registered apprenticeships help workers](#) gain expertise and a lifetime earning advantage, allow communities to develop a talented workforce to meet emerging needs, and benefit employers looking for skilled labor. In 2021, there were 600,000 active apprentices in nearly 27,000 registered apprenticeship programs, according to the [Department of Labor](#).

Apprenticeship programs allow trainees to earn a wage while gaining practical, hands-on experience in real work environments. For example, an apprentice electrician working on a Direct Pay project can gain critical skills in installing solar panels while working under the supervision of experienced professionals in the field. You can find testimonials about registered apprenticeships’ benefits [here](#).

While there is a lack of racial diversity in registered apprenticeship programs, Direct Pay implementation is a critical moment for projects to recruit and retain more Black and brown Americans. According to the [Department of Labor](#), a majority of apprentices (60 percent) are white. Entities should prioritize diversifying apprentices working on Direct Pay projects, as prioritizing racial equity and inclusion is critical to reflect the communities those projects will serve.

How do I find registered apprentices to work on my project?

Labor unions and signatory contractors have resources for identifying qualifying apprentices. For example, the Electrical Training Alliance, which provides training for electrical registered apprentices, has its list of training centers at <https://www.electricaltrainingalliance.org/locateaTrainingCenter>.

You can also find out how to make your project part of an existing registered apprenticeship program—or launch your program—[here](#). Learn how to recruit apprentices and list apprenticeship opportunities on your project [here](#).

Why should I hire union workers for my project?

Unions' benefits for workers—[from higher wages to better benefits and safer job sites](#)—are well-documented, but union labor also has major advantages for employers. One [study](#) found union workers are 14 percent more productive, reduce project costs, reduce the likelihood of turnover by one-third, and construction schedules slip less on projects using union labor. While the law does not require union labor for Direct Pay projects, evidence shows it helps projects stay on time and on budget.

How do I find union workers for my project?

[Employers should contact local unions or visit relevant unions' websites to learn more about hiring union labor for their projects.](#)

How can my project advance economic and racial equity where I live?

Pre-hire collective bargaining agreements, known as Community Workforce Agreements (CWAs), Community Benefit Agreements (CBAs), or Project Labor Agreements (PLAs) are vital tools that support economic and racial equity *and* help employers avoid labor-related disruptions and delays on construction projects. These agreements, which workers and employers negotiate, typically cover wages, benefits, working hours and conditions, health and safety protections, mechanisms to resolve disputes without strikes or lockouts and similar matters.

Additionally, these agreements can include hiring targets for disadvantaged communities, workers of color, women, workers with disabilities, and veterans, ensuring that projects bring job opportunities to these populations and [shrinking racial and gender pay disparities](#). For example, [U.S. Bank Stadium's construction](#) in Minneapolis employed a PLA that included targets for 32 percent of the jobs the project created to go to "minority workers," and 6 percent to women. Ultimately, minority workers represented 36 percent of the project's 7,500 jobs, while women accounted for 9 percent, exceeding the PLA's targets. CWAs and PLAs can also lay out commitments for working with area small businesses, allowing local economies to share in projects' benefits.

To learn more about CWAs, CBAs, and PLAs, check out the Department of Labor's [Project Labor Agreement Resource Guide](#).

Additional Resources

- [FAQs on Direct Pay: Building Jobs & Sustainable Public Energy in Local Communities](#) (Congressional Progressive Caucus Center)

- [Direct Pay Worker Guide](#) (Congressional Progressive Caucus Center)
- [IRA Direct Pay Program: One-Pager](#) (Congressional Progressive Caucus Center)
- [Building Jobs & Sustainable Public Energy In Local Communities: Partner Toolkit](#) (Congressional Progressive Caucus Center)
- [DOL Presentation Slides on the Inflation Reduction Act's Labor Standards Provisions](#) (U.S. Department of Labor)
- [How Project Labor Agreements and Community Workforce Agreements Are Good for the Biden Administration's Investment Agenda](#) (Center for American Progress)

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