



**Written Submission for Consultations in
Advance of the Upcoming Federal Budget**

By: Merit Canada

Recommendations:

- **Recommendation 1:** That the Government of Canada direct funding within the Workforce Innovation Fund to support labour-affiliation-neutral, employer-driven training initiatives that develop Canada's future construction workforce, based on the principle that federal training dollars should follow the apprentice.
- **Recommendation 2:** That the Government of Canada reform the Union Training and Innovation Program to redefine eligibility on the basis of demonstrated training capacity and apprenticeship outcomes, rather than labour affiliation, and support this reform with an additional \$15 million over three years directed through a dedicated open-shop/employer-led training stream.
- **Recommendation 3:** That the Government of Canada remove the prevailing wage and benefit requirements from the Clean Economy Investment Tax Credits, so that access to these credits is determined by the environmental performance of the project rather than by an employer's compensation structure.
- **Recommendation 4:** That the Government of Canada require open, fair, and labour-affiliation-neutral tendering for all construction projects receiving direct federal funding or federal cost-sharing, in order to maximize value for taxpayers and ensure that every qualified contractor can compete for federal work.

Introduction

The Government of Canada has set out an ambitious economic agenda centred on building more homes, delivering major infrastructure, dramatically increasing Canada's exports to non-United States markets, and advancing large-scale clean economy projects. These priorities—reflected in housing targets, major project acceleration, and industrial policy—are critical to Canada's long-term growth and economic resilience.

Delivering on this agenda will require a significant expansion of Canada's skilled construction workforce. Across the country, governments and industry are aligned on the need to accelerate project delivery. Yet a key constraint is not capital or project ambition—it is the availability of labour. Skilled trades shortages continue to challenge employers' ability to take on new work, complete projects on time, and scale operations to meet growing demand. According to BuildForce Canada, the country will need to recruit, train and hire over 380,000 net new apprentices by 2035 to keep pace with incoming retirements and overall growth within the construction sector.

This reality is particularly acute in the context of housing. Federal and provincial commitments to significantly increase housing supply will require sustained construction activity over many years, placing additional pressure on an already stretched workforce. The same dynamic applies to major infrastructure and clean economy projects, where timelines and delivery certainty are critical to broader economic objectives.

Meeting this moment will require a workforce strategy that reflects how the construction sector operates today. The Government of Canada has taken a positive first step forward through their Team Canada Strong plan outlined in the 2026 Spring Economic Statement, but more work needs to be done to support the full spectrum of the Canadian workforce. The majority of Canada's construction sector—approximately 75%, or more than 1.2 million workers—is employed outside of traditional building trades union frameworks. These workers are employed by small- and medium-sized businesses operating in communities across the country. They are responsible for delivering a substantial share of housing, infrastructure, and commercial construction projects, particularly in regional and local markets. Merit Canada's provincial affiliates are at the heart of this important construction activity. Our affiliates include Merit Nova Scotia, Merit Ontario, Merit Manitoba, Merit Saskatchewan, ICBA Alberta and ICBA B.C.

Merit Canada submits that federal workforce and training investments must be designed to reach workers and employers across the broad construction sector if they are to deliver meaningful results. Programs that do not reflect the full composition of the workforce risk limiting participation, constraining training capacity, and slowing the delivery of priority projects, while at the same time increasing project costs for taxpayers and the users of infrastructure services.

The recommendations outlined in this submission are designed to align federal funding with this reality. They focus on ensuring that investments are inclusive, accessible, and targeted toward expanding workforce capacity at scale—supporting the government’s ability to deliver on its commitments to Canadians.

Recommendation 1: Leverage the Workforce Innovation Fund to Train Canada’s Future Construction Workforce

The Government of Canada’s new Workforce Innovation Fund represents a significant new investment in addressing labour market challenges through flexible, sector-driven approaches. As designed, the Fund is intended to support projects tailored to local labour market needs and to help employers recruit and retain workers in key sectors.

Merit Canada supports this objective and recommends that funding within the Workforce Innovation Fund be explicitly directed toward labour-affiliation-neutral, employer-driven training initiatives that support the development of Canada's future construction workforce. The guiding principle should be straightforward: federal training dollars should follow the apprentice, not the union. Apprentices who pursue their training through an open-shop employer and apprentices who pursue their training through a unionized employer both contribute to meeting Canada's skilled trades demand, and both deserve equal access to the federal programs their employers and their taxes help fund.

Construction—representing some 8% of Canada’s GDP—is central to the government’s economic agenda, including housing, infrastructure, and major projects. Meeting these objectives will require a significant expansion of the skilled workforce. To achieve this, federal funding must be structured to reach the full labour market, including the approximately 75% of construction workers who are not affiliated with traditional building trades unions.

Employer-led training plays a critical role in developing job-ready workers, particularly in high-demand trades. These models are often more responsive to immediate labour market needs and are essential to scaling workforce capacity quickly. Ensuring that Workforce Innovation Fund investments are accessible to all employers and training providers—regardless of labour affiliation—will maximize participation and improve outcomes. By supporting inclusive, workforce-wide training initiatives, the Fund can expand training capacity, reduce bottlenecks, and accelerate workforce entry across regions and sectors.

Recommendation 2: Reform the Union Training and Innovation Program

Federal skills training programs must be designed to maximize reach and impact. The current design of the Union Training and Innovation Program (UTIP) limits its effectiveness by directing funding toward a narrow segment of the construction workforce.

Merit Canada recommends that the Government of Canada reform UTIP so that program eligibility is based on demonstrated training capacity and apprenticeship outcomes—not on labour affiliation. Under UTIP's current design, eligibility is effectively restricted to union-affiliated training providers and their partners. Simply expanding the program's funding envelope without redefining who qualifies, as done in the 2026 Spring Economic Update, will simply direct additional federal dollars to a very narrow set of recipients and would not address the core structural issue around scaling the recruitment and training of apprentices that this submission seeks to resolve.

Accordingly, Merit Canada recommends that ESDC redefine UTIP eligibility based on the following objective criteria:

- demonstrated capacity to deliver accredited apprenticeship training, measured by registered apprentices supported, training hours delivered, and trade coverage;
- direct connectivity to employers actively hiring apprentices in Canada's construction sector;
- demonstrated capacity to serve under-represented groups, including women, Indigenous workers, newcomers, and persons with disabilities; and
- compliance with standard federal accountability, reporting, and program-integrity requirements.

Providers meeting these criteria should be eligible for UTIP funding regardless of labour affiliation. Merit Canada further recommends that the additional \$15 million in funding over

three years proposed in this submission be directed through a dedicated open-shop / employer-led training stream to ensure that expanded access translates into expanded training capacity rather than being absorbed within the existing allocation.

As currently structured, UTIP does not reflect the composition of Canada's construction workforce. With approximately 75% of workers operating as open-shop, a significant portion of the labour market is excluded from accessing federally supported training resources. Reforming UTIP in this way would improve both fairness and effectiveness. It would ensure that federal funding supports the full workforce while delivering stronger outcomes in terms of training completion, workforce participation, and project readiness.

The proposed funding increase is modest relative to the program's existing base and is intended to ensure that expanding access does not come at the expense of existing recipients. Instead, it would enable a more inclusive and effective program that delivers greater value for federal investment.

To ensure the additional \$15 million delivers the outcomes this submission intends, Merit Canada recommends that the funding flow through a dedicated open-shop / employer-led training stream.

Recommendation 3: Remove Prevailing Wage Requirements from the Clean Economy Investment Tax Credits

The Clean Economy Investment Tax Credits (ITCs) are a central component of the federal government's strategy to attract investment and accelerate the development of clean electricity, clean technology, clean manufacturing, clean hydrogen, and carbon capture projects. Ensuring these credits achieve their intended environmental and economic outcomes requires that their design remain focused on the emissions-reduction and industrial-development objectives they were created to advance.

As currently structured, the Clean Economy ITCs require employers to mirror the wage and benefit terms of the collective agreements administered by Canada's Building Trades Unions (CBTU) in order to access the full credit rate. This design effectively embeds CBTU collective agreements as the de facto wage-setting benchmark for a federal tax benefit — using federal tax policy to privilege one form of labour organization over all others. It is difficult to identify another area of Canadian tax policy in which access to a federal credit is conditioned on an

employer's compensation mirroring the collective agreements of a specific set of unions, regardless of the actual wages and benefits that employer pays.

The practical consequence is a permanent 10-percentage-point financial penalty on contractors—including many who already pay market-leading wages and benefits. An open-shop contractor paying total compensation well above prevailing regional market levels, but structured differently from a CBTU collective agreement, receives only the reduced ITC rate solely because of the form their compensation takes.

Most fundamentally, the Clean Economy ITCs are an element of Canada's climate policy. Their purpose is to reduce emissions, accelerate industrial decarbonization, and scale Canadian capacity in the clean economy. There is no principled link between a contractor's compensation structure and the carbon-reduction performance of a clean energy or clean manufacturing project. The labour-form requirements are not designed to advance the program's environmental objectives; they are a policy addition unrelated to the purpose the credits were created to serve. Removing them would not weaken the Clean Economy ITCs—it would restore the program's focus on the emissions reductions and industrial capacity federal dollars are intended to deliver.

Accordingly, Merit Canada recommends that the Government of Canada remove the prevailing wage and benefit requirements from the Clean Economy Investment Tax Credits. If the government chooses to retain a federal wage standard on these projects, we recommend replacing the CBTU collective agreement benchmark with an independent, government-determined regional wage standard based on actual market wage data across both union and open-shop employers—ensuring that access to Canada's clean economy tax credits is determined by the environmental performance of the project and by fair worker outcomes.

Recommendation 4: Require Open, Fair, and Labour-Affiliation-Neutral Tendering for All Construction Projects

Restrictive tendering narrows the construction sector's ability to deliver federal priorities at scale. With approximately 75% of Canada's construction workforce operating outside of traditional building trades union frameworks—and with much of Canada's regional construction capacity, including in Alberta, Manitoba, Saskatchewan, and British Columbia, overwhelmingly open-shop—procurement rules that exclude or disadvantage open-shop contractors remove the majority of the country's construction capacity from the bidding

pool. This occurs at precisely the moment when federal housing, infrastructure, and clean economy commitments require every qualified contractor to be in the market.

The practical consequences are fewer bidders on federal projects, reduced competitive pressure on bid prices, longer project timelines, and a reduced likelihood that federal targets are met on schedule—each of which represents a direct and avoidable draw on the federal fiscal framework.

Open and fair procurement is not only a matter of fiscal discipline; it is a precondition for delivering the construction volume Canada's federal economic agenda requires.