

## MEMORANDUM

**TO:** Hon. François-Philippe Champagne, MP for Saint Maurice-Champlain, Minister of Finance  
Hon. Gregor Robertson, MP for Vancouver Fraserview—South Burnaby, Minister of Housing and Infrastructure

**FROM:** Renze Nauta, Program Director, Work & Economics  
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Daniel Liegmann, Junior Policy Analyst

**DATE:** February 12, 2026

**SUBJECT:** Considerations for the Build Communities Strong Fund – Budget 2025

### WHO WE ARE

Cardus is a non-partisan think tank dedicated to clarifying and strengthening, through research and dialogue, the ways in which society's institutions can work together for the common good.

### ISSUE

Budget 2025 allocates \$51 billion to a Building Communities Strong Fund for new infrastructure projects over the next decade. Funded projects will be selected based on various criteria, including the “use of unionised labour, and use of Community Employment Benefits agreements”.<sup>1</sup> The language of Budget 2025 leaves open the possibility that the Community Employment Benefits agreements could restrict the kinds of firms and labour that would be contracted in a given project. This could negatively impact competition for government procurement, resulting either in the construction of fewer infrastructure projects or in higher costs for the federal government.

### RECOMMENDATION

We recommend against using Community Benefit Agreements (CBAs) that would require or preference unionised labour on infrastructure projects. Well-structured CBAs should allow other kinds of labour arrangements, such as alternative unions and non-unionized labour.

Restricting procurement to firms associated exclusively with unions or with one particular type of union would reduce the number of bidders for projects and result in less competition.

Instead, the government should implement a model of CBAs that leads to a more diverse construction workforce – and therefore a larger pool of workers. This is especially necessary in the context of labour shortages in construction. The Government of Canada should structure the Building Communities Strong Fund around the following parameters:

- Prioritize achievable targets and reporting, not mandatory minimums (quotas), for labour force diversity;
- Include training opportunities; and
- Avoid restrictive tendering policies that exclude workers or employers based on their union status or affiliation.

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<sup>1</sup> Canada, Ministry of Finance, *Canada Strong: Budget 2025* (Ottawa: Ministry of Finance, 2025), <https://budget.canada.ca/2025/report-rapport/pdf/budget-2025.pdf>.

## BACKGROUND

CBAs are “agreements between governments and the private sector that are designed to secure shared benefits among community members who may not otherwise benefit as much”.<sup>2</sup>

Social procurement tools such as CBAs are ways for governments to promote certain social goals as part of infrastructure spending. In government procurement it is important to note that public infrastructure spending already provides a general benefit to the community, namely the infrastructure project itself. Further, maximizing the cost savings for infrastructure allows government funds to be directed to other forms of social spending. This is to say that social procurement is one of the means, though not the only means, to increase social benefits.

The challenge for social procurement is to balance the objectives of delivering value for taxpayers through lower project costs with the goal of increasing the social benefits of a construction project. Poorly-designed social procurement can result in an imbalance where restricted tendering undermines cost savings. Accordingly, the Government of Canada must prioritize both workers *and* value for taxpayers when designing the Building Communities Strong Fund.

## FRAMEWORK FOR STRUCTURING COMMUNITY BENEFITS AGREEMENTS

CBAs are not inherently problematic, as long as they are well-designed and oriented toward the right policy goals. This requires clarity about their purpose and intent. CBAs need not require or preference unionised labour to accomplish other policy goals, such as increasing the diversity of the workforce or promoting local businesses.

Our research on CBAs has identified parameters that would increase supply and diversity of labour, while containing costs of procurement. The following considerations should be applied when designing procurement policies:

- **Supplier Diversity:** Where governments wish to promote local businesses, they should determine what work can reasonably be performed using local vendors and resources. Broad and early consultation of local stakeholders is key to providing procurement opportunities to the broader community.
- **Workforce Diversity:** When seeking to increase the diversity of the workforce, the goal should be to widen – not restrict – the scope of labour that is available for construction projects. Governments need to work with social enterprises and companies on opportunities for collaboration without shrinking the pool of firms eligible to bid. One example of a positive approach is the city of London, Ontario. London chose to segment the project of creating a rapid transit into phases which smaller regional firms could individually bid on, resulting in greater competition for the projects.<sup>3</sup>
- **Project Management:** Governments need to be aware that community benefits may entail additional costs on construction projects, especially if they are not incorporated early in the plan. The intended community benefits should be considered at every relevant stage of

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<sup>2</sup> A. Frootman, “A Framework for Implementing Community Benefits Agreements”, *Cardus*, July 15, 2022, <https://www.cardus.ca/research/work-economics/reports/a-framework-for-implementing-community-benefits-agreements/>.

<sup>3</sup> A. Frootman, “Framework for Implementing Community Benefits Agreements”.

planning. Any strategic priorities should be planned and accounted for before detailed project design work commences. Integrating the desired community benefits as early as possible into the planning and design phase will prevent the CBAs from driving up costs during construction.

- **Measurement:** Governments should lay out clearly defined metrics for success and track these metrics. However, project-specific metrics may not always directly translate to long-term benefits for communities. A company may, for example, hire people from a target equity-seeking group for a project but fail to give them meaningful work or retain them past that specific project, thus negating the long-term benefit sought. Governments should periodically review CBA structures to ensure close alignment of the CBAs with long-term benefits the CBAs are aiming to produce.

Further details can be found in our report: “A Framework for Implementing Community Benefit Agreements” (Cardus, 2022).<sup>4</sup>

## CASE STUDIES

As the federal government considers its options, the lessons from various forms of social procurement at the provincial and municipal levels are instructive.

**Toronto, Ontario:** The City of Toronto employs a system of restrictive procurement that limits competition for industrial, commercial, and institutional construction projects to companies affiliated with building trade unions. According to estimates, this adds \$347 million to the cost of the city’s construction every year, about 21% higher than it otherwise would be.<sup>5</sup> Additional details about Toronto’s restrictive system can be found in our report “Better Choices for Toronto” (Cardus, 2023).<sup>6</sup>

**Waterloo, Ontario:** The Region of Waterloo previously had a system similar to Toronto’s, but moved to non-restrictive procurement in 2019. Opening up procurement to all qualified construction companies resulted in more competition, with the average number of bids per project rising from 3.68 before 2019 to 5.54 after 2019.<sup>7</sup> More results can be found in our report “Bouncing Back Through Diversity” (Cardus, 2021).<sup>8</sup>

**British Columbia:** Our study of the use of CBAs in British Columbia found a connection between the B.C. CBA and cost overruns of 63% in the case of the Cowichan District Hospital Replacement Project.<sup>9</sup> The BC Minister of Finance noted labour shortages as a key cause of these cost overruns.<sup>10</sup> The CBA used in that project limits the labour pool for designated construction projects

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<sup>4</sup> Frootman, Albert. “A Framework for Implementing Community Benefits Agreements”.

<sup>5</sup> J. Lewis and R. Nauta, “Better Choices for Toronto: Finding Money in Open Tendering for Safety and Mental Health”, Cardus, 2023. <https://www.cardus.ca/research/work-economics/research-brief/better-choices-for-toronto/>

<sup>6</sup> J. Lewis and R. Nauta, “Better Choices for Toronto”.

<sup>7</sup> B. Dijkema, “Bouncing Back Through Diversity: The Effects of Bill 66 on Construction Competition in the Region of Waterloo”, Cardus 2021. <https://www.cardus.ca/research/work-economics/reports/bouncing-back-through-diversity-the-effects-of-bill-66-on-construction-competition-in-the-region-of-waterloo/>.

<sup>8</sup> B. Dijkema, “Bouncing Back Through Diversity”.

<sup>9</sup> R. Nauta, “Benefits for Whom? Assessing British Columbia’s Community Benefits Agreement”, Cardus, 2024. <https://www.cardus.ca/research/work-economics/reports/benefits-for-whom/>.

<sup>10</sup> Nauta, “Benefits for Whom?”



to a group of building trade unions. Limiting the labour pool to a specific group likely contributed to higher costs. Further information about the takeaways from British Columbia’s CBAs can be found in our report “Benefits for Whom?” (Cardus, 2024).<sup>11</sup>

## **CONTACT**

We would welcome the opportunity to meet with you and assist with future considerations on this issue. Please do not hesitate to contact us at [rnauta@cardus.ca](mailto:rnauta@cardus.ca).

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<sup>11</sup> Nauta “Benefits for Whom?”