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Building Canada's competitive advantage through universities

Submission to the Standing Committee on Finance's pre-budget consultations in advance of the 2026 federal budget

By: Universities Canada



Recommendation 1

Expand Canada's International Education Strategy into a comprehensive International Higher Education Talent, Research and Innovation Strategy to respond to intensifying global competition, aligning federal policies to attract talent, expand research partnerships and support export diversification in priority markets.

Recommendation 2

Make coordinated strategic investments in Canada's domestic skills pipeline by ensuring universities are integral partners in the design and delivery of federal workforce initiatives — including work-integrated learning, the Canada Defence Skills Agenda and Workforce Alliances — to strengthen regional talent pipelines and prioritize career pathways for veterans and mid-career workers into strategically important fields.

Recommendation 3

Leverage the full capacity of Canada's university research ecosystem to strengthen sovereign capability by implementing scalable mechanisms — including standardized entry points and funding that spans the full innovation continuum — to align university research with federal priorities such as defence, artificial intelligence and dual-use research.

Recommendation 4

Using existing tax mechanisms to ensure rapid and efficient delivery, increase the GST/HST rebate for universities to 100 percent, aligning the treatment of universities with municipalities and other public interest organizations. This would allow institutions to reinvest an estimated \$240 million annually directly into teaching, research and student support.



Introduction

Canada's long-term economic strength will depend on whether it can build the talent, research capacity and innovation base needed to compete in a more uncertain global environment. Universities are central to that effort. They prepare Canadians for the jobs of today and tomorrow, attract global talent and generate the research and innovation that support productivity, resilience and sovereignty.

They are also a significant national asset in economic terms. Universities contribute \$48.6 billion annually to the Canadian economy, support more than 410,000 jobs and perform \$19 billion in research and development each year. In communities across the country, they help drive local growth, strengthen regional labour markets and connect public investment to real economic and social returns.

The federal government has rightly placed greater emphasis on productivity, economic security, workforce readiness and sovereignty. Universities are essential to advancing those priorities. They help grow the skilled workforce, support strategic sectors, deepen Canada's innovation capacity and expand the country's ability to respond to economic and technological change.

But universities' ability to deliver at the scale Canada requires is under increasing strain. Years of constrained funding, rising costs and aging infrastructure are putting pressure on capacity. Unlocking that full potential requires alignment across governments. While provinces fund universities, the federal government has a critical leadership role to play, championing education as a core economic and trade lever and aligning policies to maximize its impact for students, communities and the economy.

Budget 2026 is an opportunity for the federal government to act with purpose. While post-secondary education is primarily a provincial responsibility, the federal government has important levers through research, talent, immigration, skills and tax policy. The recommendations that follow outline practical federal actions to strengthen workforce capacity, support strategic research and ensure universities can continue to deliver value to communities, to the economy and to Canada's broader national interests.

Compete for the world's best talent

Recommendation: Expand Canada's International Education Strategy into a comprehensive International Higher Education Talent, Research and Innovation Strategy to respond to intensifying global competition, aligning federal policies to attract talent, expand research partnerships and support export diversification in priority markets.

Canada's previous International Education Strategy,¹ which was launched in 2019 and concluded in 2024, was designed to support trade, talent and global engagement. Over time, however, it has become misaligned with the country's evolving economic and trade priorities, contributing to fragmented policy signals and missed opportunities in priority markets. Canada now needs a coordinated and predictable approach that strengthens public confidence while preserving its position in global talent and research.

International education is already a major economic asset, contributing more than \$39 billion to GDP and supporting more than 400,000 jobs in 2024. Canada's universities also perform roughly \$19 billion in research and development annually. These strengths are significant, but they are not being fully leveraged as part of a coordinated economic and trade strategy.

A renewed strategy would better align talent attraction and retention, research partnerships and student mobility with priority markets under a coordinated federal approach led by Global Affairs Canada, with clear roles for Immigration, Refugees and Citizenship Canada, Employment and Social Development Canada and Innovation, Science and Economic Development Canada. It should focus on markets aligned with Canada's trade, talent and innovation objectives, while also recognizing the importance of linguistic duality, francophone mobility and access to bilingual talent in supporting workforce needs and long-term economic growth. This would strengthen competitiveness, support export diversification and improve policy coherence.

The recently announced Canada–India Talent, Research and Innovation Strategy provides an early opportunity to operationalize this approach and could serve as a model for future bilateral partnerships. It could also support broader Canada–India engagement and progress toward a Canada–India Comprehensive Economic Partnership Agreement by strengthening the talent, research and innovation ties that underpin long-term trade relationships.

Expected outcomes:

- Rebuild Canada's global brand in international education;
- Improve coordination and efficiency across federal departments;
- Strengthen talent attraction, retention and two-way mobility outcomes; and
- Better align education with trade, immigration and innovation objectives.

¹ See the archived 2019–2024 International Education Strategy (Canada) 2019–2024: <https://www.international.gc.ca/education/strategy-strategie/strategy-summary-sommaire-strategie.aspx?lang=eng>



Equip Canadians with the skills our economy needs

Recommendation: Make coordinated strategic investments in Canada’s domestic skills pipeline by ensuring universities are integral partners in the design and delivery of federal workforce initiatives — including work-integrated learning, the Canada Defence Skills Agenda and Workforce Alliances — to strengthen regional talent pipelines and prioritize career pathways for veterans and mid-career workers into strategically important fields.

Canada’s labour market challenges are increasingly about helping people adapt within the workforce, not just enter it. Universities are well placed to support this need at scale. They offer the programming, credentialing capacity and research expertise needed to deliver advanced skills training in areas such as AI, digital technologies, clean growth, advanced manufacturing, the care economy and defence-related fields.

Universities are already delivering flexible pathways for upskilling, reskilling and workforce re-entry, including for veterans, those with defence-related experience and mid-career workers moving into high-demand roles. They also play an important role in work-integrated learning and work readiness, helping students and workers build practical experience and transition more effectively into the labour market. Expanding these pathways would strengthen employer partnerships, respond more directly to labour market needs and reinforce the role of universities in supporting workforce resilience.

Recent federal measures on workforce development, work-integrated learning, reskilling and sector-based approaches are aligned with this direction. However, universities are not always fully included in the design, eligibility or delivery of these efforts, despite their capacity to help build talent pipelines in priority sectors. Budget 2026 is an opportunity to address that gap.

Expected outcomes:

- Higher workforce participation and labour mobility;
- Better alignment between skills training and labour market demand, including full use of university capacity in workforce development; and
- Higher productivity and economic resilience through stronger sectoral talent pipelines and faster response to emerging workforce needs.

Harness university research to advance national priorities

Recommendation: Leverage the full capacity of Canada’s university research ecosystem to strengthen sovereign capability by implementing scalable mechanisms — including standardized entry points and funding that spans the full innovation continuum — to align university research with federal priorities such as defence, artificial intelligence and dual-use research.

Canada’s post-secondary sector represents approximately 33 percent of national research and development capacity and has demonstrated its ability to mobilize quickly and effectively in response to clear national objectives. The Impact+ talent program demonstrated this capacity, as has the sector’s strong response to Defence Innovation Secure Hub (DISH) opportunities.

While initiatives such as DISH will be critical for classified research, their specialized infrastructure, capacity limits and geographic concentration mean they cannot deliver the scale of research and talent development required to meet Canada’s needs. A broader, more distributed approach is needed, one that links the research continuum from discovery with applied, mission-driven research.

Maintaining strong support for investigator-led research through the tri-council agencies remains essential to sustain Canada’s long-term research capacity. To complement this, Canada must build standing interfaces and transition pathways that allow promising work to either feed into classified hubs or advance sovereign priorities in unclassified environments, leveraging existing university infrastructure to deliver results at scale without the resource intensity of high-security requirements.

Deeper integration of the university research ecosystem into federal priorities, including with the Defence Industrial Strategy and the forthcoming artificial intelligence strategy, will ensure that Canada can fully leverage its research capacity to generate talent, accelerate innovation and build sovereign capability in areas critical to its economic security and global competitiveness, while maximizing the impact of existing research investments.

Expected outcomes:

- A standardized architecture for transitioning university research into operational sovereign capabilities;
- Fewer breakthroughs stalling between early-stage discovery and mission-driven application;
- Maximized impact of federal funding through clear transition pathways for dual-use technologies; and
- Increased supply of highly qualified personnel for defence and sovereignty-critical sectors.



RECOMMENDATION



Strengthen institutional capacity through targeted, fiscally responsible federal tax relief

Recommendation: Using existing tax mechanisms to ensure rapid and efficient delivery, increase the GST/HST rebate for universities to 100 percent, aligning the treatment of universities with municipalities and other public interest organizations. This would allow institutions to reinvest an estimated \$240 million annually directly into teaching, research and student support.

As universities seek to stretch increasingly constrained budgets, tax policy presents an immediate opportunity for relief.

Currently, universities receive a 67 percent rebate on the federal portion of the GST/HST public service bodies' rebate, compared to the 100 percent rebate available to municipalities. Raising the rebate for universities to the municipal level would provide an estimated \$240 million across the sector in annual savings, funds that could be reinvested directly in core mission activities such as teaching, research and student support. This represents a practical and immediate federal policy lever that will improve the effectiveness of existing public expenditures by reducing internal cost pressures within publicly funded institutions.

At a time when Canada is seeking to strengthen productivity, expand its workforce and compete in strategic sectors, ensuring universities have the financial flexibility to respond will be increasingly important. This is particularly the case given growing demand for university education and projected workforce shortages in key sectors such as health care, education and technology.

The measure also addresses a structural inconsistency in the tax treatment of public service bodies, aligning universities with municipalities and reinforcing their role as essential contributors to Canada's economic, social and community infrastructure.

While modest in scale, it would provide meaningful flexibility at a time when institutions are managing sustained financial pressure.

Expected outcomes:

- Immediate reinvestment in core mission activities;
- Improved financial sustainability across the sector;
- Enhanced capacity to deliver on federal priorities in skills, research and innovation; and
- More efficient use of public funds.



Conclusion

Universities are essential to our future. They train the workforce, drive innovation and support communities across the country. They turn discovery into real-world impact, from new technologies to improved health and stronger local economies.

Canadians see this clearly. More than three-quarters support increased federal investment in universities.

Without coordinated federal action, Canada risks slower innovation, a less-skilled workforce and reduced capacity to compete in an uncertain global landscape. By pursuing this integrated strategy, the government can increase productivity, strengthen our workforce and reinforce Canada's sovereignty for the long term.

Our recommendations combine strategic investments with practical measures that improve the effectiveness of existing resources and support the long-term sustainability of Canada's university system.

Budget 2026 is an opportunity to act.

Investing in universities is an investment in Canada's future.



About Universities Canada

Universities Canada represents 97 universities across the country. We are a membership organization that provides universities with a unified voice in higher education, research and innovation. Our member universities are located in communities across Canada, serving over 1.4 million students.



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