

Post-Secondary Education

Background

Canadian students are facing a combination of challenges unseen by previous generations: record-high levels of student debt, tuition fees that have tripled since the 1990s, and youth unemployment levels that are twice as high as those of the general population. Getting a post-secondary education has become almost a prerequisite for participating in the workforce, even though education is much less affordable now than 30 years ago. Young workers without some form of post-secondary education have significantly higher unemployment rates than those who have such an education. The unemployment rate for youth aged 15 to 24 who have a high school diploma is 16%; the rate for those with a post-secondary certificate or diploma is 9.5%.¹

The federal government has a key role to play in Canada's post-secondary education system. Without federal direction, post-secondary education is taking divergent paths based on shifting provincial priorities. Provinces can set tuition fees as they see fit, and as a result students have significantly different financial challenges depending on the province in which they study. It is not in the interest of social equality and economic development across Canada for tuitions in one province to be as much as three times those in another province.

For more than 50 years, the federal government recognized the crucial role of post-secondary education in increasing social and economic equality and driving economic growth. But over the past 30 years, Canada's public post-secondary education system has been consistently threatened by government underfunding and an increased reliance on private funding, primarily through increased tuition (user) fees.

Since the federal funding cuts of the mid-1990s, an increasing portion of the cost of post-secondary education has been passed on to students and their families. Between 1979 and 2009, government grants as a share of university operating revenue fell from 84% to nearly 58%. Unsurprisingly, in the last 15 years, tuition fees have become one of the largest expenses for university and college students, increasing on average by more than five times the rate of inflation.²

In 2013–14, the average university tuition fee in Canada increased by 3.3% to a total of \$5,772. Combined with additional compulsory fees which most institutions charge, total average undergraduate fees were over \$6,589. Undergraduate tuition fees can vary from \$7,259 in Ontario to \$2,644 in Newfoundland and Labrador.³ In specialized programs such as medicine, law, and dentistry, students often pay three or more times the Canadian average, which drives student debt for many future health professionals into the six-figure range.

Current Issues

Core funding

Starting in 1967, federal funding was provided on a cost-sharing model. The provinces made policy, program, and spending decisions and administered the system, and the federal government matched their spending dollar for dollar. Under this arrangement, federal expenditures on higher education had tripled by 1976. In 1977, the government replaced this model with the Established Program Financing (EPF) framework, whereby funds were transferred through tax points and cash transfers. The EPF was replaced by the Canada Health and Social Transfer (CHST) in 1996, and then by the Canada Social Transfer (CST) in 2004.

These changes not only reduced the overall funding allocated to the transfer, but also reduced the level of accountability the provinces had for transfers they receive for post-secondary education. The CST provides no guarantee that the federal funding reaches students and their families. Funding for the transfer peaked at 0.56% of GDP in 1981, before declining through the remainder of the 1980s and 1990s to reach a low of 0.15% in 2005. Currently, the federal transfer for post-secondary education stands at 0.20% of GDP.⁴

The 2007 federal budget earmarked additional funds for post-secondary education. While the budget appeared to add some transparency, provinces are still under no obligation to ensure that the federal transfer monies benefit students. The federal government has no recourse if provinces redirect this funding to other priorities.

The Canadian Federation of Students estimates that current federal funding for post-secondary education is \$1.7 billion short of 1992–93 levels when inflation and increased enrolment are factored in. Inadequate federal funding for colleges and universities has resulted in higher tuition fees as costs are passed on to students. As the value of federal transfers diminished in the 1990s, average tuition fees rose from roughly \$1,460 in 1990 to \$5,772 in 2013. Lower levels of funding also impair the ability of institutions to hire enough instructors and support staff, resulting in a reduction in the quality of Canada's universities and colleges.

Student financial aid

Past federal and provincial government decisions are forcing students and their families to assume more education-related debt than any previous generation.

In 2011, the total amount of student loans owed to the government approached the \$15 billion ceiling set by the *Canada Student Financial Assistance Act* (CSFAA). This figure only accounts for a portion of total student debt; it does not include provincial and personal loans, lines of credit, and education-related credit card debt. In response, the government altered the definition of “student loan” to exclude over \$1.5 billion in federal student debt, amended the CSFAA to increase the limit to \$19 billion, and significantly reduced parliamentary oversight of the program.

High levels of student debt are linked to lower graduation rates and a reduced likelihood of continuing studies beyond a bach-

elor's degree or college diploma. Heavy debt loads are also a negative factor in an already weakened economy, especially since most family earnings have been stagnant for the past 20 years. Student loan obligations reduce the ability of new graduates to start a family, invest in assets, build career-related volunteer experience, or take lower-paying work that aligns well with their interests or career goals.

In 2009, the federal government established the Canada Student Grants Program, which greatly increased support for students. However, a much larger investment is needed to meaningfully reduce student debt. The federal government will distribute roughly \$647 million in grants this year. Although substantial, this amount is far less than the \$2.58 billion the government spends on education-related tax credits and savings schemes. Despite their high cost, federal tax expenditures are a poor instrument to improve access to post-secondary education or relieve student debt, since everyone who participates qualifies for tax credits regardless of financial need. Thus, the federal government is diverting vast sums of public funding where they are not necessarily required.

The non-refundable education and tuition fee tax credit alone will cost the federal government over \$1.6 billion this year. For students who earn enough to claim the credits and get money back on their taxes at the end of the financial year, these rebates do little to help them afford tuition fees in September.

First Nations students

The federal government is morally and legally responsible for providing access to post-secondary education of First Nations people. The Post-Secondary Student Support Program (PSSSP) is the primary mechanism by which certain Aboriginal students — status First Nations and Inuit only — receive financial support from the federal government.

Since 1996, annual funding growth for the PSSSP has been capped at 2%. Given inflation, population growth, and increasing tuition fees in most jurisdictions, this cap results in an annual *decrease* in per capita funding. The number of First Nations students receiving PSSSP funding declined from 22,938 in 1997 to 18,729 in 2009. According to estimates, over 10,500 students were denied funding between 2001 and 2006, and roughly 3,200 more students per year were denied funding since then as a result of the funding cap.

It is estimated that if all educational attainment gaps were closed between First Nations and non-First Nations populations, the GDP contribution of First Nations peoples would increase by at least \$400 billion over a 25-year period.⁵

University research

Recent federal budgets have directed research funding to meet the short-term priorities of the private sector rather than broader social needs. This drive to commercialize university research has far-reaching consequences, including limiting academic freedom and public ownership of research and

TABLE 12 Tuition Fees in Canada, 1992 and 2014–15

	NL	PEI	NS	NB	QC	ON	MB	SK	AB	BC
Inflation adjusted 1992 Rates	\$2,425	\$3,277	\$3,488	\$3,230	\$2,079	\$2,621	\$3,081	\$3,036	\$2,611	\$3,035
Projected 2014–15 Rates	\$2,749	\$6,339	\$6,195	\$6,433	\$2,916	\$8,371	\$4,117	\$6,832	\$7,077	\$5,593
Change	\$324	\$3,061	\$2,706	\$3,203	\$837	\$5,750	\$1,036	\$3,796	\$4,466	\$2,558

discouraging private sector innovation. By funding a narrow range of research disciplines – mostly in science, engineering, and business – funding decisions have damaged a comprehensive research environment that was based solely on the academic merits of the work.

The federal government’s science and technology strategy focuses on short-term results at the expense of long-term innovation. In addition, federal funding increases directed toward market-driven research programs are creating an unhealthy private-sector dependency on universities for their research and development. This corporate subsidy contributes directly to Canada’s lagging behind other OECD countries in private sector investment in in-house research and development. If this trend continues, our publicly funded post-secondary education system could replace private sector research and development facilities, threatening the foundations of academic freedom and public, peer-reviewed, curiosity-driven research.

AFB Actions

Tuition reduction program

- The AFB will reduce the cost of post-secondary education to pre-1992 lev-

els. As *Table 12* indicates, the increase in tuition costs has varied widely between provinces – some provinces have tried to maintain stable tuition fees or at least limit the rate of increase, but others have not.

- The AFB will introduce a dedicated post-secondary education cash transfer of \$2,875 per full-time student, escalating by 2% per year, conditional on the reduction of tuition fees to 1992 levels (see *Table 13*).

This transfer will provide 50% of the amount needed to reduce tuition fees to 1992 levels in Ontario, where costs have grown the fastest. In four provinces, the transfer will cover more than half of the needed amount. In the remaining five provinces, the amount of the transfer will exceed the amount needed for a reduction. The AFB will still transfer \$2,875 per student to these provinces, recognizing that they are equally deserving of federal assistance.

This transfer will be guided by federal legislation based on principles of accessibility, comprehensiveness, collegial governance, public administration, and academic freedom. The reduction in tuition fees will cost the federal government \$2.8 billion in 2014–15, \$3.0 billion in 2015–16, and \$3.2 billion in 2016–17.

TABLE 13 AFB Post-Secondary Education Cash Transfer (mil)

	NL	PEI	NS	NB	QC	ON	MB	SK	AB	BC
Federal Cost	\$41.0	\$12.8	\$107.0	\$52.5	\$609.0	\$1,304.0	\$103.6	\$87.3	\$287.6	\$285.0
Provincial Top-Up	-	\$0.8	-	\$5.9	-	1,304.0	-	\$28.0	\$159.1	-

Grants and other funding programs

- The AFB will eliminate the need for new federal student loans by increasing the value and number of up-front grants to students provided by the Canada Student Grants Program. This will be funded by redirecting funds currently used for education-related tax credits and savings schemes.⁶ This will be revenue-neutral but will shift \$2.2 billion from tax credits to grants.
- To reduce socio-economic disparities between First Nations and non-First Nations students, the AFB will remove the funding cap for the PSSSP. It will also increase funding and expand eligibility to meet the needs of all First Nations post-secondary students.

Research funding and scholarships

- Recognizing the importance of funding based on an independent, merit-based approach, the AFB will increase the federal granting agencies' base budgets by 10%, with more funds asymmetrically allocated to the social sciences and humanities. The AFB will increase the number of Canada Graduate Scholarships to 3,000 — consistent with the average growth of the program since 2003 — to

be distributed proportionally among the research granting councils according to enrolment figures.

Apprenticeships and skills-based training

- The AFB will create a commission to study and provide policy recommendations on apprenticeships, college education, and skills-based training in Canada. Canada needs to improve skills-based training and apprenticeships, and encourage more workplace training for youth and life-long learning. Some European countries, such as Switzerland, have had success with apprenticeship-streamed education. Others, such as Germany, offer apprenticeships in a wider range of occupations, including, for example, accounting.

Notes

¹ Goebly, Sean. (2013). *The Young and the Jobless: Youth Unemployment in Ontario*. Toronto: Canadian Centre for Policy Alternatives.

² Shaker, Macdonald. (2013). *Degrees of Uncertainty: Navigating the Changing Terrain of University Finance*. Ottawa: Canadian Centre for Policy Alternatives.

³ *The Daily*. (2013). "University Tuition Fees." Ottawa: Statistics Canada.

⁴ *Almanac of Post-Secondary Education in Canada*. (2013). Canadian Association of University Teachers.

⁵ Canadian Federation of Students. (2013). *Post-Secondary Education Tax Credits*. Ottawa: Canadian Federation of Students.

⁶ Canadian Federation of Students. (2013). *Post-Secondary Education Tax Credits*. Ottawa: Canadian Federation of Students.