

# Post-Secondary Education

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## Background

Students in Canada 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 the unemployment levels faced by the general population. The attainment of a post-secondary education has become an important prerequisite for participating in the workforce, despite education being much less affordable now than 30 years ago. Youth aged 15 to 24 who have obtained a high school diploma have an unemployment rate of 12.2% while those with a post-secondary certificate or diploma have an unemployment rate of 7.3%.<sup>1</sup>

Although Canada's constitution places most social programs, including education, within the jurisdiction of provincial governments, it does not relieve both federal and provincial governments of their responsibility to ensure the best possible system of post-secondary education. Constitutionally, health care is under provincial jurisdiction, yet it is subject to federal legislation that sets standards of care and funding, and ensures universal access. The federal government has the ability to use its spending powers to intervene in areas of provincial jurisdiction without altering the Constitution's division of powers. Despite the federal government's central role in post-sec-

ondary education, Canada remains the only major industrialized country without national oversight of higher education.

Without federal direction, post-secondary education is taking divergent paths based on shifting provincial priorities. Provinces can set tuition fees at whatever level they see fit, resulting in students facing significantly different challenges in accessing higher education depending on the province in which they study. It is not in the interest of social equality and economic development across the country to have students in one province paying as much as three times what their peers in another province pay.

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 2014, government grants as a share of university operating revenue plummeted from 84% to 55%. Unsurprisingly, in the last 15 years, tuition fees have become one of the largest expenses for university and college students, increasing at more than double the rate of inflation.<sup>2</sup>

In 2014–15, university tuition fees in Canada increased by 3.3% to an average of \$5,959. Institutions often charge additional compulsory fees in order to circumvent provincial tuition fee regulation. Compulsory fees are only regulated in some provinces. Combined with tuition fees, the total average undergraduate fees climbed to \$6,780.

Undergraduate tuition rates range from \$7,539 in Ontario to \$2,631 in Newfoundland and Labrador.<sup>3</sup> In specialised programs such as medicine, law, and dentistry, students often pay three or more times the Canadian average, driving student debt for many future health professionals into the six-figure range.

## Core Funding

Starting in 1967, federal funding for post-secondary education 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 abandoned this cost-sharing model and introduced the Established Program Financing Framework (EPF), wherein funds were transferred through tax points and cash transfers. The EPF was replaced by the Canada Health and Social Transfer (CHST) in 1996 and 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 Canada Social Transfer provides no guarantee that federal funding intended for post-secondary education reaches students and their families. Funding for the transfer reached its peak in 1981 at 0.56% of GDP, 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.<sup>4</sup>

The Canadian Federation of Students estimates that current federal funding for post-secondary education is \$2.4 billion less than 1992–93 levels when inflation and enrolment growth are factored in. Lagging federal funding for colleges and universities has resulted in higher tuition fees, as costs are passed on to students. Lower levels of funding also impair the ability of institutions to hire an adequate number of instructors and support staff, resulting in a reduction in the quality of Canada's universities and colleges.

## Student Financial Aid

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

In 2011, the total amount of student loans owed to the government approached \$15 billion, the legislative ceiling set by the Canada Student Financial Assistance Act. This figure accounted for only a portion of total student debt; it did 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 and amended the Canada Student Financial Assistance Act to increase the limit to \$19 billion while at the same time dramatically reducing parliamentary oversight of the program.

High levels of student debt have been linked to lower degree completion rates and

a reduced likelihood of continuing studies beyond a bachelor's degree or college diploma. Heavy debt loads are also a negative factor in an already weakened economy, especially considering that earnings for the majority of families 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 better aligns with their interests or career goals.

In fall 2009, the federal government established the Canada Student Grants Program. This new program greatly increases support for students, but, in order to meaningfully reduce student debt, a much larger investment is required. The federal government will distribute roughly \$626 million in grants this year, while the Canada Student Loan Program expects to lend \$2.5 billion.

Although the federal government distributes a substantial amount of grants, it pales in comparison to the \$2.3 billion the government spends on education-related tax credits and savings schemes. Despite their large price tag, federal tax expenditures are a poor instrument to either improve access to post-secondary education or relieve student debt, since everyone who participates qualifies for tax credits regardless of financial need. 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 \$1.8 billion this year. Tax credits are found to disproportionately benefit wealthy families. For those students

who do 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 at the start of the academic year.

### **First Nations Students<sup>5</sup>**

The federal government has both a moral and legal responsibility to provide for the well-being of First Nations peoples, including access to post-secondary education. The Post-Secondary Student Support Program (PSSSP) is the primary mechanism by which status First Nations students receive financial support from the federal government, however this funding is only available to status First Nations and Inuit students.

Since 1996, annual growth in funding for the PSSSP has been capped at 2% per year, although actual increases have been closer to 1%. Because inflation, population growth and tuition fee increases in most jurisdictions have been far higher than 2% per year since 1996, there has been an effective annual *decrease* in per-capita funding over the past two decades. In fact, the number of First Nations students receiving funding from the PSSSP declined from 22,938 in 1997 to 18,729 in 2009, despite rapidly rising demand. It is estimated that between 2001 and 2006, over 10,500 students were denied funding, with roughly 3,200 more students per year denied funding since as a result of the funding cap.

It is estimated that the additional GDP contribution of First Nations peoples, if all educational attainment gaps were closed between First Nations and non-First Na-

tions populations, would exceed \$400 billion over a 25-year period.

### University Research

Recent federal budgets have directed research funding to meet the short-term priorities of the private sector and not broader social needs, undermining basic research and innovation. This drive to commercialise university research has far-reaching consequences — from limiting academic freedom and public ownership of research, to discouraging private market innovation. By prioritizing a narrow range of research disciplines — mostly in science, engineering, and business — funding decisions have led to a deterioration of a comprehensive research environment based solely on the academic merits of the work.

The federal government's science and technology strategy is focused on generating products that can yield short-term results, with little consideration to long-term innovation. In addition, federal funding increases directed towards market-driven research programs are leading to an unhealthy private-sector dependency on universities for their research and development. This corporate subsidy contributes directly to Canada lagging behind other OECD countries in private-sector investment in in-house research and development capacity. As this trend deepens, our publicly-funded post-secondary education system will replace private sector research and development facilities, threatening the foundations of academic freedom and public, peer-reviewed curiosity-driven research.

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## AFB Actions

### Tuition Reduction Program

The AFB will reduce the cost to students of post-secondary education (tuition plus compulsory fees) to 1992 levels in each province.

Since some provinces, like Newfoundland & Labrador, have been more proactive in maintaining stable education costs or at least limiting the rate of expansion compared to others, like Ontario, it would be unfair for the federal government to cover the entire cost of this tuition reduction. Instead, the AFB will introduce a new, dedicated post-secondary education cash transfer of \$2,440 per full time student enrolled in an undergraduate university degree, college certificate program, or equivalent “first cycle” program (total cost: \$1.9 billion). The transfer will be conditional on reducing tuition and compulsory fees to 1992 levels and will increase by 5% per year to account for enrolment growth and inflation.

This transfer will provide 50% of the amount needed for Ontario, the province where costs have grown the fastest, to reduce tuition fees to 1992 levels in 2015. For all other provinces, the transfer will cover more than 50% of the needed amount. For five provinces, the amount of the transfer will meet or even exceed the full amount needed for a reduction to 1992 levels. The AFB transfer still applies to these provinces as these provinces are already taking measures to maintain tuition rates and are equally deserving of federal assistance.

This transfer will be guided by federal legislation based on principles of accessibility, comprehensiveness, collegial gov-

**FIGURE 7** Change in Tuition Fees 1992 to 2016 by Province

	NL	PEI	NS	NB	QC	ON	MB	SK	AB	BC	CAN
Estimated 1992/1993 Tuition & Fees*	2,565	2,565	3,785	3,398	2,357	3,369	3,372	3,139	3,035	3,308	3,084
Projected 2015/2016 Tuition & Fees*	2,697	6,252	6,836	6,621	3,780	8,249	4,555	7,115	6,598	5,513	6,699
Change from 1992 to 2016*	132	2,582	3,051	3,223	1,423	4,880	1,184	3,975	3,563	2,205	3,616

\* adjusted for inflation (2011 dollars)

**FIGURE 8** Cost to Reduce Tuition to 1992 Levels (\$ Millions)

	NL	PEI	NS	NB	QC	ON	MB	SK	AB	BC	CAN
Federal Cost	28	8	68	35	336	917	68	55	189	158	1,862
Provincial Cost	/	/	17	11	/	917	/	35	87	/	897
Total Cost	28	8	84	46	336	1834	68	90	276	158	2,759

\* 2011 dollars

ernance, public administration, and academic freedom.

### 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 available to students. This will be funded by redirecting funds currently used for education-related tax credits and savings schemes to up-front grants through the Canada Student Grants Program.<sup>6</sup>

The AFB will directly address the Post-Secondary Student Support Program backlog by immediately increasing funding proportionate to the size of the waiting list (cost: \$163 million). After 2015, the AFB introduces a 6% growth escalator. This multiplier reflects both absolute population growth and increased educational participation among First Nations youth in Canada. On

top of this 6% adjustment, the AFB adds a 2% inflation escalator (consistent with the current funding cap) for a total annual increase in PSSSP funding of 8%.

### Research Funding and Scholarships

Recognizing the importance of funding based on an independent, peer-reviewed, and merit-based approach, the AFB increases the federal granting agencies' base budgets by 10%, with greater funds asymmetrically allocated to the social sciences and humanities. In addition, 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.

## Encouraging Apprenticeships and Skills-Based Training

While many would attempt to blame the struggles of young Canadians in the labour market on a “skills gap”, there is no evidence to support this claim. As of July 2014, there were 6.2 unemployed people for every job vacancy. Furthermore, despite claiming young Canadians aren’t getting the right skills and training they need, employer spending for on-the-job training has dropped 40% since the early 1990s.

Looking abroad, there are successful approaches to addressing issues of young people getting the education they need to succeed, and employers taking a significant role in training. One of the most successful models is Germany’s Dual Vocational Training System. Germany’s model relies on strong, structured communication and cooperation between the education system, employers, and labour unions. These relationships are legislated and heavily regulated, and the rights of young workers are

protected by legislation. The AFB creates a government commission to study and provide policy recommendations on apprenticeships, college education, and skills-based training in Canada.

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## Notes

- 1 “CANSIM Table 282-0003: Labour force survey estimates (LFS), by educational attainment, sex and age group, unadjusted for seasonality, monthly.” Ottawa: Statistics Canada.
- 2 *Almanac of Post-Secondary Education in Canada*. Ottawa: Canadian Association of University Teachers (2014).
- 3 “University Tuition Fees 2014/2015.” *The Daily*, September 11, 2014. Ottawa: Statistics Canada.
- 4 *Almanac of Post-Secondary Education in Canada*. Ottawa: Canadian Association of University Teachers (2013).
- 5 Sharpe, Arsenault, Lapointe, Cowan. (2009). “The Effect of Increasing Aboriginal Educational Attainment on the Labour Force, Output and the Fiscal Balance.” Ottawa: Centre for the Study of Living Standards.
- 6 Canadian Federation of Students. (2014). *Post-Secondary Education Tax Credits*. Ottawa: Canadian Federation of Students.