

# PUBLIC EDUCATION FOR THE PUBLIC GOOD

a national vision for  
Canada's post-secondary  
education system

CANADIAN FEDERATION  
OF STUDENTS



# CANADIAN FEDERATION OF STUDENTS

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# THE CANADIAN FEDERATION OF STUDENTS

With over 600,000 members, represented by more than 80 students' unions in all ten provinces, the Canadian Federation of Students is the voice of post-secondary students in Canada. The Federation and its predecessor organisations have represented students in Canada since 1927. The Federation represents students at the college, undergraduate, and graduate level, and students who study both full- and part-time.

## BRITISH COLUMBIA

University of British Columbia Students' Union Okanagan  
Camosun College Student Society  
Capilano Students' Union  
Douglas Students' Union  
Emily Carr Students' Union  
Kwantlen Student Association  
College of New Caledonia Students' Union  
North Island Students' Union  
Northwest Community College Students' Union  
Okanagan College Students' Union  
College of the Rockies Students' Union  
Selkirk College Students' Union  
Simon Fraser Student Society  
Students' Union of Vancouver Community College  
Thompson Rivers University Students' Union  
Vancouver Island University Students' Union

## PRAIRIES

Alberta College of Art and Design Students' Association  
Brandon University Students' Union  
Graduate Students' Association of the University of Calgary  
First Nations University of Canada Students' Association  
University of Manitoba Students' Union  
University of Manitoba Graduate Students' Association  
University of Regina Students' Union  
Association étudiante du Collège universitaire de Saint-Boniface  
University of Saskatchewan Students' Union  
University of Saskatchewan Graduate Students' Association  
University of Winnipeg Students' Association

## ONTARIO

Algoma University Students' Union  
Brock University Graduate Students' Association  
Carleton University Students' Association  
Carleton University Graduate Students' Association  
Association étudiante de la Cité collégiale  
Student Association of George Brown College  
Glendon College Student Union  
University of Guelph Central Student Association  
University of Guelph Graduate Students' Association  
Lakehead University Student Union  
Laurentian Association of Mature and Part-time Students  
Laurentian University Graduate Students' Association  
Laurentian University Students' General Association  
Association des étudiantes et étudiants francophones de l'Université Laurentienne  
McMaster University Graduate Students' Association

## ONTARIO (CONT'D)

Nipissing University Student Union  
Ontario College of Art and Design Student Union  
Student Federation of the University of Ottawa  
Graduate Students' Association des étudiant(e)s diplômé(e)s de l'Université d'Ottawa  
Queen's University Society of Graduate and Professional Students  
Ryerson Students' Union  
Continuing Education Students' Association of Ryerson  
Saint Paul University Students' Association  
University of Toronto at Scarborough Campus Students' Union  
University of Toronto Graduate Students' Union  
University of Toronto Students' Union  
University of Toronto Mississauga Students' Union  
Association of Part-Time Undergraduate Students of the University of Toronto

## ONTARIO (CONT'D)

Trent Central Student Association  
Trent University Graduate Student Association  
University of Western Ontario Society of Graduate Students  
Wilfrid Laurier University Graduate Students' Association  
University of Windsor Students' Alliance  
University of Windsor Graduate Students' Society  
University of Windsor Organization of Part-time University Students  
York Federation of Students  
York University Graduate Students' Association

## MARITIMES

Cape Breton University Students' Union  
Holland College Student Union  
University of King's College Students' Union  
Mount Saint Vincent University Students' Union  
University of New Brunswick Graduate Students' Association  
Student Union of NSCAD University  
University of Prince Edward Island Student Union  
University of Prince Edward Island Graduate Student Association  
Association générale des étudiants de l'Université Sainte-Anne

## NEWFOUNDLAND & LABRADOR

Grenfell College Student Union  
Marine Institute Students' Union  
Memorial University of Newfoundland Students' Union  
Graduate Students' Union of the Memorial University of Newfoundland  
College of the North Atlantic Students' Union

## QUÉBEC

Concordia Student Union  
Concordia University Graduate Students' Association  
Dawson Student Union  
Post-Graduate Students' Society of McGill University

# TABLE OF CONTENTS

- 1 INTRODUCTION**
- 2 STUDENTS PUSHED TO WORK MORE STUDY LESS**
- 3 PUBLIC OPINION POLLING**
- 5 RECOMMENDATIONS**
- 6 POST-SECONDARY EDUCATION: FUNDING AND GOVERNANCE**
- 12 STUDENT DEBT IN CANADA**
- 14 RESEARCH AND GRADUATE STUDIES**
- 18 ABORIGINAL EDUCATION**
- 20 EDUCATION STATISTICS**
- 22 COSTING OF RECOMMENDATIONS**
- 23 FURTHER READING**
- 24 REFERENCES**



# PUBLIC EDUCATION FOR THE PUBLIC GOOD

## INVESTING IN POST-SECONDARY EDUCATION IS ESSENTIAL TO FUTURE ECONOMIC SUCCESS AND SOCIAL EQUALITY

While Canada's economy made it through the 2008 global recession in better shape than many other industrialised countries, many workers who lost their jobs during the recession remain unemployed. Now, the global economy looks to be sliding back into recession as the United States and a number of countries in Europe are unable to deal with massive debts resulting from tax cuts and stimulus spending. Most countries are facing the financial challenges of unemployment and cuts to social programs because of the close integration of the global economy. Canada is no exception.

With a relatively stable economy compared to other OECD countries, Canada is emerging from the global recession in a stronger position than other comparable states. However, Canada's long-term economic prosperity is threatened by record-high levels of student debt and a post-secondary education system that is out of reach for an increasing number of Canadians.

Following the large loss of jobs during the recession, particularly in the manufacturing sector, many Canadians returned to school for education and training. This, combined with a large cohort of high school graduates, has produced one of the largest classes of post-secondary students in Canada's history. While students continue to pursue higher education, the saddling of a generation with billions of dollars in debt will have implications for Canada's economy and socio-economic equality.

This large student cohort reflects today's economic reality: higher education is essential to a successful economy. While the recession saw a major downturn in Canada's manufacturing sector, the importance of a highly skilled workforce reflects a change that has been underway for the past two decades.

In the absence of national policies for post-secondary education, provincial policies dealing with access and funding have diverged dramatically from one another. Across the country, students face significantly different challenges to pursuing higher education. This disparity threatens Canada's long-term economic stability and social equality and impacts regional development and economic growth. In addition, Aboriginal learners across Canada continue to be marginalised within the post-secondary education system, with enrolment rates significantly below peer groups from non-Aboriginal populations in spite of marked population growth in Aboriginal communities.

Three decades of public funding that has failed to keep up with enrolment growth has had a notable impact on students' educational experience, with Canada's colleges and universities facing serious resource challenges. Class sizes have increased significantly, while repairs to existing infrastructure have gone largely unaddressed. Tuition fee increases have far exceeded the rate of inflation over the past two decades, causing the average student debt to increase to over \$27,000. While the current funding model is unsustainable, there are realistic options within reach.

Taking advantage of Canada's current relative economic strength, compared to other industrialised countries, requires leadership at the federal level and an important investment in students, colleges, and universities. This document outlines five recommendations for the federal government to build and maintain a strong post-secondary system that trains a workforce capable of competing in today's economy.

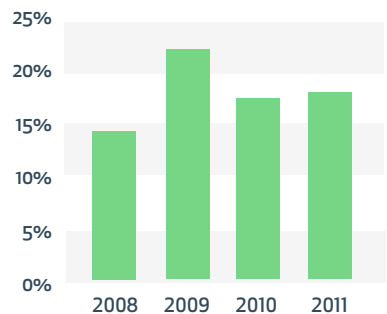


# HIGH FEES PUSH STUDENTS TO WORK MORE, STUDY LESS

Students are struggling to pay for their post-secondary education more than any previous generation. Record-high tuition fees combined with the recession means that those in vulnerable groups, including Aboriginal and other racialised students and those with disabilities, are facing increasing barriers to post-secondary education. Higher costs and fewer summer employment opportunities have contributed to an increasing number of students working during the academic school year.

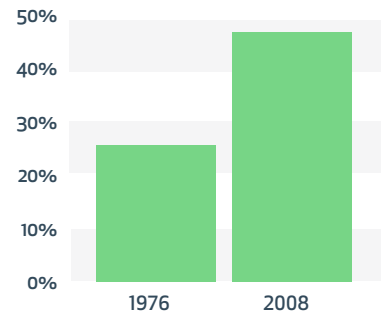
Students have reported that working low-wage, low-skilled jobs while in school often has a negative impact on students' academic performance and the quality of their educational experience, particularly when one is working more than 20 hours per week.

## STUDENT UNEMPLOYMENT REMAINED HIGH THIS PAST SUMMER



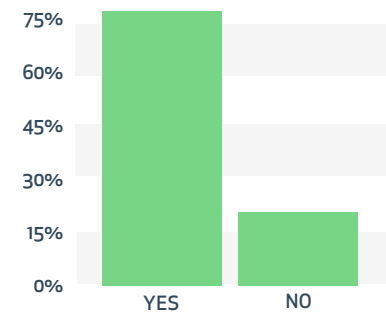
PERCENT OF STUDENTS WHO WERE UNEMPLOYED DURING THE SUMMER

## SUBSTANTIALLY MORE STUDENTS TODAY WORK DURING THE SCHOOL YEAR



PERCENT OF STUDENTS WHO WORKED DURING THE YEAR, WHILE ATTENDING UNIVERSITY

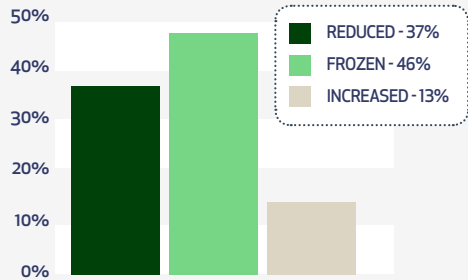
## STUDENTS SAY WORKING HAS A NEGATIVE EFFECT ON ACADEMIC PERFORMANCE



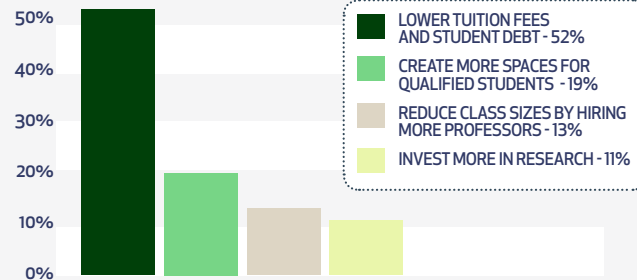
STUDENTS WHO WERE ASKED IF THEY THOUGHT WORKING HAD A NEGATIVE EFFECT ON ACADEMIC PERFORMANCE

# CANADIANS SUPPORT PUBLIC EDUCATION

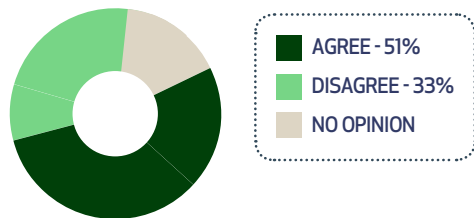
SHOULD TUITION FEES BE INCREASED, FROZEN, OR REDUCED?



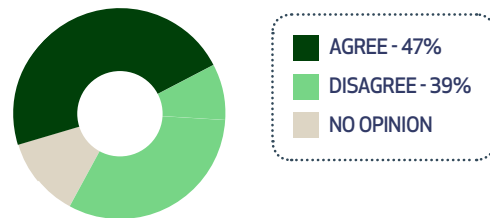
WHAT IS THE MOST IMPORTANT THING FOR GOVERNMENT TO DO FOR COLLEGE AND UNIVERSITY EDUCATION?



THE QUALITY OF EDUCATION HAS SUFFERED BECAUSE OF INADEQUATE GOVERNMENT FUNDING



IT IS MORE DIFFICULT TODAY TO GET A UNIVERSITY OR COLLEGE EDUCATION THAN IT WAS TEN YEARS AGO



## A MAJORITY OF CANADIANS AGREE THAT:

- a university or college education is more important than ever to get by in today's society;
- the federal government should attach conditions to dedicated transfer payments to the provinces;
- the government should invest more in post-secondary education, even if it means they have to pay slightly more in taxes;
- the government should invest in making college and university more affordable, even if it means a small increase in taxes; and
- a university or college education should be provided free for anyone who cannot afford it.

66%

of Canadians want the federal government to set conditions on transfer payments to ensure that provinces use the money as intended.

61%

of Canadians think governments are not doing enough to make sure that everyone who is qualified has a chance to get a university or college education.

83%

of Canadians are against increases in tuition fees, with 35% supporting a reduction from current levels.

Results are taken from a Harris/Decima random telephone survey of 2,000 adult Canadians conducted between April 14 and April 27, 2011. The poll was commissioned by the Canadian Association of University Teachers and the Canadian Federation of Students. National results are considered accurate within 2.2 percentage points, 19 times out of 20.





# RECOMMENDATIONS

1

## **DEVELOP AND IMPLEMENT A NATIONAL VISION FOR A HIGH QUALITY AND ACCESSIBLE SYSTEM OF POST-SECONDARY EDUCATION**

The federal government should, in cooperation with the provinces, implement a federal Post-Secondary Education Act modeled after the Canada Health Act, accompanied by a dedicated cash transfer with funding allocated to:

- restoring per capita funding to 1992 levels;
- reducing tuition fees to 1992 levels; and
- eliminating deferred maintenance at Canada's colleges and universities.

2

## **OPEN DOORS: REDUCE STUDENT DEBT**

Increase the value and number of non-repayable grants available to students by redirecting funds currently allocated to education-related tax credits and savings schemes to the Canada Student Grants Program, and allow graduate students to qualify for grants under the Program.

3

## **FOSTER INNOVATION: FUNDING FOR RESEARCH AND GRADUATE STUDIES**

Increase the number of Canada Graduate Scholarships to be consistent with average growth in the program since 2003 and to be distributed proportionally among the research councils according to enrolment figures.

4

## **FULFILL CANADA'S OBLIGATIONS: FUND ABORIGINAL EDUCATION**

Remove the funding cap on increases to the Post-Secondary Student Support Program and ensure that every eligible First Nations and Inuit learner is provided adequate funding to pursue post-secondary education.

5

## **TRACK SUCCESS: MEASURE RESULTS**

Increase funding by \$10 million to Statistics Canada's branch for the collection and analysis of post-secondary education statistics.

# CANADA'S POST-SECONDARY EDUCATION SYSTEM

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For over half a century, the federal government has recognised the crucial role post-secondary education plays in driving economic growth, innovation, and increasing social and economic equality. The substantial public investments that led to the expansion of universities and the creation of colleges in the 1960s were based on the belief that access to post-secondary education should be dictated by ability and desire, not financial means.

Canada's public post-secondary education system has become markedly less public over the past three decades. Beginning in the 1980s, the federal government limited increases of transfers to the provinces for post-secondary education, effectively decreasing per-student funding. In 1995, the federal government made one of the deepest funding cuts in history, slashing transfers to the provinces for social programs by \$7 billion. In every province, with the exception of Québec, this funding cut was passed directly to students in the form of massive tuition fee increases.

Despite the federal government posting multi-billion dollar surpluses in the late 1990s and early 2000s, funding for post-secondary education was never restored.

These cuts led most provinces to spend less on higher education and are paving

the way for a shift towards private funding as the main source of revenue for Canada's universities and colleges.

Today, post-secondary institutions rely largely on private sources of funding, primarily through tuition and ancillary fees, to cover operating costs.

Nearly half of the operational funding for universities today comes from students themselves, with institutions like the University of Toronto receiving more from students than from the government.

Prior to these cuts, access to post-secondary education was similar from province to province.

Today, tuition fees vary widely and provincial residence is now a major factor of the individual cost of post-secondary education.

In order to both reduce inequalities across socioeconomic groups and regional disparities and increase the country's competitiveness internationally, the federal government must once again make affordable, high quality post-secondary education a high priority.





## GOVERNMENT SPENDING: A QUESTION OF PRIORITIES

Canadians overwhelmingly believe that the federal government must provide more support to post-secondary education. While Canada's social programs are often targeted for budget cuts, funding such programs is necessary for Canada to maintain its standard of living and develop its economy.

Current funding priorities, including a fiscal capacity that has been reduced by multi-billion dollar tax cuts, undermine the federal government's ability to adequately fund training the country's future workforce and retraining out-of-work Canadians.

Investments in social programs, such as health care and post-secondary education, regularly rank as top priorities for Canadians. In a recent poll conducted by Harris-Decima, only 8 per cent of Canadians identified tax cuts, and 12 per cent deficit reduction, as the most important priority for the federal government. By comparison, over 60 per cent

identified investments in social programs, reducing unemployment, or reducing poverty as their top priority. Despite this, the federal government has prioritised tax cuts and deficit reduction over needed investments in Canada's social programs.

Providing adequate funding for post-secondary education is well within the government's reach and will do far more to guarantee Canada's future economic success than tax cuts or credits.

### 60%

of Canadians agree that investing in social programs and reducing poverty and unemployment are higher priorities than tax cuts and deficit reduction.

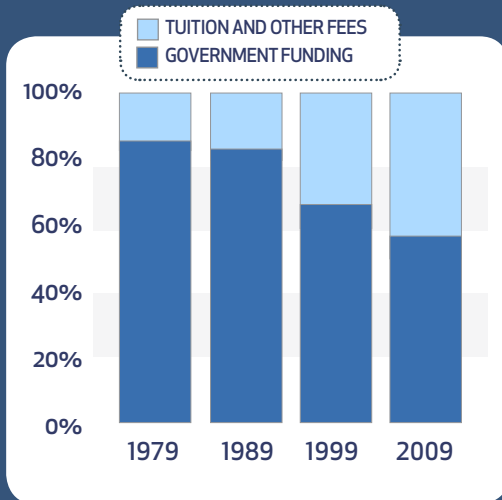
## \$13.7<sup>billion</sup>

Annual cost to the government of planned corporate tax cuts by 2013

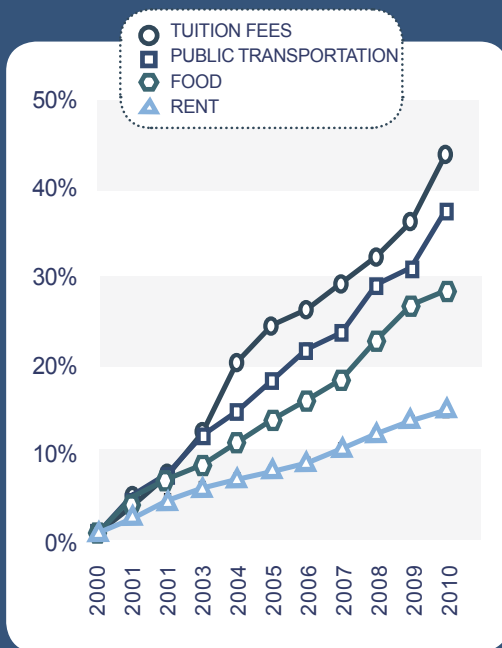
There is not enough revenue to pay for the programs and services Canadians cherish most; but that is a political problem rooted in years of tax cuts for corporations and the wealthy.

CANADIAN CENTRE  
FOR POLICY  
ALTERNATIVES  
Alternative Federal  
Budget 2010

# FEES ARE A BARRIER: LET THE INCOME TAX SYSTEM DO ITS JOB



**FIGURE 1.1: UNIVERSITY OPERATING REVENUE DIVIDED BETWEEN PRIVATE FUNDING AND GOVERNMENT FUNDING**



**FIGURE 1.2 TUITION FEES GROW FASTER THAN ALL OTHER STUDENT COSTS**

Since the federal funding cuts of the mid-nineties, the cost of post-secondary education has been passed on to students. Where government grants used to cover up to 80 per cent of an institution's operating budget less than 30 years ago, they now covers just over 50 per cent, with tuition fees covering the difference (Figure 1.1).

While government funding has been partially restored, tuition fees have continued to rise in most provinces across the country. In the last fifteen years, tuition fees have become one of the largest expenses for many university and college students, on average increasing over five times the rate of inflation (Figure 1.2). High and rapidly increasing tuition fees limit access to post-secondary education for students from low- and middle-income backgrounds. At their current rate of increase, tuition fees are estimated to outpace all other student expenses combined in 15 years.

Statistics Canada has determined that students from low-income families are less than half as likely to pursue a university education than those from high-income households.

A survey conducted by the national statistical agency found that the most frequently-reported reason high school students did not pursue post-secondary education was financial.

Tuition fees act as a flat tax, a cost applied to all students at the same rate regardless of their financial resources. While some argue that post-secondary education will significantly increase a student's long-term earning potential by up to

\$1 million, thus justifying tuition fee increases, the reality is much more humble.

The Organisation for Economic Co-operation and Development (OECD) reports that male graduates earn only an additional \$80,000 over their lifetime. The return is substantially lower for female graduates who, on average, earn only an additional \$46,000.

Given that at least 70 per cent of new jobs require a degree, post-secondary education is becoming more and more of a prerequisite for participating in the labour market and earning an average income, not a guarantee of future wealth.

The fairest method of financing the post-secondary education system is through the progressive income tax system.

The system ensures that the wealthy and poor are taxed in a fair manner, reflecting their respective ability to contribute and the personal economic benefit obtained as a result of their education.

Canadians have made it clear that they are comfortable with increased government spending to improve access to education. According to a recent Harris/Decima public opinion poll, Canadians rank tuition fee reductions as the top priority for government investment in education.

The same poll also found that 67 per cent of Canadians want the federal government to exercise more control over transfers to the provinces for post-secondary education.

# NATIONAL LEADERSHIP NEEDED

Polling results from Quebec and Newfoundland and Labrador residents show that the majority in each province support free, universal education.

The 2007 federal budget contained the largest increase to core transfer payments for post-secondary education in the past fifteen years, increasing transfer payments by \$700 million. Although this was the largest increase in recent memory, cash transfer payments for post-secondary education are still roughly \$1.3 billion short of 1992 levels when accounting for inflation and population growth.

The benefits of investing in higher education go well beyond the individual. A highly educated workforce increases the tax base and reduces the cost of a number of other publicly-funded social programs, including health care, public safety, and employment insurance.

A recent report by the OECD found that the direct public benefit of investing in post-secondary education was in excess of \$100,000 per individual, an amount that exceeds the costs by \$62,141.

Since the cuts to federal transfers payments in the 1990s, the quality of post-secondary education has declined. Class sizes have increased substantially, while at the same time institutions have pushed to casualise the academic workforce, replacing full-time tenured faculty members with overworked and inadequately compensated contract academic staff. In addition, between 1990 and 2006, the

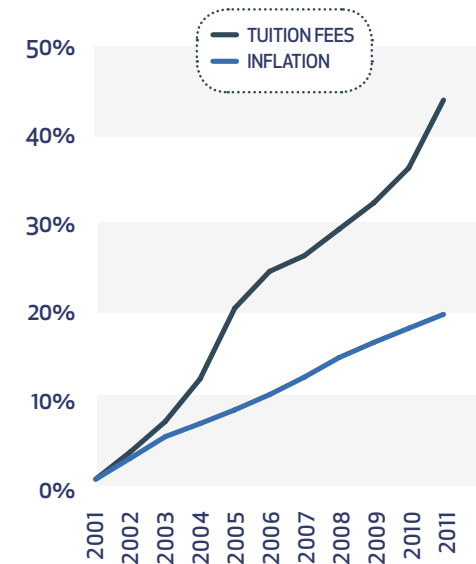
ratio of students to full-time faculty members increased by almost 40 per cent.

The 2009 federal budget allocated \$2 billion to college and university infrastructure, focused entirely on new building projects. While the new infrastructure is welcome, it will simply increase the amount of funds needed to maintain and renovate infrastructure on campuses, a cost that is already over one billion dollars per year.

In the meantime, university and college budgets are strained to such an extent that deferred maintenance poses serious health and safety risks at many schools across the country. In 2009, the Canadian Association of University Business Officers estimated that the total value of deferred maintenance on Canadian campuses was more than \$5 billion, half of which is considered urgent, a 35 per cent increase in less than a decade.

Despite the substantial reinvestment in post-secondary education in recent years, the federal government has done little to ensure that these investments will have their desired impact.

The lack of regulations governing transfer payments is only a symptom of the lack of identified vision for Canada's post-secondary education system. Without such a vision or regulatory framework, federal investments will continue to be undermined and devalued.



**FIGURE 1.3 TUITION FEES GROW DRAMATICALLY FASTER THAN INFLATION**

# 64%

of Canadians believe that the cost of a post-secondary education is too high.



# TOWARDS A POST-SECONDARY EDUCATION ACT

## ACCOUNTABILITY FOR FEDERAL FUNDING NEEDED

The federal government has minimised its responsibility to ensure that federal funds for social programs are used as intended and as a result, provincial governments have been free to misallocate federal transfers intended for post-secondary education. Although the federal government is one of the single largest sources of funding for post-secondary education, there is no mechanism to ensure that the monies transferred to provincial governments actually make it into the post-secondary system.

Under previous federal-provincial cost-sharing models, the provinces had to invest their own funds in order to receive federal monies. If a provincial government chose to cut funding, federal transfers were reduced by a proportionate amount. The current block-funding model—the Canada Social Transfer—has no requirement that provincial governments maintain their funding in order to receive federal money.

Indeed, there have been numerous examples of provinces receiving additional federal funds that then reduce their own contribution. For example, in 2008, the Government of British Columbia cut funding to universities by \$50 million in the same year that it received over \$110 million in new post-secondary education funding from the federal government. Due to variations in provincial funding and policies,

tuition fees differ greatly from province to province (Figure 1.4).

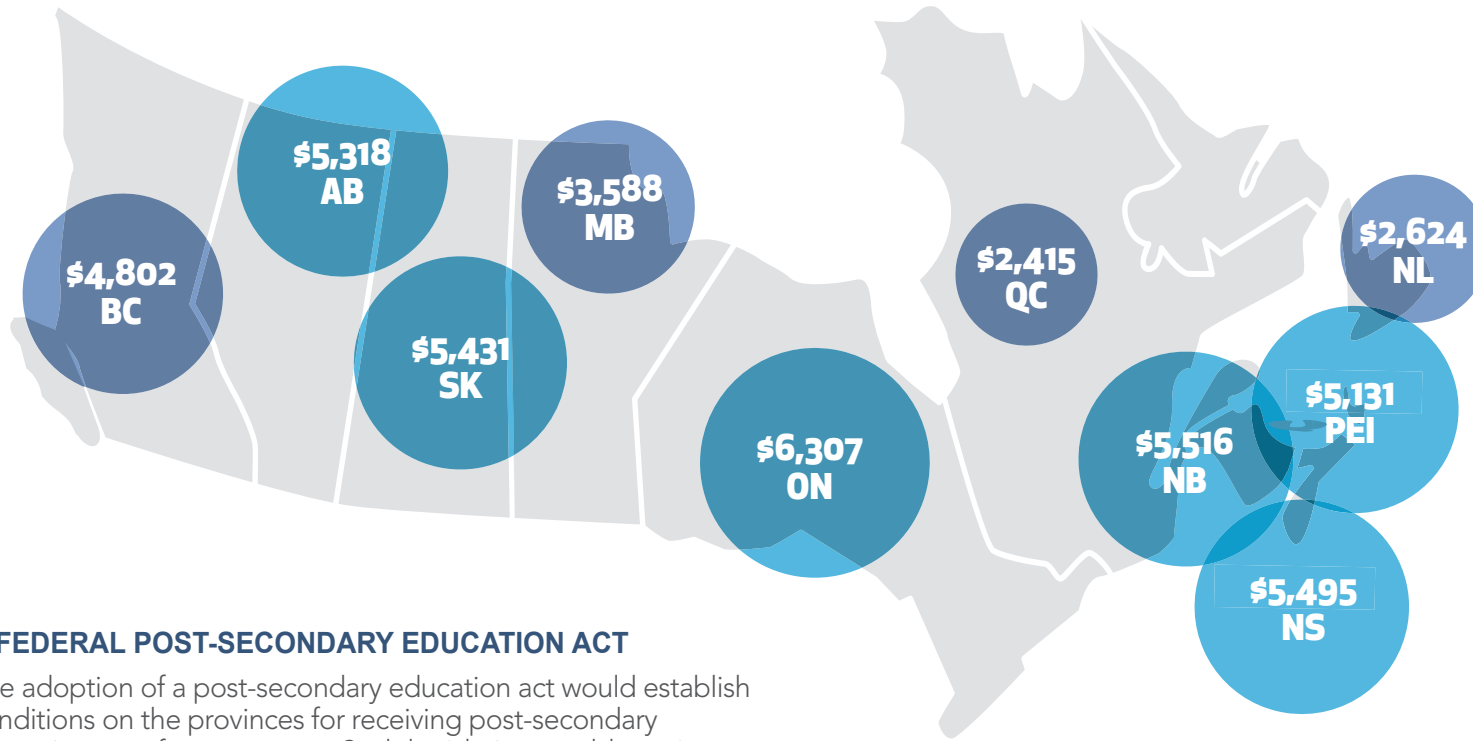
## FEDERAL CASH TRANSFERS FOR POST-SECONDARY EDUCATION

To return to a level of federal funding equivalent to the level before the cuts of the mid-nineties would mean a dedicated post-secondary education transfer to the provinces of approximately \$4.9 billion.

The federal government currently allocates just over \$3.5 billion as part of the social transfer; however, there is no guarantee for the provinces to spend this money on increasing access to post-secondary education. Since the funding cuts in the early 1990s, full-time enrolment has increased 24.85%, resulting in an increase of \$637 million in costs to the system that are yet to be addressed by the federal government.

Additionally, similar to the health care system, university and college-related costs increase at a much higher rate than the standard consumer price index. Over the previous eighteen years there has been, on average, an annual post-secondary education-related inflation of three per cent, per year, or about \$1.7 billion over that period.

When compared to current federal funding levels, there is a funding gap of approximately \$2.3 billion.



**FIGURE 1.4 MAP OF TUITION FEES ACROSS CANADA**

Average domestic undergraduate arts and science tuition fees in 2011-12.

**A FEDERAL POST-SECONDARY EDUCATION ACT**

The adoption of a post-secondary education act would establish conditions on the provinces for receiving post-secondary education transfers payments. Such legislation would require provinces to uphold principles similar to those found in the Canada Health Act: public administration, comprehensiveness, universality, portability, and accessibility. In return for upholding these principles, provincial governments would receive adequate and predictable funding from the federal government.

**RECOMMENDATION 1**

The federal government should implement a federal Post-Secondary Education Act in cooperation with the provinces, modeled after the Canada Health Act, accompanied by a dedicated cash transfer with funding allocated to:

- restoring per capita funding to 1992 levels;
- reducing tuition fees to 1992 levels; and
- eliminating deferred maintenance at Canada’s colleges and universities.

# \$2.3 billion

Amount that the Canada Student Loans Program expects to lend for the 2011-12 year.

# \$2.52 billion

Approximate cost of education tax credits and savings schemes for the 2010-11 year.

[Canada Education Savings Grants]'s give scarce public funds to the wrong households... the CESG program should be discontinued.

**KEVIN MILLIGAN**  
UBC Economist

Student debt loads have never been higher... The result is many students fall into a hole they can't easily climb out of.

**LAURIE CAMPBELL,**  
Executive Director - Credit Canada

## STUDENTS TODAY ARE BURIED IN DEBT

Past federal and provincial government decisions are forcing students to take on more education-related debt than any previous generation while middle class earnings have largely stagnated in the past twenty years. As a result, Canadians are making sacrifices to prepare themselves for an evolving workplace.

Skyrocketing tuition fees and the prevalence of loan-based financial assistance have pushed student debt to historic levels.

This past year, almost 430,000 students were forced to borrow in order to finance their education.

The aggregate of loans disbursed by the Canada Student Loans Program, less the aggregate of loan repayments received, is increasing by nearly \$1 million dollars a day.

In September 2010, the total amount of student loans owed to the government reached \$15 billion, the legislative ceiling set by the Canada Student Financial Assistance Act. In response, the government altered the definition of "student loan" to exclude over \$1.5 billion in federal student debt.

Even with this new definition, it is expected that federal student debt will hit \$15 billion by January 2013.

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.

### THE IMPACT OF DEBT ON STUDENTS AND SOCIETY

Many potential students are reluctant to take on the required debt and associated risk required to pay for a college or university degree.

Research has found that debt aversion is strong among those who chose not to pursue post-secondary education. Of the 70 per cent of high school graduates who cite financial reasons as the main factor of not pursuing post-secondary education, one in four cited accumulation of debt as the biggest deterrent.

Those from marginalised communities and low-income backgrounds and single parents are more likely to be strongly averse to accumulating student debt.

Research finds that debt levels have a direct impact on success and retention. Students with higher debt levels are far less likely to complete their degree or diploma.

After graduation, student debt distorts career choice, especially among professionals, which in turn undermines access to health care and legal aid.

Studies of medical and law students found that debt levels prompt these students to seek higher paying jobs in fields or regions that are not necessarily their first choice or where demand is highest. Student debt appears to be driving committed young doctors away





from family practice and young lawyers away from public and community service work.

High levels of debt also discourage individuals from starting families, working in the public service, purchasing a home, and pursuing low paying or volunteer experience in a career-related field of study that may be necessary to get a middle-income job.

### INVEST IN EFFECTIVE MEASURES: GRANTS NOT LOANS

While creating the Canada Student Grants Program was an important first step to meaningfully reducing student debt, a larger investment in up-front grants is required. The tax credit and education savings schemes currently operated by the federal government allow for personal income tax savings on education-related costs and a higher rate of return on education-related savings, respectively. The indications are, however, that the total cost of the programs will exceed \$2.5 billion this year, making them by far the government's most expensive direct spending measure.

Despite their large price tag, the education tax credit and savings programs are very poor instruments to improve access to post-secondary education and relieve student debt. All students qualify for tax credits, regardless of financial need, which disproportionately benefits those with the lowest amount of debt and those from high-income backgrounds. Savings schemes have largely benefitted

those from high-income backgrounds, as individuals from low-income families often do not have the funds necessary to invest in the first place.

This \$2.5 billion, if used instead for upfront grants, could allow every dollar loaned by the Canada Student Loans Program (CSLP) to be a non-repayable grant. The CSLP expects to lend approximately \$2.3 billion during the 2011-12 academic year. If the amount of money the federal government spent on savings schemes and education-related tax credits each year is simply shifted to the Canada Student Grants Program, student debt owed to the federal government could be greatly reduced.

## RECOMMENDATION 2

Increase the value and number of non-repayable grants available to students by redirecting funds allocated to education-related tax credits and savings schemes to the Canada Student Grants Program, and allow graduate students to qualify for grants under the Program.



# SUPPORTING RESEARCH AND INNOVATION, INVESTING IN CANADIANS

Investment in graduate studies provides the foundation for long-term innovation and trains the highly skilled workers and researchers that are needed to respond to the economic and social challenges Canada faces now and in the future.

Despite the relatively high level of university graduation, Canada ranks last among peer countries for PhD graduation (Figure 3.3), notwithstanding a dramatic expansion of graduate studies over the last ten years.

Enrolment in graduate studies increased by 41.5 per cent between 1998 and 2008 (Figure 3.1). However, there have been only modest funding increases to the federal research granting councils and scholarships that make graduate education affordable. The stagnation in federal funding for research and graduate education limits the number of masters and doctoral students that receive grants, thus reducing the pool of highly skilled researchers to those who are able to afford it personally or who are able to secure limited institutional or industry funding.

Leading up to the 2009 budget, there had been modest improvements to research funding delivered through the federal granting councils. However, cuts contained in the 2009 budget undermined the progress that had been made towards recovering from the larger cuts of the 1990s. These reductions have prevented funding for university research from

keeping pace with the increases in graduate student enrolment.

In addition, recent federal budgets have also directed research funding to the short-term priorities of the private sector, thus undermining basic research and long-term innovation. The 2009 budget provided funding to the Social Sciences and Humanities Research Council (SSHRC) for additional Canada Graduate Scholarships (CGS), which was greatly needed, but stipulated that they only be given for commercialisable research. Research funded by the Natural Sciences and Engineering Research Council (NSERC) has also become increasingly directed toward government-prioritised sectors of the economy rather than the academic community. This approach of directing research priorities undermines the independence and peer review process of Canada's research community and does a disservice to the role of curiosity-based research in public universities.

## BARRIERS TO ACCESS

Graduate students often face a variety of challenges in pursuing their studies, including limited funding options, an increasingly commercialised and restrictive research environment, rising tuition fees, little access to needs-based grants, and high levels of student debt from previous degrees. This year, average

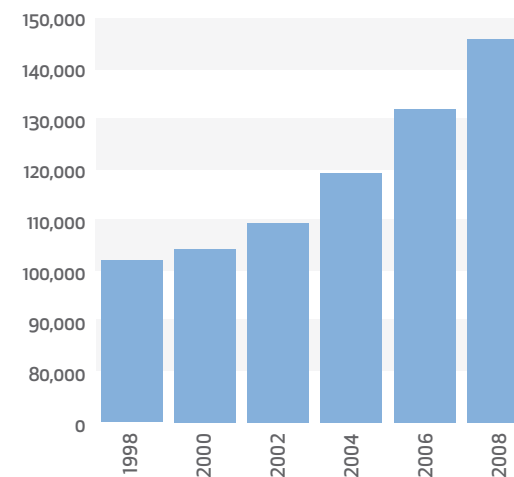


FIGURE 3.1: GRADUATE ENROLMENT

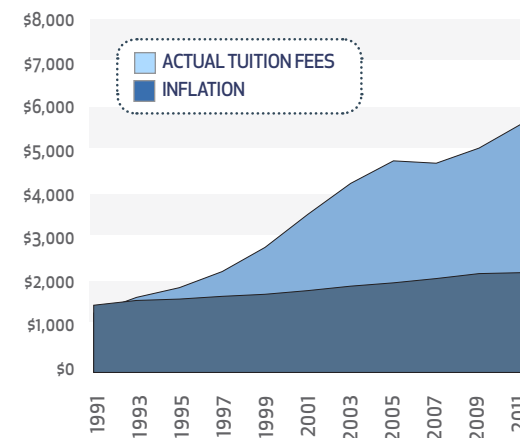
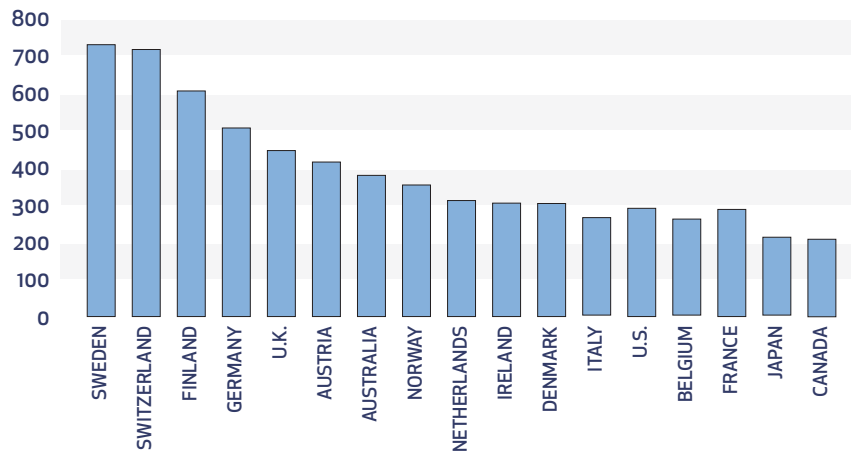
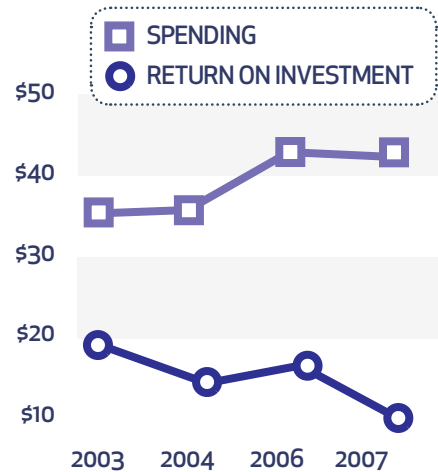


FIGURE 3.2: GRADUATE TUITION FEES COMPARED TO INFLATION



**FIGURE 3.3 PHD GRADUATES**

(Number of PhD graduates per 100,000 people, aged 25-29)



**FIGURE 3.4: RETURN ON INVESTMENT IN COMMERCIALISATION**

(In millions of dollars)

“The failure to fund world-class universities is one explanation for Canada’s comparative weaknesses in high-level academic achievement—and its associated weaknesses in innovation.”

**CONFERENCE BOARD OF CANADA**  
Education and Skills Report Card

tuition fees for graduate students increased by 3.7 per cent, to over \$5,600 (Figure 3.2). Despite their significant investment of time and money, a recent study indicated that doctoral graduates earn little more—and in some instances less—than those with only a master’s degree.

### COMMERCIALISATION OF RESEARCH

The drive to commercialise university research has a number of negative consequences. As jobs in government research facilities are becoming increasingly scarce, universities are replacing tenure-track professors with contract academic staff and graduates are having a harder time finding employment in their field.

Replacing the public interest with private sector commercialisation as the driving motivator for university research undermines

the broader research aims of the country. Further, it discourages corporate investment in their own research facilities, leading to fewer employment opportunities for researchers in an already difficult job market. The result of this restructuring is that many highly-skilled workers are often unable to contribute to their full potential.

Federal funding geared towards market-driven research programs has resulted in the private sector increasingly relying on public universities for research and development. This corporate reliance contributes directly to Canada lagging behind comparable countries in private-sector investment in research and development and the products those labs produce.

Canada has consistently ranked low on indexes that measure innovation. The World Economic Forum’s annual competitiveness report

highlighted the need for Canada to increase the sophistication and innovative nature of private sector research and development. This year, Canada slipped from seventh to eleventh place for university-industry collaboration and from eighth to ninth place for the quality of scientific research institutions, but more dramatically ranked 24th and 25th on capacity for innovation and company spending on research and development, respectively. Canada ranked eleventh for innovation in the report, behind the United States, Japan, Germany, Sweden, and Switzerland, among others.

As this trend continues, private sector research and development infrastructure is giving way to a publicly-backed university system that does not have a consistent track-record of bringing innovations to the marketplace.

Since the late 1990s, a number of initiatives have been undertaken to transform public university infrastructure to meet the government's commercialisation objectives, such as requiring publicly-funded research to seek direct, private sector investment.

University research geared towards commercialisation is focused on producing products that can yield short-term results, with little consideration of long-term research and innovation goals. As research funding is increasingly directed in this way, basic research and academic pursuits are undermined.

Recent increases in funding for the federal research granting councils, especially those resources dedicated to graduate students, have disproportionately benefited applied research programs that are designed to pursue a commercialised agenda over basic, curiosity-driven research.

The encroachment of the private sector into universities undermines the independence of the academy, as money for research is increasingly tied to entities outside the normal academic system. These corporations often influence decisions that are normally left to the research community, such as investment in maintenance, research facilities or new infrastructure. The research community can also come under pressure from private interests that fund research to not report results that are against the economic interests of the private funding source. Despite the threats of an increasingly private funding model to the independence of university research, there is currently no whistle-blower protection for graduate students who wish to report research misconduct.

### GRADUATE STUDENT FUNDING

Although funding for the granting councils has increased slightly in recent years, it has never fully recovered from the cuts of the 1990s. Despite the fact that funding has failed to keep pace with the rising enrolment of graduate students, the 2009 federal budget cut \$148 million from the granting councils. This came at a time when most countries were investing heavily in their university research capacities.

Funding for discovery-type grants in the social sciences and humanities lags far behind the applied sciences. Without proper

levels of funding and support for graduate students, Canada's research and innovation capacity will continue to fall behind that of other countries. An investment in graduate students will help produce the highly skilled workers that Canada needs to compete in the global economy.

Students often enter graduate programs with substantial debt from their previous degree. However, there are currently no need-based grants available to graduate students from the federal government. Students from low-income families have a harder time affording graduate studies due to their lack of grants (which they they would have had access to in their undergraduate degrees). In the absence of a grants program, Canada will continue to lose many highly qualified people to the labour market before they finish their studies because of individual financial challenges.

Canada Graduate Scholarships (CGS) provide merit-based funding directly to graduate students. These scholarships are administered through the granting councils and are one of the main mechanisms for the federal government to fund graduate studies. The limited number of scholarships available has meant that many of the best and brightest researchers are unable to maximise their potential. Increasing the number of CGSs would help promote graduate research and ensure that graduate students have the resources to focus on their research, which will pay long-term dividends for Canada's research capacity and innovation.

## RECOMMENDATION 3

Increase the number of Canada Graduate Scholarships to be consistent with average growth in the program since 2003 and to be distributed proportionally among the research councils according to enrolment figures.

“Improving the social and economic well-being of the Aboriginal population is not only a moral imperative; it is a sound investment which will pay substantial dividends in the coming decades. Aboriginal education must be a key component in any such effort.”

**CENTRE FOR THE STUDY  
OF LIVING STANDARDS**

2009 Research Report

# \$400 billion

**the potential GDP contribution of Aboriginal Canadians over the next twenty years if Aboriginal education levels rose to match those of the general population.**

“[The] two percent increase to the overall [PSSSP] budget does not meet the increasing costs of tuition and other expenses, such as cost of living and books, and it has been recommended by the Standing Committee on Aboriginal Affairs and Northern Affairs that it be eliminated for the PSE program.”

**INDIAN AND NORTHERN  
AFFAIRS CANADA**

Evaluation of the Postsecondary  
Education Program

# KEEPING THE PROMISE: FUNDING FOR ABORIGINAL EDUCATION

## ABORIGINAL LEARNERS

Post-secondary education plays a vital role in improving the standard of living and developing a more equitable society.

Targetted investments in post-secondary education are critical improvements to the well being of Aboriginal peoples and communities.

Canada's Aboriginal population is growing at six times the rate of the non-Aboriginal population. According to the 2006 census, over one million people, roughly four per cent of Canada's population, identified as Aboriginal.

Of these, 48 per cent were under the age of 24. It is estimated that over 300,000 Aboriginal youth could enter the labour force in the next 15 years alone.

In May 2009, the Centre for the Study of Living Standards reported that closing the educational gap would lead to an additional \$179 billion in direct GDP growth, and over \$400 billion in total growth over the next 20 years.

Education's place as a right for Aboriginal peoples comes from a series of treaties signed over the course of several decades and is recognised in Canada's Constitution.

However, despite the clear economic and moral necessity to ensure access to education for Aboriginal peoples, funding for their education has remained stagnant for over a decade.

Lower Aboriginal participation rates in post-secondary education can be attributed to the significant and complex barriers that Aboriginal students face.

Research has found that Aboriginal people are much more likely to be debt-averse and more reluctant to use loan-based programs if they are in financial need. Aboriginal students are also more likely to enter post-secondary education at a later age given the higher likelihood they will have dependents. This leads to higher costs such as childcare and relocation.

Additionally, approximately 20 per cent of the First Nations' population is unemployed, including a staggering 41 per cent of those in the 15-24 year age group. Unemployment limits financial resources for families to pay for the rising costs of college or university.

## FUNDING FOR ABORIGINAL EDUCATION

Currently, the federal government provides financial assistance to status First Nations and Inuit students through the Post-Secondary Student Support Program (PSSSP), which was created to alleviate the financial barriers faced by Aboriginal students by covering the costs of tuition fees, books, supplies, travel, and living expenses.

In 1968, the Department of Indian Affairs and Northern Development Canada (INAC) began providing direct funding for First



Nations and Inuit students to pursue post-secondary education. In 1977-78, only 3,600 students received funding; by 1999-2000, over 27,000 students were funded. Nevertheless, educational attainment levels of Aboriginal peoples remain significantly lower than the overall population.

Before 1992, funding was determined by the number of eligible students and their expenses. Between 1992 and 1997, the model shifted from per-student funding to block funding, to be administered by local Band Councils.

In 1996, increases in funding were capped at a maximum of two per cent annually. As a result of this limit on increases, funding has been unable to keep up with increasing living costs, inflation, and tuition fees, which increased by four per cent on average this year alone.

Approximately 27,000 Aboriginal students received financial assistance prior to the implementation of the funding cap. By 2006, the number had fallen to just over 22,000.

The lack of funding has meant communities administering the funds are faced with difficult decisions about who receives funding

each year. It is estimated that between 2001 and 2006, over 10,500 people were denied funding, with roughly 3,000 more denied every subsequent year. Due to the shortfall in funding, priority is often given to shorter college programs—to the detriment of those interested in pursuing more expensive professional or graduate programs of study.

According to the Assembly of First Nations, a total of \$569 million is required to ensure that no Aboriginal student is denied access to post-secondary education due to financial barriers, and that those students who are funded receive an adequate level of support.

As Aboriginal Affairs and Northern Development Canada currently provides \$306 million, an additional \$263 million would be

required. Beyond this, an additional \$233 million is needed to address the roughly 19,000 students that have previously been denied funding. This funding would support a total of roughly 40,000 students across Canada. The funding disbursed through the PSSSP has a proven track record, as most Aboriginal students who receive funding through the PSSSP succeed in completing their studies and go on to find meaningful work. Regardless of their place of residence, the majority of Aboriginal graduates return to work in their communities and are employed in their field of study, achieving economic self-reliance and helping to develop healthy and stable communities.

## RECOMMENDATION 4

Remove the funding cap on increases to the Post-Secondary Student Support Program and ensure that every eligible First Nations and Inuit learner is provided adequate funding to attend post-secondary education.

$$\binom{k}{i} x^i y^{k-i} + \sum_{l=0}^k \binom{k}{i} x^l y^{k-l}$$

$$\binom{k}{j-1} x^{j-1} y^{k+1-j} +$$





# TRACKING SUCCESS: COLLECTING EDUCATION STATISTICS

Collectively, the federal and provincial governments spend billions of dollars each year on post-secondary education, but adequate data to fully analyse the effectiveness of that spending are not collected. A 2006 report by the OECD noted that Canada could not provide data on 57 of the 96 post-secondary education indicators used to compare countries. Although the Council of Ministers of Education has started to fund the collection of some of the missing statistics by Statistics Canada, it is not a sustainable solution to the federal government's underfunding of the education branch of Canada's national statistical agency, nor does it make up for the entire shortfall.

For example, Canada does not currently collect information about the age of students when they enter or leave the post-secondary education system, nor are data collected on completion rates for higher education or the average length that a student spends in the post-secondary system. In a more general sense, Canada lacks much of the data regarding both the inputs and outcomes of the post-secondary education system.

In May 2010, the Department of Human Resources and Skills Development Canada announced that it would cease funding the Youth in Transition Survey (YITS) and the National Longitudinal Survey on Children and Youth. These studies are primary sources of information on who pursues post-secondary education and who does not. Amongst other things, they provide vital information on students, their first post-graduation interaction with the labour market, and the relationship between education and employment. The YITS results are necessary for fulfilling Canada's international commitment to provide the OECD with comparable data on post-secondary education.

Without the data supplied by these studies, it will be difficult for governments to make informed decisions about post-secondary education policies and priorities. The absence of this information

will also make it extremely difficult to conduct further research regarding the post-secondary education system.

While the impact of discontinuing this research is significant, the amount of funding necessary to properly conduct research on students and the post-secondary system is relatively small. An increase of \$10 million, less than 0.3 per cent of what the federal government spends on post-secondary education, would establish the resources needed to undertake this research.

## RECOMMENDATION 5

Increase funding by \$10 million to Statistics Canada's branch for the collection and analysis of postsecondary education statistics.

Re-introduce the mandatory long-form census.

Undo cuts to post-secondary education-related statistics collection programs.

# POST-SECONDARY EDUCATION: A NECESSARY INVESTMENT

With an annual investment of \$2.24 billion, and the adoption of a post-secondary education act, the federal government can ensure that the Canadian public post-secondary education system remains accessible and of high quality. A single investment of \$5.2 billion, spread across several years, will address outstanding deferred maintenance and safety issues at institutions and ensure that previously-denied Aboriginal learners receive requisite funding. Investing in post-secondary education is not an option, but a necessity. It will pay substantial dividends in economic growth and ensure that everyone in Canada can benefit from higher education and an educated workforce.

## COST OF PROPOSALS

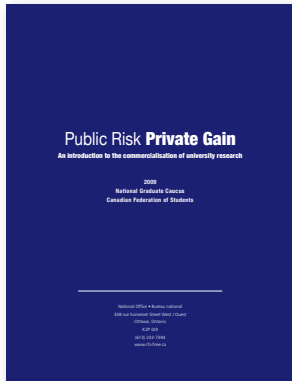
(amounts in millions)

CREATION OF NEW PSE ACT	\$	0	
ADDRESSING TUITION FEE INCREASES	\$	1,300	NOTE 1
ADDRESSING COSTS OF ENROLMENT INCREASES	\$	637	
INCREASE FUNDING FOR ABORIGINAL EDUCATION	\$	263	
INCREASE FUNDING TO STATISTICS CANADA CENTRE FOR EDUCATION STATISTICS	\$	10	
INCREASE THE NUMBER OF CANADA GRADUATE SCHOLARSHIPS	\$	25	
SHIFT FUNDING FROM TAX CREDITS AND SAVING SCHEMES TO UPFRONT GRANTS	\$	0	
<b>TOTAL ANNUAL INVESTMENT</b>	<b>\$</b>	<b>2,235</b>	
ADDRESSING DEFERRED MAINTENANCE	\$	5,000	NOTE 2
CLEAR BACKLOG OF FUNDING FOR ABORIGINAL EDUCATION	\$	233	
<b>TOTAL ONE-TIME INVESTMENT</b>	<b>\$</b>	<b>5,233</b>	

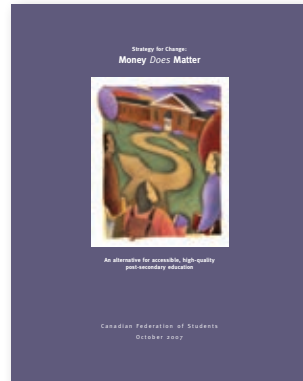
**NOTE 1** FUNDING TO REDUCE TUITION FEES ACROSS CANADA TO 1992 LEVELS.

**NOTE 2** FUNDING OF \$1 BILLION PER YEAR FOR FIVE YEARS.

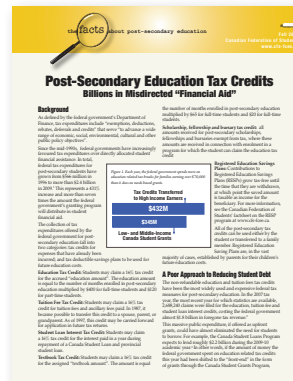
# FOR FURTHER READING...



**A PRIMER ON THE COMMERCIALISATION OF UNIVERSITY RESEARCH**



**STRATEGY FOR CHANGE: AN ALTERNATIVE PROPOSAL FOR STUDENT FINANCIAL ASSISTANCE**



**FACT SHEET: POST-SECONDARY EDUCATION TAX CREDITS**



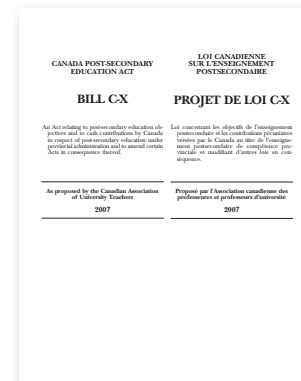
**FACT SHEET: FUNDING FOR POST-SECONDARY EDUCATION**



**FACT SHEET: TUITION FEES**



**FACT SHEET: STUDENT EMPLOYMENT**



**POST-SECONDARY EDUCATION ACT CANADIAN ASSOCIATION OF UNIVERSITY TEACHERS**  
[www.caut.ca/uploads/pseact-2007.pdf](http://www.caut.ca/uploads/pseact-2007.pdf)



**THE TUITION FEE TRAP**  
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