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Promoting Access to Postsecondary Education

The one thing clearly not lacking in the health care system today is debate over its future. As the Romanow Commission criss-crosses the country, Canadians have become engaged in the debate on how to rescue one of their most cherished social programs. By contrast, public scrutiny of the restructuring of post-secondary education has been confined to the margins of public policy debate. The absence of the crisis in postsecondary education from the public radar screen has led to a disturbing trend: diminishing access for low- and middle-income Canadians.

Faced with fiscal constraints, and a growing ideological preference for a more market-driven system, provincial governments have allowed the 'sticker' price of postsecondary education (i.e., the list price for tuition) to rise while relying on financial assistance to keep 'net' tuition (i.e., tuition less grants and loans) affordable for students with less means. The consequence has been a policy trend that is widening the gap in participation by socioeconomic status.

Reversing these trends will require replacing the haphazard and self-defeating policies of the past decade with policy instruments that favour a national system of high-quality and accessible postsecondary education. While returning to a low-tuition strategy may not be desirable, ensuring both access and quality will require reasonable limits on tuition, an expansion of grants and increased base funding for postsecondary institutions. The federal government should take the lead in pursuing a joint agreement with the provinces that increases federal funding for the postsecondary system through the CHST. In exchange, the provinces should commit to national guidelines that include greater direct support for institutions and a limit to tuition in regulated programs. In addition, both levels of government should actively encourage participation by low- and middle-income Canadians by favouring a system of up-front grants over loans.

Ironically, governments, business groups, political parties and Canadians have never been as much in agreement over the importance of postsecondary education for our individual and collective prosperity. Economists have long recognized the significant return on investment in postsecondary education for individuals and governments. The growth of the knowledge-based economy has made investment in human capital an even more critical component of our international competitiveness and an imperative for success in the job market. With the Department of Human Resources Development Canada forecasting that by 2004 more than 70 percent of new jobs will require some form of postsecondary education, the federal government's new Innovation Strategy hopes to boost participation by ensuring all qualified Canadians have access to high-quality postsecondary education.

In order to sustain economic growth in the knowledge economy, the federal government hopes to increase the proportion of 25- to 64-year-olds with a postsecondary degree from 39 to 50 percent. During the 1990s, as tuition fees increased, the participation rate flattened, with part-time participation dropping and most of the small increase in the full-time rate attributable to an increase in participation by women.

With the children of baby boomers now reaching university age, enrollment over the next decade is projected to increase substantially. While various factors, including the growing importance of a postsecondary degree in the labour market, will push up participation among middle- and high-income Canadians, low-income Canadians may be left behind. As of 1998, young people from high-income families were 2.5 times more likely than those from low-income families to have participated in university education [Statistics Canada 2001].

While not identical across the provinces, the policy trend in university financing has been similar: Provincial spending has declined and responsibility for funding education has been offloaded onto students and their families. Nationally, tuition for undergraduate arts students has increased by more than 125 percent over the past decade. Fees have gone up in all provinces, ranging from as low as 30 percent in British Columbia which maintained a tuition freeze from 1995 until very recently, to nearly 210 percent in Alberta [Statistics Canada 2001]. Ontario, which saw tuition rise by more than 10 percent a year between 1995 and 2000, contributes less funding per capita than any other jurisdiction in North America, except Alabama. Over the same period, postsecondary institutions in the United States received 32 percent more public funding, compared with a decline of 7.5 percent in Canada.

Predictably, the quality of the learning environment at most institutions has suffered, with higher tuition only partially offsetting reduced government funding. Over the past decade, student-to-faculty ratios have jumped and institutions have racked up billions of dollars in deferred maintenance. In recent years, the trend has begun to stabilize, with the federal government and the provinces reinjecting much-needed cash into infrastructure and research, and in a few cases, base funding. In the past two years, five provinces have frozen or even reduced fees, and the average tuition increase this year was the smallest since 1979.

In the absence of any real significant reinvestment by governments, however, there remains immense pressure on university administrators to raise fees in deregulated programs such as law, medicine and dentistry. Law tuition at the University of Toronto, for example, is now expected to increase to $22,000 a year by 2007. In regulated programs, the clamour for higher tuition or deregulation is getting louder as fiscal pressures mount. Even in a demographic vacuum, many Canadian institutions would face a precarious financial situation unless operating grants were significantly increased. With the demographic bulge of the echo generation pushing up enrollment and an aging professoriate, Canadian universities must deal with the additional burden of hiring 32,000 new faculty members by 2010 [AUCC 1999].

Nationally, scholarships and bursaries as a share of expenditures have more than doubled from 1.5 percent to 3.3 percent between 1990 and 2000. With the help of governments, corporate partners, alumni and even current students, institutions have grown their student aid endowments and shifted emphasis from merit-based to need-based scholarships. However, non-repayable grants account for only a fraction of tuition paid with most students in need relying on the Canada Student Loans Program and its provincial counterparts. These programs guarantee loans made by private financial institutions while subsidizing interest and, in some cases, debt relief programs.

In theory, the high tuition/high aid strategy should not discriminate against low-income students and is viewed by some as a more efficient way to redistribute funds to those in need. As long as they are repaid, government loans can be recycled again and again. In practice, the preference for loan-based assistance over grants has resulted in excessive debt loads for many students. There is no shortage of disagreement over the average level of debt incurred by students who borrow, with estimates as high as $25,000 and as low as $10,000.

An analysis of National Graduate Survey data from 1995 shows that of the fewer than half of all college and university graduates who held loans, only 10 to 15 percent reported difficulties with repayment [Finnie 2001]. Other studies, such as Statistics Canada's analysis of Canada Student Loans administrative data, clearly show that the debt burden and default rate have risen significantly with higher fees. The Canadian Federation of Students estimates that average debt for students completing a four-year program has increased by 300 percent since 1990 to more than $25,000 today [Canadian Federation of Students 2001].

While accurate and up-to-date data do not exist (the largest increases in Canadian history have occurred since 1995), a growing body of evidence indicates that students are now incurring unmanageable debt levels. In Ontario, for example, with more than 20 percent of university students assessed at maximum need, many students are graduating with $28,000 in government loans [COU 2001]. Using the Canadian Bankers Association recommendation that debt should not exceed 10 to 15 percent of net income, these debt levels are unmanageable for many households. Graduates also have been stripped of the protection afforded to other consumers of debt, with changes to the Bankruptcy and Insolvency Act prohibiting students from declaring bankruptcy for 10 years following graduation. It remains to be seen what impact rising student debt levels will have on consumer spending for big-ticket items such as homes and cars.

At present, it is unclear how much tuition increases have contributed to the growing participation gap between lower- , middle- and higher-income Canadians. Some studies in Canada have shown that as tuition increased in the 1990s, young people from lower-income families have had less access to a university education. But research conducted by the Council of Ontario Universities suggests that the proportion of low-income applicants in Ontario actually increased in the late 1990s [COU 2001]. Nonetheless, Statistics Canada's General Social Surveys reveal a widening gap in participation rates between students from high socioeconomic levels and those from low and middle levels that coincides with the tuition fees increases of the early 1990s [Bouchard and Zhao 2000].

While there is no question that parental income is a major factor in determining participation, there is also evidence that increased financial aid can offset the impact of tuition hikes. As rational consumers, it is assumed by many economists that students will weigh the costs against the lifetime of benefits and choose to scrape together the necessary funds. Studies in the US, however, have demonstrated that low-income families are significantly more sensitive to price increases for postsecondary education, and that as the sticker price of tuition goes up, so does the perception of cost. Low-income families in the US were also the least likely to understand the student aid system.

With Canada's Innovation Strategy specifically identifying less advantaged youth and groups at risk of exclusion as a growth opportunity for meeting participation targets, smart policy should seek to enhance access to postsecondary education for those who are least well-off in society. It is precisely these people, however, who are most discouraged by the prospect of being locked into heavy debts. While the Canada Study Grants and the Millennium Scholarships are a step in the right direction, government preference for an assistance-providing loan system over grants continues to drive up the price of postsecondary education for students and their families.

The possible long-term costs go far beyond eroding Canada's education advantage, or saddling generations of Canadians with excessive debt. According to Industry Canada, between 1990 and 1998, Canada gained 2,131,000 net new jobs for people with postsecondary degrees, while there was virtually no job growth for those with only a high school diploma. The Canadian labour market is becoming increasingly polarized as jobs in the middle-earnings range disappear and greater numbers of Canadians are left with nonstandard employment that provide few benefits and low wages.

With after-tax transfer inequality creeping up and both the rate and depth of poverty still serious problems, Canada continues to face pressures on our social cohesion. As postsecondary education becomes even more critical for labour market success, and accessibility diminishes, we risk further excluding marginalized groups. The government policies that led to the expansion of universally accessible postsecondary education in the late 1960s and 1970s are at least partially responsible for Canada's high degree of intergenerational socioeconomic mobility. While it is too early to tell, the restructuring of postsecondary education in the 1990s may have had an equally dramatic – albeit negative – effect on Canada's social fabric.

Underlying the shift to higher fees is the poorly thought-out assumption that those who reap the most personal benefits should bear the largest burden for financing the system. As a result, student fees now account for nearly 20 percent of university revenues, double the percentage in 1990. Not only has this attitude provided a convenient excuse for governments to reduce operating grants, it obscures the concept of the public good and reduces postsecondary education to a commodity. Polling data, however, has shown consistently that the overwhelming majority of Canadians support making education more affordable above a balanced budget or lower taxes.

Meeting Canadians' expectations and values in a knowledge-based economy requires government policy that prioritizes investment in the human capital of all Canadians. Both our economic competitiveness and cohesion as a society would benefit from policy that keeps tuition low enough to avoid deterring participation by marginalized groups, actively targets those same groups with grants instead of loans and invests directly in the quality of our educational institutions.

Paul Heisler

Paul Heisler is a policy intern with the Caledon Institute of Social Policy.

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1600 Scott Street, Suite 620
Ottawa, Ontario, Canada
K1Y 4N7
phone: (613) 729-3340 fax: (613) 729-3896
e-mail: caledon@caledoninst.org
website: *www.caledoninst.org*