

Strengthening Canada's Future



Real Solutions from Canada's Students

November 2007

Canadian Alliance of Student Associations
Alliance canadienne des associations étudiantes



The Canadian Alliance of Student Associations (CASA) is an alliance of 20 student associations from coast-to-coast. CASA represents approximately 300,000 post-secondary students at the national level. CASA's members believe that Canada's post-secondary education system should be affordable, accessible, and of the highest quality. We believe that the federal government has an important role to play in higher learning and research. CASA is committed to working with decision makers at the federal and inter-provincial levels to promote the innovative policy solutions developed by our members.

CASA Member Associations

Acadia Students' Union
Bishop's University Students' Representative Council
Brock University Students' Union
Dalhousie Student Union
Fédération des étudiants et des étudiantes du Centre universitaire de Moncton
Red River College Students' Association
Saint Mary's University Students' Association
St. Francis Xavier Students' Union
St. Thomas University Students' Union
Students' Association of Mount Royal College
Southern Alberta Institute of Technology Student's Association
University of British Columbia Alma Mater Society
University of Calgary Students' Union
University of Lethbridge Students' Union
University of New Brunswick Students' Union (Fredericton)
University of New Brunswick Students' Union (Saint John)
University of Prince Edward Island Student Union
University Students' Council of Western Ontario
University of Waterloo Federation of Students
Wilfrid Laurier University Students' Union

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An Education Policy Brief from the
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*"Globalization and the growth of the knowledge-based economy are also sharply increasing the importance of the skills, education and adaptability of our workforce for global competitiveness. This means that we need to focus on enhancing the education and skills of Canadians so they get the best jobs, earn a better living and build a strong future for their children."*¹

-*Advantage Canada*

Serious demographic challenges will face the Canadian economy in the near future. Wider participation in Canada's post-secondary system is needed not only to secure Canada's place within the global knowledge-driven economy, but to do so in the face of an aging population. Nearly two out of every three new jobs created between 2004 and 2008 will require some form of post-secondary credential.²

We expect our universities, colleges and technical institutes to be of the highest quality, but we must also ensure that the benefits of lifelong learning are affordable and within the reach of each and every Canadian. Unfortunately, Canada's post-secondary institutions do not have the resources to effectively meet this demand. Funding cuts in the 1990's and increasing tuition costs mean that not all Canadians can readily access higher learning. In order to meet the demands of tomorrow, we must improve access for those groups under-represented in the post-secondary education system today, such as low-income students and Indigenous students. No one should be denied the ability to pursue their dreams because of a lack of resources.

The federal government and the provinces and territories must work together towards a truly national vision for post-secondary education - a vision which will lead to a brighter future for all Canadians. Canada's future holds great challenges, and a strong post-secondary education system is the key to facing them with resolve.

This paper will examine what the government can do to develop a strong post-secondary education system. The solutions it proposes are not simply about ensuring that individuals have the opportunity to reach their full potential, they are also about building a foundation on which our country can thrive and prosper. Investing in post-secondary education will help guarantee that Canada has the highly educated and skilled population it needs to compete in the global knowledge economy.

Executive Summary

Canada's post-secondary students have put forward proposals to help the federal government ensure that our post-secondary education system is accessible, affordable, and of the highest quality.

1. The Government of Canada must ensure that federal transfer funding for post-secondary education is truly dedicated funding. The government must work with the provinces to develop objectives for PSE funding as well as mechanisms to ensure funding is directed at meeting those goals. Federal transfer funding for post-secondary education should be increased to a minimum level of \$4 billion in annual cash transfers.
2. The Government of Canada should take a leadership role in working with the provinces and territories to develop a Pan-Canadian Accord on Post-Secondary Education.
3. The Government of Canada should implement Advantage Canada's commitment to modernize Canada's system of student financial assistance. This must be done through a holistic review of all SFA programs, and result in:
 - An affordable, accessible post-secondary education system for all Canadians. The SFA system should be effective and accountable, ensuring that tax dollars are targeted towards students in need, and those groups currently under-represented in post-secondary education.
4. The Government of Canada should renew or indefinitely extend the mandate of the Canada Millennium Scholarship Foundation. The CMSF should be provided with funding to continue providing needs-based grants to the same, or greater, proportion of students as it did in 1999, at the same grant value.
5. The Government of Canada should improve access for under-represented groups in our post-secondary institutions. They should work with Indigenous communities and the provinces and territories to increase participation and retention of Indigenous peoples in post-secondary education, as well as students from low-income families.

1. Investing in our Future: Dedicated Transfer Funding

A high-quality post-secondary education system contributes to a strong economy and a healthy society. An educated and highly-skilled population leads to a more significant and sustainable tax base. There are serious problems that must be addressed, however, if Canada wishes to have the kind of post-secondary education system that will ensure our continued prosperity.

Canadians deserve the highest quality education and training, and to ensure this our post-secondary institutions must be well-funded. Unfortunately, Canada is falling behind other developed countries when it comes to investing in high-quality education. Government funding to universities, colleges and technical institutes is now 20 per cent lower than it was in the 1980s. Meanwhile, other countries have been ramping up investment. American universities receive \$5000 more per student in government funding than their Canadian counterparts. Coupled with other sources of funds, American institutions enjoy an \$8000 per student funding advantage.³

While the provinces hold legislative jurisdiction over education, the federal government, through transfer payments, provides essential funding to Canada's post-secondary institutions. Unfortunately, the federal government began to cut post-secondary transfer payments in 1993, and in 1995 lumped funding into the Canada Health and Social Transfer (CHST), cutting nearly \$4.6 billion in education and social spending in the process.

Our post-secondary system has suffered from under-funding for over a decade now. The provinces have been forced to cut support to colleges, universities and technical institutions. Class sizes have increased, it has been difficult to retain quality professors and instructors, and our campuses are literally crumbling, with universities facing an accumulated deferred maintenance price tag of over \$3.6 billion.⁴ Quality post-secondary education in Canada is clearly in jeopardy.

Faced with dramatic cuts to their operating budgets, post-secondary institutions have turned to students to make up for lost revenue. Since the 1990s tuition has tripled, with an average undergraduate university student now paying \$5187 in tuition and fees (\$13,985 for international students). Full-time graduate students now pay \$5,447 in annual tuition fees, and an average college student faces tuition of over \$2000.⁵ The growing cost of a post-secondary education makes it increasingly unaffordable for many Canadians.

Students, along with university and college administrators and instructors, have long been calling for an improved federal funding mechanism for post-secondary education. CASA has continually advocated for a dedicated post-secondary education transfer payment, similar to the Canada Health Transfer, which was separated from the CST in 2004.

CASA believes the government made great strides in Budget 2007, when they committed to "identifying" and "earmarking" funding towards post-secondary education within the CST. Furthermore, CASA commends the government's commitment to increase post-secondary transfer funding by \$800 million in 2008-09, for a total of \$3.2 billion. However, this is only a 'one-time' transfer, and therefore does not address the need to restore funding levels to those before the creation of the CHST.

With increasing demands for a highly educated and skilled workforce, Canada can no longer afford to be under-investing in knowledge and innovation. CASA continues to call on the government to restore post-secondary funding to at least \$4 billion.

Solutions:

- **The government must ensure that post-secondary funding is truly dedicated funding. The government must work with the provinces to develop objectives for PSE funding as well as mechanisms to ensure funding is directed towards meeting these goals. Additional federal transfer funding for PSE must not displace existing funding.**
- **Federal transfer funding for post-secondary education should be increased to a minimum level of \$4 billion in annual cash transfers, and be increased annually according to inflation and demographic growth.**

2. Strength through Vision: A Pan-Canadian Accord on Post-Secondary Education

What our post-secondary education system needs most is vision and leadership. While students acknowledge provincial jurisdiction over education – it is clear that the provinces and the federal government play a shared role in strengthening our post-secondary education system.

In recent years, the provinces, through the Council of the Federation, have shown a commitment to working together to improve higher education in Canada, and have agreed that post-secondary education is a Canadian issue that requires a pan-Canadian will to address it. To ensure that it is effective, accountable, and transparent, the federal government must work with the provinces and territories to develop goals and objectives for transfer funding. Reporting and accountability mechanisms must be developed so that taxpayers are assured that funding truly is going towards post-secondary education.

Students believe a dialogue between all tiers of government is needed to ensure we are addressing the higher-learning needs of all Canadians. CASA is calling on the federal government to work with the provinces and territories to develop a Pan-Canadian Accord on Post Secondary Education. Such an accord would outline the roles of the federal and provincial governments and establish a national direction and objectives for post-secondary education. It would lay out a vision for an accessible, affordable, post-secondary education system of the highest quality, and would ensure accountability and transparency.

The current method of funding post-secondary education raises serious accountability and transparency issues. There is no way of knowing how much federal money goes from the CST into post-secondary education. The federal government cannot tell taxpayers how much money it spends funding colleges and universities. There are no reporting measures for just how provinces are spending federal funds meant for post-secondary education.

Solutions:

- **The Government of Canada should take a leadership role in working with the provinces and territories to develop a *Pan-Canadian Accord on Post-Secondary Education*.**

3. Creating an Effective, Modernized System of Student Financial Assistance

The federal and provincial government's student financial assistance programs are intended to ensure that no student is barred from obtaining a post-secondary education because of financial barriers. Unfortunately, Canada's student financial assistance system is doing a poor job of making education more affordable and accessible. As Drummond and Alexander put it:

*In Canada the student financial assistance regime is a bewildering hodgepodge of federal and provincial programs, featuring loans, grants, and tax incentives...It does not effectively target funding at low-income groups. And, despite considerable money being added in recent years, the situation has not improved much.*⁶

CASA has been calling on the government to review student financial assistance in Canada, and in the government's economic plan, Advantage Canada, they committed to "modernizing Canada's system of student financial assistance to make it more effective."

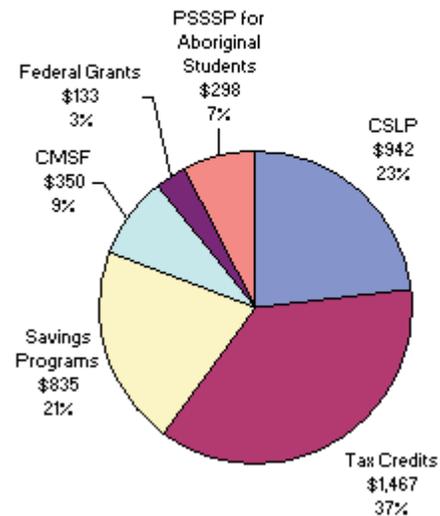
However, Budget 2007 followed-up with only a commitment to review the Canada Student Loans Program (CSLP), to "simplify CSLP instruments, make them more effective, and ensure integrated administration and efficient delivery".⁷

While simplifying CSLP instruments and ensuring integrated administration and efficient delivery of programs are important, a holistic review of the student financial assistance system is needed to adequately address the needs of students.

The review should examine the CSLP's mandate and assesses its success at meeting its goals. To be truly comprehensive, the review must also go beyond the scope of the CSLP, by assessing all support programs available to students and graduates - such as loans, grants, tax credits, and savings programs - to ensure that assistance is being delivered effectively and efficiently.

In particular, CASA is concerned that the government spends nearly twice as much on tax credits and savings programs than it does on loans and grants. Such programs cost Canadians over \$2.3 billion per year, are not targeted towards students in need, and do not improve accessibility.

Fig. 1: Federal Spending on students, potential students, and graduates (\$millions)



The federal government's largest expenditure on students is \$1.5 billion for education-related tax credits. However, only 31 per cent of these credits actually go to students while they are studying.⁸ Nearly half of this "student assistance" is transferred to parents or spouses, and half of the credits are used by individuals with above-average incomes.⁹ These credits are a prime example of a failing in the tax system, as this money could be spent far more effectively.

Solutions:

- **The Government of Canada should implement Advantage Canada's commitment to modernize Canada's system of student financial assistance. This must be done through a holistic review of all SFA programs, not simply administrative improvements to the Canada Student Loans Program.**
- **A modernized system of SFA must ensure an affordable and accessible post-secondary education system for all Canadians. The SFA system should be effective and accountable, ensuring that tax dollars are targeted towards students in need. It should encourage post-secondary participation by Canadians currently under-represented in our colleges, universities and technical institutions.**

4. Renewal of the Canada Millennium Scholarship Foundation

In 2009, the mandate of the Canada Millennium Scholarship Foundation (CMSF), which provides \$350 million in grants to students annually, will expire. Each year since its inception, the Foundation has distributed 90,000 needs-based bursaries and 900 merit-based awards at an average of \$3000 each. They have also initiated an access bursary, which distributes 34,000 grants annually toward under-represented students. The Foundation works closely with the provinces, as provincial assistance programs both assess students' needs and distribute the awards.

When the Millennium Program was first initiated, some provinces unfortunately took advantage of this new federal student funding to cut-back their existing provincial funding programs. This meant that students in certain provinces saw a limited net benefit initially. Fortunately, the Foundation worked quickly to rectify such issues by signing side-agreements with each of the provinces and territories. Through these agreements, provinces and territories have guaranteed that they will not displace Millennium funds. Today, there is more funding for post-secondary education and more grants available per provincial student loan recipient in every province than prior to the introduction of the Foundation, some of which is attributable to the reinvestment agreements.

The Foundation provides 30 per cent of student grants in Canada, and nearly half of grant funding in many provinces. CASA is calling on the government to renew the Foundation and provide it with the necessary funding to distribute grants to the same proportion of students, at the same grant value as it did at its inception. The Foundation's programs are vital, as needs-based grants are one of the best ways to ensure post-secondary students continue their studies and do not amass higher levels of debt.

CASA believes that the Foundation is the best vehicle through which to continue delivering its important grant programs. It is fiscally efficient and has lower administrative costs than government departments, which ensures that students receive the maximum benefit from federal funds. The Auditor General of Canada notably found that the Foundation's programs are well managed and functioning effectively.¹⁰ Further, the Foundation's research program and pilot projects help ensure that well-informed post-secondary policy decisions can be made. An external review of the Foundation in 2003 by the Institute of Intergovernmental Relations concluded that: "the CMSF research program is worthy of high commendation and its policy relevance is especially noteworthy."¹¹

The CMSF is also the only body currently able to distribute grants to students in all thirteen provinces and territories – the CSLP only operates in nine provinces (not Quebec) and not all territories. This allows the Foundation to negotiate agreements that meet the provinces' and territories' unique needs. The Foundation's new grants for rural students in Alberta and low-income students in Ontario serve as testaments to this strength.

Most provinces rely on the Foundation to fund a significant portion of non-repayable assistance programs that they provide to students, and if the Foundation funding disappears it is very likely that provinces will be forced to replace grants with loans, thus increasing student debt burdens for high-need students. This could yield two significant consequences for students. Increasing debt loads can act to reduce post-secondary completion rates, leaving students without a credential, yet burdened with high loan repayments.¹² Further, eliminating grants increases the net-price of higher education, and could work to detract underrepresented students from applying in the first place.¹³ The federal government has demonstrated a frightening lack of urgency in addressing this challenge. This has created a high degree of uncertainty and anxiety from provincial governments, financial aid administrators, and students.

Action is needed immediately. The federal government must make its post-Foundation intentions clear in the 2008 federal budget to allow provinces, post-secondary institutions, and students to plan for contingencies. If the government does not commit to filling the \$350 million hole that will be left by the Foundation, the picture will be bleak for Canadian families hoping to send their children to post-secondary education.

Solutions:

- **The Government should renew or indefinitely extend the mandate of the Canada Millennium Scholarship Foundation. The CMSF should be provided with funding to continue providing needs-based grants to the same (or greater) proportion of students as it did in 1999. Estimates are that this would require a \$3.5 billion ten year endowment.**

5. Accessibility, Affordability and Quality of Post-secondary Education for Under-represented Students

A strong post-secondary education system strengthens our society in immeasurable ways. There are also clear individual benefits to those who graduate with a post-secondary education. In addition to the intrinsic benefits of knowledge and learning, graduates have a significant advantage in the job market. More and more jobs depend on a post-secondary education, and graduates are not only more likely to be employed, but also earn much more than non-graduates.¹⁴

Canada's social and economic prosperity hinges on our ability to graduate more students from university, college, and technical programs. This cannot be accomplished simply by creating more spaces for traditional students. While improved immigration will help somewhat, it is not a solution. This is recognized in Advantage Canada:

...these efforts will not be enough to keep our standard of living growing at its recent pace. Higher skills and knowledge will become increasingly important... Programs need to help people who have traditionally been under-represented in the workforce.¹⁵

Currently, certain groups of Canadians are under-participating in the skilled workforce. Canadians from low-income families and Indigenous peoples are just two of these groups. In order to meet the challenges of the future, we must first improve access for under-represented groups in our post-secondary institutions. In fact, Canadians' number one priority for post-secondary education is improving access.¹⁶

Canadians believe that no one should face barriers to achieving their full potential. The issue of access is not just about equality of opportunity, however; Canada will soon face a labour crisis. We need more highly educated and skilled workers to participate in the labour force in order to support a competitive economy. In order to achieve this we must improve access for groups currently under-represented in our colleges, universities and technical institutes. Experts agree the best way to improve access to post-secondary education is through the use of up-front, targeted grants.¹⁷

Students from low-income families

Canadians from low-income families are half as likely to attend university as those from high-income families.¹⁸ If we wish to have more Canadians participating in the skilled economy, clearly something must be done to encourage post-secondary attainment.

Targeted grants are one of the best ways to combat financial barriers to post-secondary education.¹⁹ While the Canada Access Grant currently provides students from low-income backgrounds with a grant to cover half of their tuition for their first year of post-secondary studies, it does not go far enough.

The main reason young people drop-out of post-secondary education is because they cannot afford to continue.²⁰ As such, grants should focus on the total cost of education, not just tuition. Living expenses, books, transportation etc. can often equal as much or more than tuition. Furthermore, grants must be made available to students for the duration of their studies, rather than just in their first year. CASA believes that the Access Grant should be expanded to cover a portion of a student's total need for up to four years of study.

Indigenous students

Indigenous peoples are the fastest growing segment of the Canada's population, and by 2017, those 20-29 years of age will have increased over 40 per cent. Unfortunately just 23 per cent of Indigenous persons have post-secondary credentials, 15 percentage points below the non-Indigenous population.²¹ As a booming generation of Indigenous youth prepares to enter the workforce, time is of the essence to ensure they have the opportunity to receive the skills and education they need to succeed in a knowledge economy.

Status Indian and Inuit students receive funding from their bands which is provided through the federal Post-Secondary Student Support Program (PSSSP). This is a \$270 million program whose funding has not increased since 1994, despite both the rapid growth of the youth population and the increasing costs of education. Students who do not receive PSSSP funding, or who are ineligible (e.g. non-status Indigenous students), rely on federal and provincial loan and grant programs.

CASA is calling on the federal government to work with Indigenous communities and the provinces and territories, to develop a plan to increase participation in post-secondary education to match that of the overall population. This should include non-repayable assistance, specifically increased funding to the PSSSP, and grants issued through the Canada Student Loans Program or the Canada Millennium Scholarship Foundation.

Solutions:

- **The Canada Access Grant should be made available to students throughout the duration of their studies, not just in their first year. The grant should cover a portion of the total cost of education, not just tuition.**
- **The government should work with Indigenous communities and the provinces and territories to develop a plan to increase participation and retention of Indigenous peoples in post-secondary education. Indigenous student grant funding should be increased through the Post-Secondary Student Support Program, the Canada Student Loans Program, and/or the Canada Millennium Scholarship Foundation.**

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