

Canadian Federation of
Students' Submission
to the House of Commons
Standing Committee on Finance

2016 PRE-BUDGET CONSULTATIONS



**CANADIAN
FEDERATION
OF STUDENTS**

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CANADIAN FEDERATION OF STUDENTS

With over 650,000 members, represented by more than 80 students' unions, 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 full- and part-time students at the college, undergraduate, and graduate levels.

British Columbia

University of British Columbia Students' Union Okanagan
Camosun College Student Society
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
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 de l'Université de Saint-Boniface
University of Saskatchewan Students' Union
University of Saskatchewan Graduate Students' Association
University of Winnipeg Students' Association

Ontario

Algoma University Students' Union
Association générale des étudiantes et étudiants de Collège Boréal
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
Laurentian Students' Union
McMaster University Graduate Students' Association
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
Thames Students Inc.
University of Toronto at Scarborough 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 at the University of Toronto
Trent Central Student Association
Society of Graduate Students of the University of Western Ontario
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 and Labrador

Grenfell Campus 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

EXECUTIVE SUMMARY

Over the last 25 years, investments in education have dropped, causing the ever-increasing need for education to outpace its access. Post-secondary education has gone from a publicly supported good to a personal investment, one increasingly accompanied by life-impacting debt.

To move Canada's economy forward through innovation, and to ensure that Canadians are able to get the education they need in order to be a part of it, investments in post-secondary education must be prioritized. By improving the affordability, accessibility and quality of our post-secondary education system, we can provide Canadians with the tools they need to make Canada a global leader.

For these reasons, the Canadian Federation of Students, representing over 650,000 post-secondary students across Canada, submits the following recommendation:

- Double the investment into non-repayable grants through the Canada Student Grants Program (CSGP)
- Engage with the provinces to create a Post-Secondary Education Act, accompanied by a dedicated transfer from the federal government, and 50/50 cost-sharing model with the provinces.
- Remove the funding cap from the Post-Secondary Student Support Program (PSSSP).
- Double the investment in the Youth Employment Strategy (YES) and eliminate unpaid internships within the federal government.

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IMMEDIATE ACTION TO INCREASE ACCESSIBILITY AND AFFORDABILITY OF POST-SECONDARY EDUCATION

As a share of operating revenues, government funding for post-secondary education has fallen from over 77 percent in 1997 to less than 55 percent in 2012, well below the Organization for Economic Co-operation and Development (OECD) average of 70 percent.

The funding cutback has been primarily passed directly onto students in the form of tuition fee increases. Over the past 20 years, tuition fees have increased from an average of \$1,706 in 1991-1992 to \$6,191 in 2015-2016, a real increase of 137 percent. In the absence of any national oversight, divergent paths have emerged for access to post-secondary education between the provincial systems. For example, undergraduate tuition rates range from \$7,868 per year in Ontario to \$2,660 per year in Newfoundland and Labrador.

Rising tuition fees and the prevalence of loan-based financial assistance have pushed student debt to historic levels. In 2013, over 497,000 students were forced to borrow from the Canada Student Loans Program (CSLP) in order to finance their education. This figure does not account for students who were forced to borrow from private sources.

From 2000 to 2010, average total student debt increased 40 percent. In the same time, the number of students with average debts over \$25,000 increased from 24 to 40 percent and the debt owed to private sources increased up to 114 percent. As of 2012, total student loan debt was estimated at over \$28 billion, with average debt for an undergraduate and college graduate at the time of graduation being \$26,300 and \$14,900 respectively.

Financing post-secondary education through student loans is an inequitable model that directly contravenes Canada's commitment to the International Covenant on Economic, Social and Cultural Rights. Due to interest accumulation, students who have to take out loans end up paying more for their education.

RECOMMENDATION

Immediately act to increase accessibility and affordability of post-secondary education by doubling the investment into non-repayable grants through the Canada Student Grants Program (CSGP).

COST
\$725 million

FUNDING
CSGP expansion can be done in a cost-neutral fashion by redirecting funding currently allocated towards the inefficient, back-loaded education and tuition related tax credits.

In 2014, not including tax credits carried-forward from previous years, the federal government spent roughly \$1.1 billion in education and tuition related tax credits. Not only are all students, regardless of their need, eligible for the same credits, but they are non-refundable. This means that only after completing post-secondary education and obtaining gainful employment can an individual take advantage of these credits. For those with high student debt, this offsetting of income taxes can be completely outweighed by student loan interest accumulation; and those who do not require student debt to finance their education disproportionately benefit. These tax credits can also be transferred to parents and guardians to offset their income as well. Between 2009 and 2011, 23 percent of all tax credits were claimed by parents in households earning over \$71,000.

A POST-SECONDARY EDUCATION ACT AND THE PATH TO

ELIMINATING TUITION FEES

While there is a clear funding shortfall, one of the biggest problems is that the money currently spent by governments of all levels is not being spent efficiently. If government investment is measured in terms of the time it takes for the individual to payback the investment through income taxes, this payback time ranges from a low of 10.3 years in Ontario to 17.5 years in Saskatchewan. While the elimination of tuition fees would require a larger up-front investment from the federal government, the increase in time for the individual to pay back the investment is marginal compared to benefits of not accumulating tens of thousands in student debt. Payback time would increase from a low of roughly 0.6 years in Quebec to a high of 2.6 years in PEI and BC.

After an individual pays back the public investment on their education, governments can receive substantial returns from having a better-educated citizenry. Higher educated individuals contribute more through income taxes, require fewer social safety net programs, have better health outcomes and are more engaged in their community.

One of the most used arguments against this increased investment into public higher education is that it amounts to providing more subsidies for wealthy families. However, since income tax contributions increase based on income, resources are actually re-distributed from higher-income households towards lower-income households.

The current system, with its increasingly high up-front costs and resulting debt acts as a barrier that can prevent many people from fully participating in the economy and obtaining financial stability in life, impacting everyone. In today's innovation driven and rapidly changing economy, a truly affordable and accessible post-secondary education system needs to be a top priority.

RECOMMENDATION

Protecting the investments made in Canada's post-secondary education system by implementing a federal Post-Secondary Education Act, in cooperation with the provinces and territories, that is accompanied by a dedicated cash transfer.

COST

\$3.3 billion

FUNDING

Federal funding to eliminate tuition fees for undergraduate education in Canada can be done cost neutrally.

- Eliminate the costly and ineffective Registered Education Savings Plan (RESP): \$1.05 billion
- Redirect the remainder of funding from the tuition and education related tax credits: \$450 million
- Redirect \$1.8 billion from Labour Market Development agreements. In budget 2015, it was announced this funding would be reoriented towards training and labour market demand

Increasing the ability of young Canadians to obtain financial security and reach life milestones, and allowing more people of all ages to obtain additional training or retraining in emerging fields will allow Canadians to drive our economy forward. Public education is a public good, and it should be funded that way.

Federal cost, in millions

| | NFLD | PEI | NS | NB | QC | ON | MN | SK | AB | BC | Total |
|---------|------|------|-------|------|-------|---------|-------|-------|-------|-------|---------|
| 2016-17 | \$48 | \$12 | \$116 | \$59 | \$610 | \$1,580 | \$131 | \$104 | \$361 | \$266 | \$3,286 |
| 2017-18 | \$47 | \$12 | \$116 | \$58 | \$628 | \$1,612 | \$134 | \$107 | \$372 | \$271 | \$3,357 |
| 2018-19 | \$47 | \$12 | \$116 | \$58 | \$647 | \$1,644 | \$136 | \$110 | \$383 | \$277 | \$3,429 |

REMOVING THE FUNDING CAP ON PSSSP

As with most OECD members, Canada's economic future depends on its ability to meet the challenge of an aging workforce and relatively low domestic birth rates. Unlike peer countries, Canada has an advantage with its Aboriginal population, of which 46 percent are under 24 years old and the population is growing at six times the rate of the non-Aboriginal population.

The federal government provides financial assistance to First Nations and Inuit students through the Post-Secondary Student Support Program (PSSSP), which aims to facilitate access to post-secondary education by alleviating the financial barriers facing Aboriginal learners.

Prior to 1992, the number of eligible students and their expenses determined funding. Between 1992 and 1997, the model shifted from per-student funding to block funding. In 1996, a funding cap was also imposed, limiting increases to PSSSP funding to two percent annually.

The two percent cap fails to keep pace with both population growth and the rising costs of post-secondary education. As a result, while approximately 27,000 students received funding prior to the cap, only 19,000 received funding in 2009. It is estimated that from 2006 to 2011, over 18,500 eligible students were denied funding.

It is estimated that 300,000 Aboriginal youth could enter the labour force in the next 15 years alone. While the facts are clear, so is the recognition that education is a treaty right. The Truth and Reconciliation Commission recommended the federal government take steps to eliminate the backlog of students attempting to access post-secondary education. This funding increase is necessary to fully fund all Aboriginal learners.

Removing the funding cap and ensuring that every eligible First Nation, Inuit, and Metis learner is provided funding should be a top priority. According to the Assembly of First Nations, in 2008, a total of \$724 million was required to ensure that no Aboriginal student was denied access to post-secondary education due to financial barriers. As Aboriginal Affairs and Northern Development Canada (AANDC) currently provides roughly \$331 million, at least \$475 million in additional funding would be required after accounting for inflation.

RECOMMENDATION

Remove the funding cap from the Post-Secondary Student Support Program (PSSSP), to ensure that Aboriginal Canadians have equitable access to post-secondary education.

COST

\$475 million

FUNDING

New spending

ADDRESSING YOUTH UN/UNDEREMPLOYMENT AND UNPAID INTERNSHIPS

Youth often face the most hardship during economic instability. While accounting for 16.5 percent of Canada's workforce, over 50 percent of the net jobs lost during the recession were held by young Canadians.

As of December 2015, the youth unemployment rate was 13.0 percent. If this included youth who are forced to work part-time, those in unpaid internships and those who had given up looking for work, un/underemployment would be at nearly 28 percent. Additionally, the Parliamentary Budget Office (PBO) found that roughly 40 percent of Canadians aged 25-34 with a university degree are overqualified for their current position.

Youth experiencing un/underemployment after graduation lose opportunities to network, making it harder to eventually obtain work in their field of study and at their skill level. Furthermore, the reduced income makes it even harder to repay increasingly high levels of student debt. Skill erosion, shrinking networking circles, and the potential for technological increases to render certain skills obsolete can have long-term impacts on an individual and the broader economy. TD Economics estimated that recession's impact on youth over the next two decades would lead to an estimated total loss of \$23 billion from the Canadian economy in lost wages alone.

An insecure economy, tough job market and the reluctance for businesses to engage in employee training and development have led to a rise in unpaid internships and precarious work. Since 1993, employer investment in training has decreased 40 percent. It is now estimated that 300,000 young Canadians are unpaid interns. Many consider an unpaid intern to be "paid in experience" but working without an income is simply not an option for many.

The federal government has also been reducing the number of paid summer positions provided to youth.

Between the summers of 2009 and 2014, the hiring of summer students declined by 36 percent while the hiring of students in non-summer months has declined by 23 percent.

RECOMMENDATION

Create a new Workplace Employee Survey through Statistics Canada to improve Canada's labour market information system

Establish an expert panel to make recommendations for the design and implementation of a mandatory National Workplace Training Levy

Re-establish federal funding and support for paid federal student positions and doubling the total funding dedicated to the Youth Employment Strategy (YES)

Immediately end the practice of hiring unpaid interns within the federal government

COST

Workplace Employee Survey: \$15 million

Expert panel on National Workplace Training Levy: Revenue generating in the long term

Doubling investment in YES: \$330 million

FUNDING

New spending, which will yield additional revenue and decreased use of social safety net programs. A national Training Levy would be revenue generating.

CONCLUSION

In today's innovation driven and rapidly changing economy, an affordable and accessible post-secondary education system needs to be a top priority. By implementing these recommendations, the federal government will increase the ability of young Canadians to obtain financial security and reach life milestones. Allowing more people of all ages to obtain additional training or retraining in emerging fields will allow Canadians to drive our economy forward. Public education is a public good and needs to be funded as such.

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