

Canadian Federation of Students

Submission to the

**House of Commons
Standing Committee on Finance**

September 2003

Let's be clear about the effect of unsustainable cost and the resulting debts on individual students. Wherever tuition goes down, enrolment goes up. And where does the increase in students come from? From those with less money. In other words, the lower the fees, the more egalitarian the society. The lower the fees, the more we are able to release the genius of the citizenry as a whole. And that genius, that collective unconscious is the key to a successful democracy.

John Ralston Saul

INTRODUCTION

Canadians have long seen our system of post-secondary education as a vehicle for social opportunity. Since the end of World War II, access to university and college has formed the foundation of equality of opportunity. The expansion of opportunity at Canadian universities and colleges was a direct result of substantial and sustained public investment beginning in the 1960s. Prior to the mid 1960s access to education in Canada was defined almost exclusively by gender and income. That changed because the federal government made access to education a fiscal priority.

This history is a useful addendum to the Committee's deliberations because it is the position of the Canadian Federation of Students that the federal government has retreated from its leadership role in guaranteeing access and presiding over the retrenchment of a system of post-secondary education that exacerbates rather than mitigates social divisions. Throughout this brief, we will offer evidence that federal

funding cuts to post-secondary education and shortsighted policy initiatives are undermining access to education for low income Canadians.

In addition to reviewing the academic and statistical literature on access and costs, we will assess federal government policy initiatives in the context of those currently denied access to college and university. In doing so we will link the policy challenges of access to education to the growing gap between the rich and the poor in Canada. We will also demonstrate how the drift away from core funding toward boutique programs has undermined access. In particular we will suggest that a massive expansion of tax credits has supplanted the federal government's ambition to promote access among low income Canadians. We will also re-iterate our concern that, in practice, the Millennium Scholarship Foundation has had little or no effect on student debt. Worse yet, the Foundation has embarked on a research project designed to deny that tuition fees and student debt undermine the ability of low

income Canadians to attend college or university. In addition to being well outside of its stated mandate, the Foundation's politically tainted research project calls into question the federal government's commitment to solving the long standing problem of student debt and rising tuition fees.

In our examination of the Canada Student Loan Program we make several tangible recommendations as well as pointing the way towards a long-term vision for student financial assistance in Canada. Finally, we will examine the federal government's recent initiatives in research and offer recommendations. Our recommendations are guided by the need to protect academic freedom against some of the pernicious consequences of public-private partnerships in research.

FINANCIAL BARRIERS TO POST-SECONDARY EDUCATION

The data is clear that income rather than initiative is determining access to post-secondary education in Canada. Though the Millennium Scholarship Foundation and many university presidents attempt to deny a causal link between family income and the cost of post-secondary education, the numbers are stark:

Statistics Canada's study, *Participation in Post-Secondary Education and Family Income*, reports that those in the highest quartile of income are twice as likely to attend university. In a later study Statistics Canada controlled for rural residency and found that the high income earners in rural Canada were 5.6 times more likely to attend university than those in the bottom income quartile. Only 18.8% of 18-21 year olds from families in the lowest income quartile, attended university between 1993 and 1998, whereas 38.7% of those from the highest income quartile attended university during the same time period.

Statistics Canada's recent *Youth in Transition Survey* documented the fact that 72% of those who faced barriers to post-secondary

education listed financial reasons as the number one barrier.

A historical study undertaken by the Canadian Association of University Teachers (CAUT) entitled *Access Denied* shows that post-secondary education is less affordable today than at any time in the last sixty years. The report examines changes in tuition fees from 1857 to 2002. When fees are adjusted for inflation, undergraduate university students today are paying more than at any other time in the past century.

The study measures how affordable university education is today compared with previous periods by plotting the number of hours of work (at an average carpenter's wage) it would take to pay for one year of tuition fees. By this account, it takes more hours of work to pay for tuition fees today than at any time since 1940.

Table 1 - Average Tuition Fees 1982 - 2002 (Year 2000\$)

	1982	1992	2002
Arts	\$1,517	\$2,131	\$3,561
Dentistry	\$1,909	\$2,659	\$9,245
Law	\$1,531	\$2,136	\$4,783
Medicine	\$1,812	\$2,551	\$7,681
Engineering	\$1,595	\$2,211	\$3,697

Source: The Canadian Association of University Teachers

CAUT also demonstrates that the decline in affordability is felt most acutely by those at the lowest end of the spectrum. A study entitled *Out of Reach: Trends in Household Education Spending*, argued that "the impact of higher fees [is] most discernible in terms of exacerbating inequalities in access". Between 1991 and 1998 the real income and buying power of Canadians with the lowest 20% of after-tax income declined. Consider then that in 1991 families in this category would have to earmark 14% of their household income to pay tuition fees. By 1998 that amount had increased to 23%, which is actually an increase of over 60% once coupled with the decline in buying power. This conclusion is also confirmed by Statistics Canada's 1997 *Education Quarterly Review* that reports a five

percent decline in median family income in the 1990's and a startling 21% drop in the average employment income of those between the ages of 21 and 24 during the same period.

Studies conducted by individual universities examining the effect of tuition fees on the accessibility of professional programs have come to similar conclusions. The Department of Epidemiology and Biostatistics at the University of Western Ontario undertook a study on the accessibility of Western's medical school in the years immediately following the deregulation of tuition fees in Ontario. This study was conducted over a four-year period to determine the effect of steep fee increases on the characteristics of new students. The study examined participation rates by socio-economic status and documented a dramatic decline in participation rates from low-income families by the fourth and final year of the study. In the first year examined, 17.3% of students in medical school came from homes where family income was under \$40,000. In that year, students were paying the regulated tuition fees of approximately \$4,000. By the fourth year of the study, when tuition fees had risen to over \$10,000, only 7.7% of students were from homes of family income of less than \$40,000. As a result of deregulated tuition fees, there was 50% decline in the participation of low-income students.

In the September 2, 2003 edition of the Canadian Medical Association Journal, the editorial pages focused on access and medical school tuition fees. Based on recent enrolments, the authors made the case that fewer and fewer low-income students will be able to afford medical school. The editors also raised the concern that high fees will exacerbate the divide in medical service between rural and urban communities. With debt levels in excess of \$100,000, students will invariably look to lucrative urban appointments. The editorial also attributed the dramatic drop in medical school graduates practicing family medicine to expected student debt levels.

This evidence becomes more worrisome when it is viewed in the context of recent data on the growing gap between the rich and the

poor in Canada. Statistics Canada's 2001 census report showed that the income of those in the bottom quintile remained stagnant through most of the 1990's while families in the top one tenth of income made substantial gains. These findings are corroborated by other Census data that found that those under age thirty are earning substantially less, on average, than they did in 1980. This statistic is troublesome on two levels: first, it means a decline in disposable income for those facing tuition fees that increased by 130% in the 1990's. Second, for those lucky enough to attend college or university this income data shows that they are likely to experience difficulty paying back mortgage-size loans. Thus, Canada has the most indebted generation in its history facing a real decline in their income. The same study also reports that immigrants to Canada saw a startling decline in income during the 1990's. Given the socio-economic data outlined above it is clear that the federal government's rhetoric about an inclusive system of post-secondary education is not matched by the reality of working Canadians. We now have a clear social divide when it comes to access to post-secondary education. Furthermore, most of the research on the issue suggests that the divide is likely to get worse without strategic policy interventions from the federal government.

The most recent data from Statistics Canada substantiates the fear that access is now determined by socio-economic status. In a report released in September 2003, entitled *Access, Persistence, and Financing: First Results from the Post-Secondary Education Participation Survey (PEPS)*, researchers document an 83% participation rate for young people (aged 18 to 24) whose estimated family earnings exceeded \$80,000. Those from lower socio-economic strata had progressively lower participation rates. 67% of youth from families earning between \$55,000 and \$80,000 had some post-secondary education background, and only 55% of youth from families earning less than \$55,000 had some college, university, or CEGEP experience. The study also augments an earlier study which shows that only 19% of families earning under \$30,000

per year are able to save for a child's education. The study estimates the median cost of one year of post-secondary education at \$11,200. In addition to amplifying the inequities of the Registered Education Savings Program, this data re-enforces the necessity of needs based grants and a national strategy on tuition fees.

RECOMMENDATION #1 - The federal government should scrap the Millennium Scholarship Foundation and the Registered Education Savings Plans and use the funds to implement a national system of needs-based grants.

RECOMMENDATION #2 - The federal government should, in consultation with the provinces, develop a national strategy on tuition fees that includes a Post-Secondary Education Act.

CANADA STUDENT LOANS PROGRAM

The Canada Student Loan Program (CSLP) currently serves over 360,000 students annually. As mentioned earlier in this brief, student debt hovers close to \$25,000. Given the upward pressure on tuition fees, it is the view of the Canadian Federation of Students that a primarily loans-based system is not sustainable. The CSLP was designed in 1964 to provide a small supplement to those who could not afford the up-front cost of a post-secondary education. From its inception, the Program assumed relatively low up-front user fees and the existence of grants at the provincial level. Since the early 1990's, however, tuition fees have risen by over 130% and most provinces have eliminated their needs-based grants programs. In addition, as cited earlier, the real income of Canadians under the age of 30 has actually decreased over the past 20 years. In this context, it is perplexing that the federal government continues to develop a loans policy without attempting to also manage the full scope of issues influencing the cost and accessibility of post-secondary education.

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Though it has been often said that the mixed jurisdictional authority for post-secondary education in Canada complicates policy making, this fact has almost become a mantra for government departments to avoid long-term planning for the pressure that high tuition fees put on the CSLP. The ever-increasing cost of a post-secondary education calls for a national strategy on tuition fees and the establishment of a comprehensive needs based system of national grants.

A federal strategy on the issue of access must further develop Canada's system of student financial assistance so that tuition fees, living expenses, and all related educational costs are considered. Further, the federal government must also acknowledge that the fear of high debt deters thousands of qualified low income Canadians from attending college or university. The *Youth in Transition Survey* cited earlier in this brief clarifies that for those at the low end of the economic spectrum, high cost and high debt is the primary factor in their decision not to attend university or college. To this end, the Canadian Federation of Students rejects the call for higher loan limits under the CSLP. Like most fast and easy solutions, increasing the amount students can borrow will offer a short-term solution at the expense of increasing debt and depressing access over the long term. Senior officials within the CSLP acknowledge this point and we call on the Finance Committee to rescind its call for higher loan limits.

Despite the fact that the CSLP is in need of a major overhaul and re-orientation towards non-repayable student financial assistance, the Canadian Federation of Students will also

outline several measures that can be undertaken in the short-term to address the needs of students.

A Return to Fair Policy

Between 1995 and 2000 the federal government signed over authority for the CSLP to Canada's chartered banks under the risk sharing agreements. Under those agreements the banks funded the principal amount of student loans in exchange for \$300 million in "risk sharing" payments. The agreement also gave the banks a decisive say in the development of public policy. During their tenure, the banks were able to undermine the basic principle of access that had defined the CSLP since its inception in 1964. At the behest of the banks the federal government agreed to credit screening for student loan applicants and the implementation of a punitive ten-year prohibition on declaring bankruptcy on student loan debt. Credit checks have had the effect of screening out some of those most in need of student financial assistance. The Canadian Federation of Students has always supported measures that protect the integrity of the program from misuse and fraud. However, screening those out with a poor credit history denies people most in need of the basic skills offered by university and college the ability to pull themselves out of poverty. In short, honest but unfortunate debtors should not be denied the right to utilize the Canada Student Loans Program.

In the case of the changes to the Bankruptcy and Insolvency Act (BIA), the effects have been destructive and widespread. This legislation strips students of the very last financial protection offered under the law. The provisions of the Bankruptcy and Insolvency Act are designed to offer a last hope to those unable to cope with debt. Under the Act, an individual must appear before a judge and present evidence under oath that their financial disposition makes it impossible for them to meet their obligations. However, changes introduced in the 1998 "education budget" deprive students of this right under the law. It is this provision that has compelled the Canadian Federation of Students to launch

a Charter challenge before the Supreme Court of Canada to repeal this unjust and unconstitutional law. In addition to our legal challenge, the Federation has also provided a detailed critique of the law to the Senate Committee on Banking and Finance and Industry Canada. During our appearance before the Senate Committee it became clear that a consensus had emerged that the ten-year prohibition was too punitive. In addition, a panel of experts convened by Industry Canada recommended that students be entitled to a hardship hearing within one year of graduation and that the general prohibition be lowered from ten years to five years. Though the Canadian Federation of Students remains convinced that any prohibition is a violation of students' right to equality under the law, there is a growing belief that a ten-year prohibition is grossly inappropriate.

Debt Reduction in Repayment

The Canadian Federation of Students is calling on the federal government to honour a commitment made to students in the 1998 budget. That budget committed to a Debt Reduction in Repayment program (DRR) supposed to help over 12,000 students per year. Designed to reduce unmanageable debt after graduation, over-zealous restrictions has meant that less than 600 students have benefited from the program in its first three years. When the program was implemented the income tables were such that virtually no borrowers could qualify. In the 2003 budget the Department of Finance finally acknowledged this problem and committed to revamping the tables. However, to date no revised tables have been presented. In addition, it seems that those who did not qualify under the old income tables will remain ineligible for DRR.

Another loan-related policy question for the federal government is the issue of in-study income "clawback". The 2003 federal budget relaxed the in-study income clawback somewhat, allowing students to earn up to \$1,700 per year (up from \$600) before 80% of work-related income is deducted from their student loan disbursement. Recent studies suggest that students are working an average

of 25 hours per week to cope with increased education-related costs. Yet the current clawback policy functions as a disincentive to work and/or report earnings. Given the aforementioned elimination of most needs-based provincial grants, a somewhat flawed needs-assessment mechanism, and the potentially deleterious consequences of relying on private credit, it seems counterproductive for the federal government to penalise students whose income is supplemented by paid work.

Finally, the public subsidies provided to private for-profit education enterprises deserve the Committee's attention. The for-profit education industry receives more than \$315 million from the federal government as a direct subsidy through the Canada Student Loans Program. In fact, most private education shops would cease operating tomorrow if this public subsidy ended. The majority of provinces have little or no oversight body to assess the quality and stability of private for-profit programs. Private career colleges frequently go bankrupt and the taxpayer typically bears the cost of compensating students left in limbo. While high fees ensure high debt loads for private college students, the lack of quality control at private institutions depreciates graduates' qualifications, future work prospects, and ability to repay student loans. As an alternative, the Canadian Federation of Students proposes that funds currently subsidising numerous transient private education shops be transferred to the well-established public community college system. These funds would ensure that students previously studying at profit-driven institutions would have a space at public institutions, where the quality of instruction and accreditation is rarely, if ever, in question.

RECOMMENDATION #3 - The federal government should maintain the maximum loan limit of the Canada Student Loans Program and meet unmet financial need with grants (see Recommendation #1).

RECOMMENDATION #4 - The federal government should repeal the ten-year prohibition on bankruptcy for Canada Student Loan holders.

RECOMMENDATION #5 - The federal government should remove the credit check requirement for Canada Student Loans Program eligibility.

RECOMMENDATION #6 - The federal government should eliminate the clawback on in-study earnings.

RECOMMENDATION #7 - The federal government should end the massive Canada Student Loan subsidy to for-profit education enterprises.

TAX POLICY

Since the mid 1990s, the federal government has increasingly looked to tax expenditures as a substitute for directly allocated student financial assistance. Federal tax expenditures for education have grown from an estimated \$566 million in 1996 to a projected \$1.43 billion in 2002². Some of the more significant new measures and changes to existing education-oriented tax credits have included:

- **1996 to 2001:** A series of increases to the education amount (the amount on which the federal non-refundable education credit is calculated) has raised the potentially allowable credit from \$13.60 to \$64 per month of full-time studies³.
- **1997:** The non-refundable education and tuition tax credits were altered so as to allow students to carry value forward if the credits cannot be claimed in the original year
- **1998:** The introduction of a 17 percent federal tax credit on the interest portion of federal and provincial student loan payments (changed to 16% in 2001).

Despite the size of these expenditures, they have failed to keep up with rapidly escalating tuition fees and living costs. Canadian students are significantly financially worse off

now than they were in the late 1980s and early 1990s. Moreover, evidence suggests that education-oriented tax expenditures disproportionately benefit higher income earners, and that education tax credits as a general policy do little or nothing to improve the accessibility of higher education.

The Education and Tuition Fees Non-refundable Tax Credit: The Wrong Approach

Of these various federal tax measures, the non-refundable education and tuition fee tax credits have been the most expensive and the most widely used. In the 2000 tax year⁴, 2,169,360 students and parents/grandparents of students claimed the education and tuition amounts, costing the federal government \$909,728,140 in deferred tax revenues⁵. The changes introduced in the 2001 budget will likely raise this total even higher.

With a probable overall price tag of over \$1 billion for the 2001 tax year, these credits undoubtedly appear impressive when viewed as a total amount. One would expect an expenditure of this magnitude to deliver significant improvements to the financial well being of individual Canadian students. However, the unfortunate reality is that changes to federal non-refundable tuition fee and education tax credits have actually done very little to offset the soaring tuition fees and increased living costs students have faced over the last decade.

Figure 2 compares average Ontario university undergraduate tuition fees to the maximum federal non-refundable education tax credits available to Ontario students in 1988, 1995 and 2001 (in 2001 dollars). In 1988, an average Ontario university undergraduate student paid \$1,854 in tuition fees and could claim or transfer up to \$425 in federal education tax credits, leaving a gap of \$1,426 between these tax

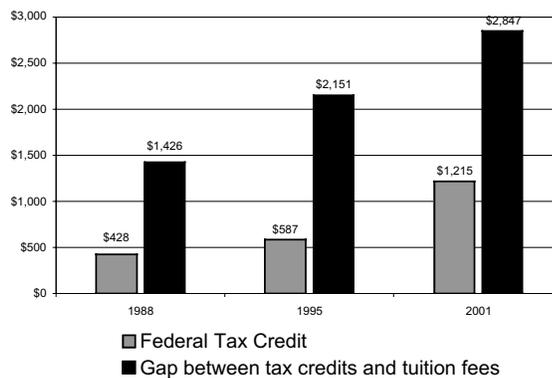
credits and tuition fees. By 1995 this gap had increased to \$2,151, as tuition fees climbed to \$2,737 and applicable education tax credits rose to \$587. By 2001 average tuition fees had risen to over \$4,000 and, despite increases to the education amount in the 2001 budget, the gap between tuition fees and federal tax credits was nearing \$2,900.

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The gap between claimable amounts of federal tax credits and the costs facing students is even more dramatic. Combined tuition fees, mandatory student fees, and room and board for an average Ontario university undergraduate student climbed from \$6,755 per year in 1988 to \$10,211 in 2001. While tax credits also rose during this period, they did little to offset increasing

costs. The maximum federal education and tuition fees credit available to an average Ontario university student in 2001 amounted to only \$1,215, leaving a gap of almost \$9,000 between basic education costs and applicable federal non-refundable tax credits for education.

Figure 2 - Growth of Ontario tuition fees versus federal tax credit increases



Helping Those Most Who Need Help the Least?

Substantial disparities exist on the average amount being claimed by income bracket through the education and tuition fees credit.

Individuals from the highest income brackets tend to claim more on these credits than do claimants from the lower and middle-income ranges. In the 2000 tax year, for example, claimants with incomes less than \$60,000 a year claimed an average of \$409 worth of education and tuition fee credits. Claimants earning over \$250,000 (most of whom presumably claimed this credit as a transferred amount from a child) averaged \$628 on these same credits. A substantial (and rising) percentage of non-refundable education credits are being claimed as amounts transferred, which provides no guarantee that the full value of this credit is necessarily being applied to education-related expenses⁶. The Department of Finance estimates that total education credits transferred have outstripped total credits claimed by students since 2001 (excluding amounts carried forward)⁷.

The "carry forward" measures introduced in 1997 have allowed lower income students to claim non-refundable credits that would have been lost to them in the past. Although this is a small improvement over the previous system, it contains a flaw that again skews the value of the credit towards those with higher incomes. Because of inflation, students who are forced to carry forward education and tuition credits ultimately gain less value from their credits than students who have enough income to claim them in the year they are assessed. Lower income students are thus penalised for not having enough income to claim the credits when they are first made available. With the total carry forward of education and tuition fee credits projected to reach \$380 million by 2003, the cumulative amount lost by lower income students through this depreciation could run into the millions of dollars⁸.

The Student Loan Interest Credit

The Student Loan Interest Credit is probably the least useful of current federal tax expenditures for education. Though the total "cost" of this credit was over \$71 million in 2000, the average amount claimed on it works out to only \$9.50 per month worth of debt and tax "relief" per claimant. Low-income earners

(less than \$20,000) only received an average of \$6.83 a month. As this credit is only available on interest paid, it provides absolutely no relief to the most desperate student loan holders who are unable to keep up with their loan payments. With average student debt loads approaching \$25,000, this credit is ineffective in addressing the ongoing crisis of student debt.

Tax Credits Do Not Increase Access to Higher Education

On the whole, tax credits are "back-ended" measures and do little to improve access for the most economically disadvantaged groups. Tax credits require students to pay money "up front" in order to (maybe) have it refunded at some point in the future. As a policy, education tax credits do nothing to address the initial financial obstacles that prevent low and lower middle-income students from attending higher education. Thus, education tax credits are most likely to benefit those who require little assistance with high tuition fees.

A recent study by Harvard University professor Dr. Bridget Long found that this was precisely the outcome of education tax credits introduced in the United States: "[a]lthough one goal of the tax credits was to increase access to higher education, this study found no evidence of increased postsecondary enrolment among eligible students"⁹. Long's study also found that the education tax credit measures introduced in the U.S. appear to have provided state governments with an incentive to raise tuition fees at public institutions¹⁰.

RECOMMENDATION #8 - The federal government should cancel the education and tuition fee tax credit for those earning over \$70,000 and apply the savings directly to new national system of needs-based grants.

ABORIGINAL EDUCATION

The 2003 federal budget introduced a \$12-million endowment to establish post-secondary scholarships for Aboriginal

peoples. The scholarships will be administered by the National Aboriginal Achievement Foundation, a private charity that provides funding to Aboriginal students for education and training. No details were provided on the number of scholarships that will be funded through the endowment, nor the dollar amount of individual scholarships.

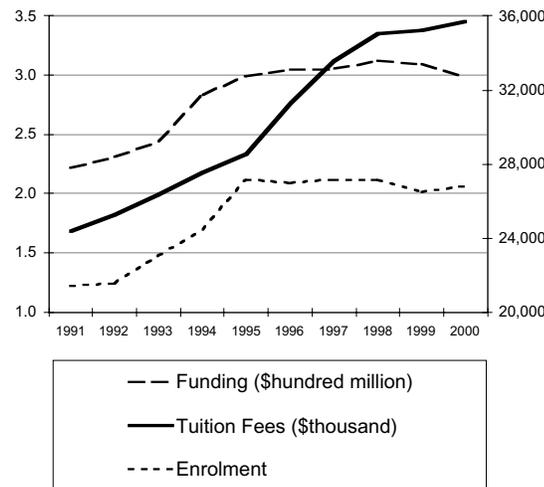
While new money to assist First Nations peoples' participation in post-secondary education is welcome, this one-time endowment does not constitute the type of long-term investment that is required to boost access to post-secondary education for Aboriginal peoples. When adjusted for inflation, annual funding through Indian and Northern Affairs Canada for Aboriginal post-secondary education actually declined by almost \$14 million between 1998 and 2002 (see Figure 1). At the same time, rising tuition fees mean that post-secondary education is more expensive today than ten years ago. Reduced funding and rising tuition fees are likely a key factor in the stagnation of Aboriginal enrolment in post-secondary education since the mid-1990s despite a growth in the population.

RECOMMENDATION #9 - The federal government should meet its treaty obligations with First Nations by fulfilling the post-secondary education funding needs identified by the Assembly of First Nations.

RESEARCH

The ability of public universities to fulfil their mandate to conduct high quality research in the public interest relies on adequate and

Figure 1
Federal Aboriginal post-secondary education funding, tuition fees, and Aboriginal post-secondary enrolment



stable core funding from the federal government. Operating grants for institutions must be at a level to promote both research and teaching, instead of starving one to support the other. Federally sponsored research grants should recognise the validity of all peer-reviewed research, science or social science, basic or applied.

The absence of these commitments from the federal government's research strategy will cheapen the quality and value of Canadians' investment in university research. Inadequate public funding will inevitably increase the reliance on dubious public-private partnerships that frequently detract from the independence of the research conducted.

Commercialization

At its core, the motivation for the commercialization of university research is to blur the vital distinctions between "public" and "private." Universities and colleges in Canada have evolved to function, albeit imperfectly, as public institutions. That is, they are funded by the public's collective resources via a progressive system of taxation. By definition, then, such institutions should serve the public interest. This public interest can be defined through three broad functions: education, community service, and research. In particular, university research serves to pursue and publicly disseminate knowledge. Industry, government, and other researchers may take this knowledge and build upon it for their own ends, but what characterises the university's social product is the objectivity of the process.

The public mandate stands in stark contrast to private sector interests. By definition, corporations are ultimately accountable to

shareholders. The short-term solvency of the business drives a preoccupation with short-term gains. This motive extends to the expectations of partnerships in university research. When business ethics are applied to science in the institutional setting, academic freedom is in peril. Commercially driven abuses of academic freedom and good science are well documented in Canada, not only in the high profile cases of Drs. Olivieri and Healy, but amongst lesser known cases as well.

In spite of a growing scepticism of commercialization in the university community at large, the Government of Canada and the Association of Universities and Colleges of Canada signed the *Framework of Agreed Principles on Federally Funded University Research* in November 2002. The document pledges to double research output and triple commercialization targets at Canadian universities. Rather than establishing an honest point of departure for university-government co-operation on developing research capacity, the *Framework* is nothing more than a publicity stunt aimed at reassuring private investors that university presidents are supportive of the Innovation Strategy's commercialization goals. The *Framework* only pays lip service to the value of non-commercial research, and was developed in a vacuum, without broad-based university sector input. For these reasons, the Canadian Association of University Teachers and the 60,000 graduate students represented by the Canadian Federation of Students, representing the vast majority of university researchers in Canada, reject the *Framework*. Faculty members, students, and the Canadians whose tax dollars support universities deserve a more serious strategy to increase core funding and protect the integrity of public research.

Social Science and Humanities

The ill-informed push towards the commercialization of publicly funded research reinforces an unbalanced national research agenda. Since its inception, the Social Sciences and Humanities Research Council (SSHRC) has been poorly funded in comparison to the

other two federal granting councils, the Natural Sciences and Engineering Research Council (NSERC) and the Canadian Institutes for Health Research (CIHR). In recent years, SSHRC's budget has received modest increases, but has not kept pace with the growing demand of graduate students and faculty members in the social sciences and humanities who make up more than half of the university-based researchers in Canada.

This inequity between granting councils is exacerbated by federal research funding policy that devalues basic and SSHRC-funded research because it does not necessarily fit Industry Canada's narrow definition of "innovation." With the exception of the much-welcomed Canada Graduate Scholarships, all recent federal initiatives largely exclude social science researchers (Canada Research Chairs, Canada Foundation for Innovation, Achieving Excellence). Yet, social research plays the same vital role that applied research does in advancing the lives of Canadians in the knowledge society. University research on child poverty, globalization and HIV, or the economic causes of war may not yield new "innovative" products, but it does contribute to the collective body of knowledge that assists governments, agencies, or future researchers to develop solutions to social problems.

RECOMMENDATION # 10 - The federal government should double the base annual budget of the Social Sciences and Humanities Research Council.

FOOTNOTES

1. The most spectacular example occurred in Newfoundland and Labrador in August of 1998 when the Career Academy went bankrupt leaving 1,400 students in the lurch. The government stepped in and found spaces for most of the students at public institutions at taxpayer expense.

The collapse of the Career Academy spawned an inquiry by former Minister of Education Phil Warren. The Warren Report, released in 1999, was highly critical of lax accreditation and oversight of private colleges.

To take another example from the myriad available, Lansbridge "College" (formerly Unexis) went bankrupt in 2000 after receiving over \$100,000 in interest free loans from Industry Canada. This amount, of course, is in addition to the public subsidy it received through the Canada Student loan Program.

For an example of the personal cost of career "college" bankruptcies see the following story from the St. John's Telegram, "College Bankruptcy Hits Student's Wallet" (October 9, 2001)

2. Department of Finance Canada *Tax Expenditures and Evaluations 2001*.

3. The education amount has risen from \$80 per month to \$400 a month since 1996, but the actual credit is calculated by multiplying the total of the education and the tuition fees amount by the lowest federal tax rate (16% for 2001 and 2002, and 17% on earlier returns).

4. The most recent year for which interim statistics are presently available.

5. Canada Customs and Revenue Agency preliminary figures.

6. Department of Finance Canada *Tax Expenditures and Evaluations 2001*.

7. Department of Finance Canada *Tax Expenditures and Evaluations 2001*.

8. Department of Finance Canada *Tax Expenditures and Evaluations 2001*.

9. Bridget Terry Long "The Impact of Federal Tax Credits for Higher Education Expenses", Prepared for the NBER Volume and Conference: *College Decisions: How Students Actually Make Them and How They Could*. Harvard University August 2, 2002

10. Bridget Terry Long *The Impact of Federal Tax Credits for Higher Education Expenses*