

Backgrounder N° 2: Tuition and Student Debt

POST-SECONDARY EDUCATION: OUR TIME TO ACT

Funding for post-secondary education (PSE) in Canada has three main pillars: public funding, provided by federal and provincial governments; user fees, in the form of tuition and other fees paid by students; and private money, from donations, endowments, and contracts.

For decades in Canada, following the Second World War, governments were the most important funders of post-secondary education. But over the past two decades, that has changed, with more of the costs shifted to students and to wealthy donors.

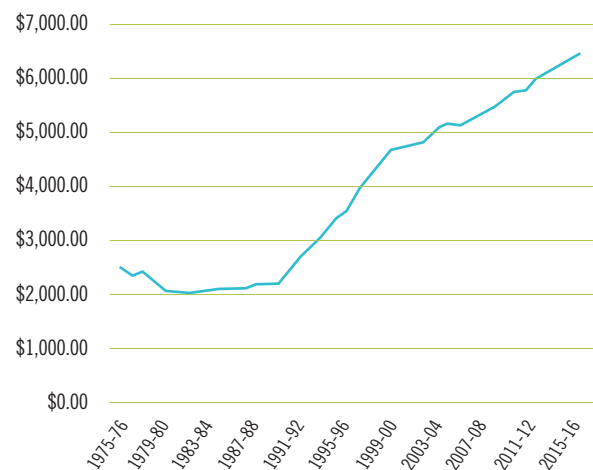
This backgrounder looks at what the consequences of this shift have been for students and graduates.

Tuition and Fees

In 1985, government funding accounted for 81 per cent of the operating revenue of universities. By 2015, government funding had shrunk to only 50 per cent.¹ While data for colleges is only available since 2001, it too shows a similar trend, with government funding falling from 66 per cent of operating revenues in 2001 to 60 per cent in 2015.²

To make up for the shortfall in revenue, universities and colleges have increased tuition and other fees for students. Over the past 30 years, tuition fees for undergraduates have doubled, even after accounting for inflation. Students in engineering and professional programs have seen even greater increases. The average student today is paying over \$4,300 a year more in tuition compared to the average student in 1988-89.

Average Tuition for Undergraduates, 1975-2017, in 2017 dollars³



Tuition fees for college students have also increased. Between 2001 and 2015, the proportion of college operating revenue coming from tuition increased by 40 per cent.⁴

But tuition fees aren't the only thing that has increased. Schools have also been levying more "ancillary" fees on students – mandatory fees that are nominally intended to cover things like health services, athletics, student associations, and in some cases, even graduation. Since 1993, these additional compulsory fees have nearly doubled, after accounting for inflation. According to Statistics Canada, the average rate for additional fees for university undergrads in 2017-18 was \$880 a year.⁵

Paying for Higher Education

While the price of PSE has increased over time, students' ability to pay the bills with a summer job has decreased. The minimum wage has stagnated over the past 40 years, after inflation is taken into account.⁶ In 1990, it would have taken a student working at the lowest minimum wage for an adult worker in Canada 436 hours to earn enough money to pay tuition and fees. In 2017, it would have taken that same worker 687 hours.⁷

And that's just for tuition and fees. According to a Macleans survey, in 2017, the average student living off-campus paid \$19,498 for tuition, books, transportation, housing, and food, with tuition accounting for only one-third of the total cost.⁸ At minimum wage, it would take 48 weeks of full-time work to raise that amount.

But that's full-time work. Over the past two decades, the fastest growing forms of work have been part-time and temporary positions.⁹ Proportionally, young people are far more likely than older workers to be in one of these precarious positions – if they are employed at all. Youth unemployment is nearly double the national average. That makes it even more difficult for students to pay their way through school by working.

The Complicated Maze of Student Aid

In recognition that the price tag risks putting higher education out of reach, the provinces and the federal government offer a variety of programs intended to make post-secondary education more accessible. In fact, for some students, tuition is essentially covered by various financial aid programs.

The problem is that this student aid comes in a complicated maze of federal and provincial programs, supplemented by institutional programs and private, for-profit aid. Individual student aid can come in the form of scholarships, lower tuition fees, student grants, student loans, tax credits, elimination of interest on student loans, debt repayment assistance, and debt forgiveness programs. Programs frequently use different criteria for eligibility and provincial programs are not always well integrated with federal programs. In fact, student aid systems are so complicated that some provinces publish official handbooks to help students identify potential sources of support.

What's more, a significant proportion of this aid is back-ended. Students need to pay tuition and other expenses out of pocket, and then they receive a reduction in their taxes the following year – or sometimes years later. Students accumulate debt throughout their education and then they receive loan forgiveness or debt repayment assistance only after they've graduated. This ends up discouraging prospective students who can't pull together the funding upfront. It also puts students at risk of missing out on programs they qualify for. For instance, according to the Office of the Parliamentary Budget Officer, as many as 200,000 Canadians may not be claiming federal tax credits they are entitled to.¹⁰

Federal Support for Post-Secondary Students

In 2016-17, the federal government spent \$7 billion on direct support to students.¹¹ This included funding for scholarships, grants, student loans, support for Indigenous students, and tax credits. Seven billion sounds like a lot of money, but the reality is that much of the funding is poorly targeted and therefore ends up benefiting those who need help the least.

Nearly half of the funding – \$3.2 billion – came in the form of tax expenditures, such as the tuition credit, the student loan interest credit, and deferred income tax on earnings from Registered Education Savings Programs. But tax expenditures (where the government foregoes tax revenue it would have otherwise collected) are notoriously regressive. Unless they are refundable, they only benefit those who have enough taxable income to see a significant reduction in their taxes. For instance, an analysis by the Office of the Parliamentary Budget Officer found that nearly 40 per cent of the value of the Tuition Tax Credit goes to families among the top 20 per cent of income earners.¹²

Similarly, Canada Education Savings Grants, which match contributions from families to a Registered Education Savings Program, disproportionately go to higher income families. Half the funding goes to families earning \$90,000 or more.¹³ Although the Canada Learning Bond was created to provide greater funding for low income families through RESPs, only one-third of eligible families are actually receiving any benefit.¹⁴

To its credit, the federal Liberal government has eliminated some tax expenditures and replaced them with upfront grants to low and middle-income students. But instead of replacing the highly regressive Canada Education Savings Program, they are doubling down on it, spending millions to find ways to increase take-up among low income families.

The federal government also provides support in the form of student loans. But they charge students handsomely for the privilege of borrowing – interest rates on variable Canada Student Loans are prime plus 2.5 per cent, well above the going rate on many mortgage loans.

Consequences

The rising costs of a post-secondary education are taking their toll on students, prospective students, and graduates.

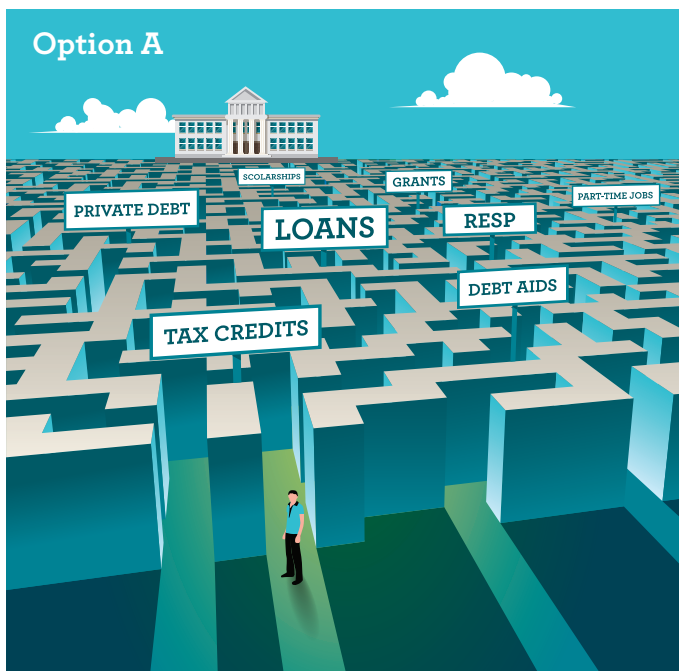
The high price tag discourages some students from even attending. One in three high school students who don't go on to post-secondary schooling say that finances are a barrier.¹⁵ But with approximately 70 per

cent of jobs requiring some form of post-secondary education today, not attending is not an option for many people. Instead, Canadians are forced to go into debt to acquire necessary credentials.

According to the National Graduate Survey, 43 per cent of college graduates and 50 per cent of university undergraduates from the Class of 2009-10 had accumulated debt to pay for their education. Similarly, the Canadian University Survey Consortium survey of graduating students in 2015 found that half of them had student debt. The average student debt was \$26,819. Interest payments on this kind of debt over a 10-year period can add up to another \$10,000.¹⁶

There is no doubt that graduates are struggling with this debt. More than one in 10 Canada Student Loan holders default on their loans every year.¹⁷ Approximately one-third of loan holders were participating in the Repayment Assistance Plan in 2013-14 – and that was before the government increased the threshold for participation to \$25,000.¹⁸ Over the past five years, the federal government has spent more than a billion dollars writing off student debt that could not be collected.

The Maze of Student Help



This student debt does not affect every student equally. Women make up 56 per cent of students but account for 60 per cent of Canada Student Loan holders and 66 per cent of participants in the Repayment Assistance Plan.¹⁹ Racialized students and students with disabilities are also more likely to have student loans and to take longer to repay student debt.

Research has shown that student debt loads are linked to poor mental health.²⁰ Many graduates also report that student debt hampers their ability to make choices that other Canadians take for granted – like being able to afford rent or a mortgage, buy a car, or start a family.

The rising costs of higher education and the stress of growing debt loads have also left more students living in poverty, with little money for food or rent after tuition, fees, and text books are paid for. A survey of students at five universities across the country found that two out of every five students are food insecure. Rates of food insecurity are even higher among immigrant, racialized, and Indigenous students. One in four food insecure students say their health has been impacted by their ability to procure healthy, nutritious food. Meanwhile, the number of food programs on Canadian campuses has doubled since 2004.²¹

There are also growing reports of homelessness among Canadian students, given the combination of high tuition and high rent. Students are sleeping on campus, in cars, in homeless shelters, or couch surfing with friends, just to make it through the school year.²²

Conclusion

Canada's complicated maze of student financial aid programs isn't doing enough to make post-secondary education accessible and affordable, and too many Canadians are paying the price. Instead of a costly, complicated system of grants, loans, and tax credits, the federal government should work with the provinces to invest that money in eliminating tuition fees. Higher income students can then reimburse the government with their taxes.

Learn more at cupe.ca/ourtimetoact

¹ Canadian Association of University Teachers Almanac 2015-16.

² Statistics Canada CANSIM Table 477-0060.

³ Canadian Association of University Teachers Almanac 2015-16 and Statistics Canada CANSIM Table 326-0021.

⁴ Statistics Canada CANSIM Table 477-0060.

⁵ Statistics Canada CANSIM Table 477-0078.

⁶ Diane Galarneau and Eric Fecteau, "The Ups and Downs of Minimum Wage." *Insights on Canadian Society*. Statistics Canada, July 2014.

⁷ Government of Canada Minimum Wage Database.

⁸ Mark Brown, "The Cost of a Canadian University Education in Six Charts," *Macleans*, October 19, 2017.

⁹ Statistics Canada CANSIM Table 282-0020 and Table 282-0080.

¹⁰ Office of the Parliamentary Budget Officer, *Federal Spending on Postsecondary Education*, May 5, 2016.

¹¹ Public Accounts of Canada 2016-17; Department of Finance Report on Federal Tax Expenditures 2017.

¹² Office of the Parliamentary Budget Officer, *Federal Spending on Postsecondary Education*, May 5, 2016.

¹³ Employment and Social Development Canada, *Canada Education Savings Program: Summative Evaluation Report*, November 6, 2015.

¹⁴ Jordan Press, "Very Few Canadians are Using Low-Income Benefits. Now, Liberals are Going to Spend Millions to Reverse That," *The National Post*, December 2, 2017.

¹⁵ Joseph Berger and Anne Motte, "Mind the access gap: breaking down barriers to post-secondary education," *Policy Options*, November 2007.

¹⁶ Canadian Federation of Students, *The Political Economy of Student Debt*, April 2017.

¹⁷ Employment and Social Development Canada, *Canada Student Loans Program Statistical Review 2014-2015*.

¹⁸ CTV News, "New Break for Canada Student Loan Borrowers," October 31, 2016.

¹⁹ Statistics Canada CANSIM Table 477-0019 and Minister of Finance, *Building a Strong Middle Class: Budget 2017*.

²⁰ Aleksandra Sagan, "The Mental Health Impact of Rising Debt: 'A Lot of Students Suffer Silently,'" *The Globe and Mail*, May 30, 2016.

²¹ Drew Silverthorn, *Hungry for Knowledge: Assessing the Prevalence of Student Food Insecurity on Five Canadian Campuses*. Meal Exchange, 2016.

²² Kerry Gold, "Priced Out of Rental Market, Simon Fraser Students Sleeping on Campus," *The Globe and Mail*, August 5, 2016.