

Submission to the House of Commons Standing Committee on Finance  
2014 Pre-Budget Consultations  
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Canadian Federation of Students-Ontario  
900-180 Bloor Street West  
Toronto, ON  
M5S 2V6

## EXECUTIVE SUMMARY

Youth and students are facing a crisis. With rising tuition fees and dwindling prospects for meaningful employment, being a young person in Canada is full of difficulty and uncertainty. Our generation might be the first generation in a century to have a lower quality of life than their parents.

In 1979, it would have taken a student in Ontario seven weeks of full-time work at minimum wage for a student to earn enough to pay their tuition fees. Today, that same feat takes students almost three times as much work; this means that students in Ontario must work over 700 hours, or over 20 weeks full-time, to earn the equivalent of average tuition fees in the province.<sup>1</sup>

Because many students are unable to earn enough to pay their tuition fees upfront, they are forced to take on student loans to finance their education. Every year, the aggregated amount owed to the federal government becomes increasingly unsustainable. Currently, students in Canada owe \$16 billion to the federal government.<sup>2</sup> Ontario students owe an additional \$2.9 billion to the provincial government and untold amounts in bank loans and other private debts.<sup>3</sup> Despite working hard to pay off their debts, in 2013-14 there were 183,725 students across Canada who could not make a single payment on their Canada Student Loan.<sup>4</sup>

Students and graduates, despite being well trained, are simply unable to find work and make ends meet. In Ontario, the unemployment rate for youth is more than double that of the general population. High youth unemployment has driven

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<sup>1</sup> Yalnizyan, Armine. Tuition in Canada (data visualization). Canadian Centre for Policy Alternatives (2014).

<sup>2</sup> Canada Student Loans Program. Actuarial Report. Ministry of Public Works and Government Services (2011).

<sup>3</sup> Ministry of Training Colleges and Universities data.

<sup>4</sup> Canada Student Loans Program data.

students to make desperate choices, including taking on unpaid internships as a way to gain work experience. Unpaid internships open students up to a host of unsafe working conditions including mistreatment, health and safety hazards, and an unmanageable workload between their part time jobs, academic obligations and these unpaid work experiences.

Debt, precarious work and unemployment do not apply singularly to youth and students, they affect the well-being of all Canadians. The lack of a comprehensive strategy to address these issues, and the lack of investment into youth and students jeopardizes the prospects of future generations and the future of Canada.

## STUDENT DEBT

It is now harder than ever for young Canadians to pursue post-secondary education, especially for those young people living in Ontario. With rising tuition fees, stagnant wages and limited job opportunities, youth are having difficulty making ends meet.

Federal and provincial governments' divestment from public post-secondary education has led to significant tuition fee increases over the past 20 years. As a result of chronic underfunding, students and their families are taking on record levels of debt to attend college or university. In Ontario, students pay higher tuition fees than their peers in any other province. A lack of a federal vision for post-secondary education has resulted in average tuition fees in Ontario that are nearly three times fees in Newfoundland and Labrador, since provinces are free to determine whether or not to prioritize funding for colleges and universities.

High tuition fees have forced students to take on record levels of student debt. As of 2010, over half of students in Ontario had to borrow to finance their education, and, on average, owed almost \$27,000 upon graduation.<sup>5</sup> In total, students and graduates in Canada owe \$16 billion worth of student debt to the federal government<sup>6</sup> and students and graduates in Ontario owe \$2.9 billion to the provincial government. In the past 10 years, tuition fee increases have led to a doubling of outstanding student debt in Ontario.<sup>7</sup> High tuition fees in Ontario and record-levels of student debt negatively impact the ability of students from low- and middle-income families to both pursue a post-secondary education and establish themselves after leaving college and/or university.

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<sup>5</sup> Statistics Canada. National Graduate Survey. Government of Canada (2013).

<sup>6</sup> Canada Student Loans Program. Actuarial Report. Ministry of Public Works and Government Services (2011).

<sup>7</sup> Ministry of Training, Colleges and Universities data.

The education tax credit and savings programs currently operated by the federal government allow for personal income tax savings to recuperate education-related costs once indebted students enter the workforce. Many of those who are graduating from post-secondary education are unemployed and cannot take advantage of these tax credits, even though they are arguably the demographic who needs them the most. In 2012, young workers in Ontario faced an unemployment rate of 16-17.1 per cent.<sup>8</sup> Since the 2008 financial crisis, the unemployment rate for young workers has been above 15 per cent.<sup>9</sup> Education savings programs such as RESP's have also largely benefitted those from high-income backgrounds, as individuals from low-income families often do not have the funds necessary to invest in the first place.

Despite their large price tag, the education tax credit and savings programs are very poor instruments to improve access to post-secondary education and relieve student debt. The total cost of these programs will exceed \$2.8 billion this year, making them the government's most expensive direct spending on a post-secondary education measure by far.<sup>10</sup> If this funding was converted to up-front grants, it would turn every dollar loaned by the Canada Student Loans Program (CSLP) into a non-repayable grant. The CSLP estimates it will have lent approximately \$2.49 billion during the 2013-14 academic year.<sup>11</sup> Shifting to entirely grants-based financial assistance through the Canada Student Grants Program, a proven program to improve accessibility to post-secondary education, would greatly reduce student debt owed to the federal government.

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<sup>8</sup> Geobey, Sean. *The Young and the Jobless: Youth Unemployment in Ontario*. Canadian Centre for Policy Alternatives (2013).

<sup>9</sup> *Ibid.*

<sup>10</sup> Federal Ministry of Finance data.

<sup>11</sup> Canada Student Loans Program. *Actuarial Report*. Ministry of Public Works and Government Services (2011).

*RECOMMENDATION:*

*Curtail increasing inequity across socioeconomic groups by increasing the value and number of non-repayable grants available to all students.*

*Reallocate funding for education tax credits and saving schemes to the Canada Student Grants program could convert all loans into non-repayable grants.*

*COST: COST NEUTRAL*

*By reallocating the education tax credits and saving schemes to the Canada Student Grants program, all loans could be converted into non-repayable grants.*

## YOUTH UN- AND UNDEREMPLOYMENT

Employers in both the public and private sectors have shed the responsibility of creating entry-level positions and training opportunities. Instead, employers are replacing paid work with unpaid internships. To make matters worse, legislation on unpaid internships varies from province to province and is largely piecemeal. The result is that youth are contributing greatly to the Canadian labour market and gaining nothing in return. With youth unemployment rates struggling to recover from the 2008 economic crisis, youth un- and underemployment has significant long-term effects on the Canadian economy.

With rising tuition fees, record debt levels and poor job prospects, students today might be the first generation in a century to have a poorer quality of life than their parents. In a difficult job market, students are going to extreme lengths to build their resume and get their foot in the door at workplaces. Many students are engaged in unpaid work through internships, co-ops and work terms. Estimates put the number of unpaid internships in Canada as high as 300,000.<sup>12</sup> 100,000 of those are thought to be in Ontario.<sup>13</sup>

While employment prospects for youth and students have been on a downward trajectory since the 2008 economic crisis, tuition fees have been on the rise. The average tuition fees for an undergraduate degree in Canada have risen by 27 per cent since 2008. In Ontario, students are paying 35 per cent more on average for an undergraduate degree than before the 2008 recession.<sup>14</sup> Many unpaid internships are directly facilitated through academic programs, which means that students are forced

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<sup>12</sup> House of Commons. Finance Committee (2014).

<sup>13</sup> Submission to the Minister of Finance – Ontario 2014: Pre-Budget Consultations. Canadian Intern Association (2014).

<sup>14</sup> University tuition fees, 2013/14. The Daily, Statistics Canada (2013).

to pay partial or full tuition fees to work for free. Student work terms, placements and internships in Ontario are also exempt from basic employment standards including being paid the minimum wage and being able to refuse unsafe work.

Unpaid internships and poor job prospects for young people in Canada are not just a youth issue. The repercussions of an un- and underemployed generation affect the entire Canadian economy. Each unpaid intern represents a loss to the Canadian tax base, leading to a shrinking federal budget and struggling social services.

The recommendation to create Federal legislative standards around unpaid internships, and to increase data collection of unpaid internships is a common one. Just recently, after extensive research and stakeholder testimony, the House of Commons finance committee released a report with similar recommendations. This echoes a similar call by labour unions, students' unions, and economists throughout Canada to bolster data collection on the issue so that an entire generation can be protected from exploitation.

With data to better understand how unpaid internships are affecting young workers and students in Canada, we will finally be able to understand just how pervasive unpaid internships have been within the labour market, and how to ensure that young workers get paid the wages they are entitled to. Additionally, a federal youth un- and underemployment strategy would ensure the creation of policies helping young people get the training they need to pursue their desired career put in place in every provinces. With a national strategy, we would be investing in this generation's and Canada's economic futures.

*RECOMMENDATION:*



*Develop a national strategy to address youth un- and underemployment and unpaid internships including plans to create both private and public sector job opportunities for youth, and legislative protections for unpaid internships.*

*Begin data collection to better understand youth labour market interactions as well as the frequency and impacts of unpaid internships taking place in Canada. This includes reinstating the Youth in Transition Survey and National Longitudinal Survey on Children and Youth*

*COST: PROGRAM DEPENDENT*

*Any spending on a youth job strategy should be considered an investment that brings significant benefit for the initial cost. Investment in any legislation to ensure more young people are paid for their work and less are exploited through unpaid internships will result in an increase of taxable income, an ability of recent graduates to pay outstanding student loans, and a decreased reliance on social services. Depending on the type of strategy employed, the investment would be program dependent.*

*Reinstatement of Youth in Transition Survey and National Longitudinal Survey on Children and Youth would cost \$10 Million.*

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The Canadian Federation of Students-Ontario is the largest student organization in Ontario, representing more than 350,000 college, undergraduate and graduate students at 38 member local students' unions in all regions of the province.