

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

# **2014 PRE-BUDGET CONSULTATIONS**



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FEDERATION  
OF STUDENTS**

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## EXECUTIVE SUMMARY

Completion of a post-secondary education has become a prerequisite to participate in Canada's workforce. Precipitated by a recession that resulted in the near-collapse of Canada's manufacturing sector, this shift reflects a broader trend that has been ongoing for the past two decades in Canada and around the world.

Canada's youth are facing challenges unseen by previous generations: record-high levels of student debt and a post-secondary education system with tuition fees that have tripled since the 1990's; youth unemployment levels that are twice as high as those of the general population; and an older generation that is working longer or re-entering the workforce after retirement. These challenges have made it difficult for new graduates to find meaningful employment.

Everyday, Canadians make sacrifices to prepare themselves for an evolving workforce. Past federal and provincial government decisions are forcing Canadians to take on more education-related debt than any previous generation, while middle class earnings have largely stagnated in the past twenty years.

Taking advantage of Canada's current relative economic strength, compared to other industrialised countries, requires leadership at the federal level and an investment in students, in colleges and universities, and research.

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## STUDENT DEBT

### Recommendation:

*Prioritise alleviating the education-related debt loads burdening Canadians and encourage an economically competitive work force by:*

- *increasing the value and number of non-repayable grants available to students by redirecting funds allocated to education-related tax credits and savings schemes to the Canada Student Grants Program;*
- *removing the funding cap on increases to the Post-Secondary Student Support Program and ensure that every eligible First Nations, Inuit, and Métis learner is provided funding; and*
- *protecting the investments made in Canada's post-secondary education system by implementing a federal Post-Secondary Education Act in cooperation with the provinces, modeled after the Canada Health Act, accompanied by a dedicated cash transfer.*

Rising tuition fees and the prevalence of loan-based financial assistance have pushed student debt to historic levels. This past year, almost 455,000 students were forced to borrow in order to finance their education. The amount owed to the Canada Student Loans Program is increasing by nearly \$1 million per day.

High tuition fees force students to take on large amounts of debt in order to cover the high up-front costs of pursuing post-secondary education. Many potential students are rightfully

reluctant to take on this debt and associated risk. Of the 70 percent of high school graduates who cite financial reasons as the main factor for not pursuing post-secondary education, one in four cited accumulation of debt as the main deterrent. Those from marginalised communities, low-income backgrounds, and single parents are more likely to be strongly averse to accumulating student debt.

Funding post-secondary education through student debt is an unfair model. Requiring

low- and middle-income students to finance education through debt results in these students paying more for education than students who have the resources to pay the full cost of their education up-front. Students who take on debt to pay their fees must pay both tuition fees and the accumulated interest on their student loans. Such a system unfairly burdens low- and middle-income families.

Research finds that debt levels have a direct impact on success and retention. Students with higher debt levels are far less likely to complete their degree or diploma.

The National Graduates Survey released in March 2014 reports levels of debt that cannot be characterised as manageable or reasonable. Three years after graduation, most are reporting difficulty repaying their loans: in most cases well over a majority of all graduates have substantial debt remaining. Three years after graduation 72 percent of graduates were unable to pay off their loans.

One explanation for the persistence of debt is due to gross annual earnings. One quarter of all graduates entering the workforce are earning wages that are inadequate to make loan payments. In fact, Canada has the highest proportion of adults with a post-secondary education earning less than half the national median income in the OECD.

In spite of their education, one-quarter of women with a college or bachelor's degree earned incomes classified just above low-incomes cut off line three years after graduation. For male graduates, the picture is marginally better. Today, having a bachelor or college degree no longer guarantees a middle-income.

Not only are graduates having trouble repaying their student loans, but studies show that high levels of debt discourage individuals from starting a family, purchasing a home, or starting a business. It also discourages graduates from pursuing low paying or volunteer experience in a career-related field that may offer necessary experience to get a middle-income job. All of these factors depress the economic contribution by graduates and lead to a stagnant economy.

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, however, Canada has an advantage with its rapidly growing Aboriginal population.

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

A cap in increases to the PSSSP that was implemented in the 1990s has meant that communities administering the funds must make difficult decisions about who receives funding each year. Between 2006 and 2011, over 18,500 people were denied funding—roughly half of those who qualified.

The funding disbursed through the PSSSP has a proven track record for those who can access it. Most Aboriginal students who are able to receive funding through the PSSSP succeed in completing their studies and go on to find meaningful work.

## RESEARCH AND INNOVATION

### Recommendation:

*Remove targeted research funding earmarks within the granting councils and award research funding based on academic merit determined through a peer review process. Increase the number of Canada Graduate Scholarships to be consistent with average program growth and distribute them proportionally among the research councils according to enrolment figures.*

In order for Canada to remain economically competitive at a global level, it must secure its status as a centre for research and innovation. Investment in graduate studies provides the foundation for long-term innovation and trains the highly skilled workers and researchers needed to respond to the economic and social challenges facing Canada today and in the future.

Enrolment in graduate studies increased by 78.1 percent between 1998 and 2012. Despite this, there have only been minimal funding increases in scholarships and to the federal research granting councils. The stagnation in federal funding for research and graduate education limits the number of masters and doctoral students who receive grants, limiting the pool of highly skilled researchers to those who are able to afford it or who are able to secure limited institutional or industry funding.

Recent federal budgets have directed research funding to meet the short-term priorities of the private sector, undermining basic research and long-term innovation. The drive to commercialise university research has far-reaching consequences—from limiting academic freedom and public ownership of research results, to discouraging private sector innovation.

Since the late 1990s, a number of initiatives have shifted public university research to meet commercialisation objectives, such as requiring publicly funded projects to secure direct, private sector investment.

This dependence contributes to lower private sector investment in research and development in Canada than in comparable countries, leading

to the continued slip in international rankings. Discouraging private sector investment in its own research and development facilities leads to fewer employment opportunities for graduates in an already difficult job market. The result of this restructuring is that many highly skilled workers are often unable to contribute their full potential, undermining Canada's global economic competitiveness.

Funding for curiosity-driven grants in the social sciences and humanities lags far behind the applied sciences.

Students often enter graduate programs with substantial debt from their previous education. However, there are currently no need-based grants available to graduate students from the federal government. Students from low- and middle-income families have a harder time affording graduate studies due to high tuition fees and the lack of financial assistance. In the absence of a grants program, completion rates for graduate degrees remain low.

Canada Graduate Scholarships (CGS) provide merit-based funding directly to graduate students. These scholarships are administered through the granting councils and are one of the main mechanisms for the federal government to fund graduate studies. The limited number of scholarships available has meant that many of the best and brightest researchers are unable to maximise their potential. Increasing the number of CGS would help promote graduate research and ensure that graduate students have the resources to focus on their research, which will pay long-term dividends to Canada's research capacity and innovation.

## YOUTH EMPLOYMENT

### Recommendation:

*Double the annual investment in the Youth Employment Strategy to ensure program effectiveness and develop a strategy, modeled after the German Dual System of Vocational Education to increase the employment and training opportunities for Canada's youth.*

Over the last five years, high youth unemployment has been a constant challenge in the Canadian labour market. Investing in post-secondary education should be the primary vehicle for reducing youth unemployment. Across all OECD countries, individuals with a post-secondary education had an unemployment rate of 4.8 percent in 2011 compared to 12.6 percent for those who hadn't completed post-secondary education.

Between 2008 and 2011 the gap in the unemployment rate between these two groups widened; the rate for post-secondary degree holders rose just 1.5 percent compared to 3.8 percent for individuals whose highest level of education was at the secondary level.

Young job-seekers are frequently unable to acquire the necessary experience required to secure jobs due to Canada's stagnant economy and slow job market. Changes to federal summer employment programs have resulted in summer hiring decreasing by 36 percent between 2009 and 2013.

In addition, workers who are underemployed often suffer an erosion or loss of skills, knowledge, and abilities; diminished current and life-long income; job dissatisfaction; and emotional distress. Beyond the individual hardship, there are also consequences for the country's economy: underemployment diminishes the potential level of Canada's economic well-being.

As a result of high youth unemployment, young people are pressured to take unpaid, and sometimes illegal, internships in order to gain relevant work experience. However, for many college and university students, working without an income is simply not an option.

For those who can afford to pursue unpaid internships, many are disappointed to find that

their work consists largely of menial or entry-level tasks that would otherwise be done by a paid employee. Although Canada does not track the number of unpaid internships, it is estimated that there are as many as 300,000 positions per year. Furthermore, there is very little infrastructure available to enforce the legal restrictions on unpaid internships, and employers who break the law almost never face the consequences.

While Canada is not the only OECD nation with significant youth employment challenges, lessons could be learned from more successful peer nations. The German Dual System of Vocational Education combines classroom based academic learning at public college or university with practical on the job vocational training. With the lowest youth unemployment rate in of the G8, at 7.8 percent (compared with 14 percent in Canada), and one of the strongest labour markets in the world, the German vocational model has a proven track record.

Germany, like Canada, has vested oversight for post-secondary education with its 16 state governments. The states work with the federal government to administer the vocational system and share the costs as both benefit from their highly skilled workforce. The private sector is also a vital player in the vocational system. Employers provide on-site training that provides students with broad industry-wide applicable skills, allowing for the student to not only advance within the company, but gain skills that are portable as well.