

Thompson Rivers University Students' Union

Responses

1. Economic Recovery and Growth

Given the current climate of federal and global fiscal restraint, what specific federal measures do you feel are needed for a sustained economic recovery and enhanced economic growth in Canada?

The federal government has rightly identified post-secondary education (PSE) as vital to growth as the economy increasingly relies on knowledge, creativity, and technical skills. Graduating a greater proportion of Canadians to supply a changing labour market is imperative. However, the current inefficient deployment of resources to this sector is fiscally imprudent. In particular, billions in student financial aid are not efficiently promoting access or completion. This aid is provided through three mechanisms: education tax credits and savings schemes; the Canada Student Loan Program (CSLP); and the Canada Student Grants Program (CSGP). Tax credits and savings schemes are highly inefficient. They have little impact on participation in PSE because they are both provided after education costs must be paid and are not targeted to need but dependent on taxable income and savings that already facilitate access. In fact, in 2007, individuals earning over \$70,000 claimed \$432 million in education tax credits – more than the CSGP provides to students in demonstrable need. The CSLP provides targeted access to credit to meet upfront education costs. However, as average student debt grows, its effect on access to PSE is limited by the increasing prevalence of debt aversion. Growing debt also leads to favourability of immediate employment and poor academic performance linked to financial worry. As student debt rises from \$1000 to \$10000 per year, completion rates plummet from 59% to 8%. To be effective, borrowing must be significantly moderated. The CSGP is optimal because it is targeted to need, upfront, and transparent. This improves access by addressing both cash constraints and debt aversion. Targeting provides greater returns because there is greater opportunity for change. In fact, students with the highest financial need who receive grants are almost five times more likely to graduate as those receiving only loans. The \$430M currently invested in the CSGP is a great start that should be expanded by redeploying poorly used resources. Recommendation: Eliminate all spending on education-related tax credits and savings schemes, approximately \$2.52B, to fund an equal investment in upfront student grants through the CSGP and thereby substantially reduce borrowing through the CSLP.

2. Job Creation

As Canadian companies face pressures resulting from such factors as uncertainty about the U.S. economic recovery, a sovereign debt crisis in Europe, and competition from a number of developed and developing countries, what specific federal actions do you believe should be taken to promote job creation in Canada, including that which occurs as a result of enhanced internal and international trade?

Fostering an internationally competitive economy increasingly depends on creating a highly educated and trained labour force. Creating employment for Canadians will correspondingly rely on ensuring they obtain the education and skills that are in demand. Labour market projections in British Columbia, for example, expect that 78% of job openings between 2010 and 2020 will require post-secondary education (PSE). Further, 66% of those openings will be due to retirements as the workforce ages. The result is an increasing importance on the education and labour market participation of youth, a challenge made greater by Canada's current difficulties on this front. Youth unemployment is double the overall rate at 15%, youth participation in PSE declined from 71% in 1997 to 57% in 2006, and the rate of

“youth not in employment, education, or training” (NEETs) is 13%, up 2% since 2008. While the challenges are clear, the federal government does not currently collect sufficient data on how well our youth labour market development strategies and PSE system are doing to meet them and what actions should be taken. In 2010, Human Resources and Skills Development Canada cancelled funding for the Youth in Transition Survey, which Statistics Canada describes as providing “measurement of major transitions in young people's lives including virtually all formal educational experiences and most labour market experiences, achievement, aspirations and expectations, and employment experiences.” Further, Canada could not provide data on 57 of 96 indicators used by the OECD to compare PSE internationally. These omissions included the age of students entering and leaving PSE, completion rates, and average time spent in PSE. Generally, Canada lacks much of the data regarding both the inputs and outcomes of the PSE system. To ensure that Canadians can participate in the labour market and that our labour market supports a competitive economy, the federal government needs to first collect data on how youth currently engage in work, preparations for work, and transitions to work. Recommendation: Restore funding for the Youth in Transition Survey. Fund the Statistics Canada Centre for Education approximately \$10M to collect data on all PSE indicators used by the OECD.

3. Demographic Change

What specific federal measures do you think should be implemented to help the country address the consequences of, and challenges associated with, the aging of the Canadian population and of skills shortages?

An aging population presents an economic challenge in maintaining GDP growth with a shrinking workforce and a fiscal challenge in pressure on public services due to a growing senior dependency ratio. To overcome these challenges, the federal government must realize the full potential of countervailing forces. Enormous potential exists in Canada's Aboriginal population because it is much younger and its educational and labour market outcomes have enormous room for improvement. Its median age is 27 versus 40 for all Canadians, and nearly half are under 25 years. However, Aboriginal Canadians have lower educational attainment with 43.7% not holding any certificate, diploma, or degree compared to 23.1% for other Canadians. Correspondingly, lower employment and income has led to increased reliance on social services. Estimates by the Centre for the Study of Living Standards demonstrate the benefits of eliminating the gaps between Aboriginal and non-Aboriginal Canadians in educational attainment and employment and income at each level of educational attainment by 2026. The additional GDP contribution over the period would be \$401B. Labour productivity would increase 0.03% annually. Aboriginal Canadians would account for 22% of employment growth. The increased tax base and reduced social services usage would net the government \$115B. The unavoidable economic and fiscal challenge of an aging population can be overcome with the potential benefit of engaging a young and marginalized population, but requires investments in education. The key federal mechanism for improving Aboriginal educational attainment is the Post-Secondary Student Support Program (PSSSP), which provides financial support to Aboriginal students. Unfortunately, since 1997, funding increases for the program have been capped at 2% annually. This has substantially reduced its effectiveness since, over the same period, tuition fees have increased by an average of more than 6% per year and the Aboriginal population grew by 45%. The result has been the denial of 19,000 eligible students and as many missed opportunities. Recommendation: Increase the value of the Post-Secondary Student Support Program to reflect the needs of all eligible Aboriginal students, approximately \$239M per year, and address the previous denial of eligible Aboriginal students with a one-time investment of \$208M.

4. Productivity

With labour market challenges arising in part as a result of the aging of Canada's population and an ongoing focus on the actions needed for competitiveness, what specific federal initiatives are needed in order to increase productivity in Canada?

Improving productivity requires that the federal government fully engage in the knowledge economy. That means strong leadership for an accessible and world-class post-secondary education (PSE) system to produce both skills and innovation. Unfortunately, Canada is the only developed country without a national system and vision for PSE. Educational attainment is currently high with 47% of working aged Canadians holding a PSE credential in 2006, but only 24% held a university degree, sixth within the OECD. Further, the youth participation rate in PSE has actually declined from 71% in 1997 to 57% in 2006. Though the proportion of youth studying is declining, demographics have pushed enrolment 25% higher since the 1990s. That means PSE institutions are incurring an additional annual cost of \$637M plus inflation. Unfortunately, the past twenty years have seen a considerable decline in the value of federal transfers for PSE. As a result, PSE institutions have declining resources to support quality education and innovative endeavors let alone enroll a greater proportion of youth required by the labour market. It has also driven these institutions to raise tuition fees dramatically, reducing the accessibility and equity of the system. To realize PSE's potential to improve productivity, the federal government must restore funding to levels prior to the cuts of the 1990s. While the 2007 budget increased the transfer to \$3.3B by 2009, as a percent of GDP, transfers are still \$1.2B less than in 1992. Accountable use of funding is also required. When federal transfers for PSE are increased, some provinces redirect those moneys. For example, in 2008, British Columbia received an \$110M increase but cut funding to universities by \$50M. To achieve national objectives for PSE outcomes, national principles should be applied, including public administration, comprehensiveness, universality, portability, and accessibility. Recommendation: Increase federal cash transfers for post-secondary education to 1992 levels as a percent of gross domestic product. Develop a dedicated post-secondary education cash transfer for the purpose of reducing tuition fees and improving teaching and learning, and guided by the principles set out in a federal Post-Secondary Education Act, developed in cooperation with the provinces.

5. Other Challenges

With some Canadian individuals, businesses and communities facing particular challenges at this time, in your view, who is facing the most challenges, what are the challenges that are being faced and what specific federal actions are needed to address these challenges?