

# **INVESTING IN EDUCATION: ENSURING CANADA'S COMPETITIVENESS**

**Submission to the House of Commons  
Standing Committee on Finance (FINA) by  
the British Columbia Federation of Students**

**2019 Pre-Budget Consultations**

## **BRITISH COLUMBIA FEDERATION OF STUDENTS**

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## **MEMBER STUDENTS' UNIONS**

University of British Columbia Students' Union Okanagan  
Camosun College Student Society  
Douglas Students' Union  
Emily Carr Students' Union  
College of New Caledonia Students' Union  
University of Northern British Columbia Graduate Students' Society  
North Island Students' Union  
Coast Mountain Students' Union  
Okanagan College Students' Union  
Selkirk College Students' Union  
Thompson Rivers University Students' Union  
Students' Union of Vancouver Community College  
Vancouver Island University Students' Union.

# RECOMMENDATIONS + INTRODUCTION

## THE BRITISH COLUMBIA FEDERATION OF STUDENTS RECOMMENDS:

- Recommendation 1: That the government eliminate interest on Canada Student Loans.
- Recommendation 2: That the government implement the education-related recommendations from the Truth and Reconciliation Commission.
- Recommendation 3: That the government implement universal Pharmacare in Canada to lower health costs and ensure access to prescription drugs.

Post-secondary education is a natural fit in a conversation about investing in the future of Canada's economy. The current era of rapidly shifting labour market demands, global competition for high-quality education and top academic achievers, and new technologies in infrastructure/building sectors makes a well-educated population key to Canada's success.

In the 1990s the federal government changed the way it provided post-secondary education funding to provinces by lumping it in with the Canada Social Transfer. This change removed much of the federal government's role in funding post-secondary education, at least in perception, as there are no requirements in this funding envelope for monies to be spent the way the federal government intends. However, there are many facets of post-secondary education that the federal government can improve in order to support Canadians and businesses in growing our economy.



# ELIMINATING INTEREST ON STUDENT LOANS

CREATING EQUITABLE SOLUTIONS TO THE AFFORDABILITY CRISIS

Student loans are an important component of Canada's student financial aid system and enable young people and workers from low- and middle-income backgrounds to access the education they need to start a career. As education costs have increased beyond inflation and as real incomes have declined<sup>1</sup>, increasingly more students require financial assistance, and student debt has ballooned to now historic highs.

According a recent survey, student debt in Canada had reached \$36.9 billion, and has risen 78% since 1999<sup>2</sup>. Across Canada, the average public student debt for a four-year program is estimated as \$26,300<sup>3</sup>.

As of 2018, one in two students graduate university in debt. Nearly 65% of those in debt owe \$20,000 or more upon graduation, and students required over \$17,000 of financing for just one year of university<sup>4</sup>. Importantly, these numbers, while alarming, fail to account for private debt and debt held by those unable to complete their studies<sup>5</sup>.

## **INTEREST CHARGES ADD THOUSANDS TO STUDENT DEBT, CREATING A TWO-TIERED SYSTEM**

Following graduation, Canada Student Loan borrowers pay interest on their public student loans at a rate of prime (currently 3.62) + 2.5% for floating, or prime + 5% for fixed repayment options. Under these terms, interest charged on a student loan of \$25,000 adds an additional \$11,500 during a 10-year floating interest repayment, and \$16,000 for a fixed rate. Those with \$40,000 of student debt pay an additional \$18,500 (floating) up to \$25,600 (fixed) in interest<sup>6</sup>.

Students with the fewest financial resources have to borrow the most for post-secondary education. As a result, these same students end up graduating with higher debt levels, accrue more interest, and ultimately pay more for the same education than those who can afford to pay up-front. For these and other reasons, provinces such as Manitoba and Newfoundland and Labrador have eliminated interest on provincial student loans, and British Columbia has reduced the interest rate to prime.

## **STUDENT DEBT KEEPING STUDENTS FROM ECONOMIC CONTRIBUTION TO CANADA**

Student debt is affecting recent graduates now more than ever before. A recent RBC report shows the depth of this impact on graduates' contribution to the economy in terms of delaying major life choices. Amongst recent university graduates, over 50% report not saving enough for emergencies, 45% are delaying a home purchase, 25% delay having children and 20% report delaying marriage<sup>7</sup>. These changes mean that student debt is currently shrinking the economy. Eliminating interest on student loans will help grow the economy by putting money back in the pockets of students as they join the work force, which can then be spent on goods/services. By stopping student debt from growing after graduation, the federal government will help new graduates contribute to the economy instead of withdrawing from it.

## **INVESTMENTS IN FINANCIAL AID FOR STUDENTS NET A CLEAR RETURN FOR GOVERNMENT**

Education is an investment, for both the learner and society. Society's economic return is realized in many ways. For example, in 2012 British Columbians with university education paid between \$80,300 and \$140,000 more in income taxes, and required between \$15,400 and \$18,100 less in government aid throughout their lifetimes<sup>8</sup>. Across Canada, those with a university degree earn 63% more than those with a high school diploma, have lower unemployment rates, and are less impacted during recessions compared to the rest of the working population<sup>9</sup>.

The government will see a clear financial return by investing in programs that assist students from low- and middle-income families. To sustain and grow the economy, Canada must have systems in place to ensure that those without the necessary resources can get the help they need to complete a post-secondary program.

### **RECOMMENDATION 1:**

That the government immediately eliminate interest charged on Canada Student Loans.

# RECONCILIATION THROUGH EDUCATION

POST-SECONDARY EDUCATION PLAYS A ROLE IN INDIGENOUS RECONCILIATION

Indigenous students face unique challenges in accessing, attaining, and participating in post-secondary education across Canada. Indigenous post-secondary attainment is not only an education issue, but has larger consequences for income and unemployment. If the federal government is serious about reconciliation, it will consider the gaps in Indigenous post-secondary attainment as a systemic disadvantage that must be addressed.

According to the 2016 Census, almost one-half (49.3%) of Indigenous people aged 25 to 64 had a post-secondary qualification, compared to two-thirds of non-Indigenous people; yet when it comes to university degrees specifically, the gap is much larger. For the last three decades, the proportion of Indigenous people with university degrees has remained much lower than their non-Indigenous peers. Among non-Indigenous people 29.3% had a university degree, compared to only 10.9% of Indigenous people<sup>10</sup>.

Level of education has a clear and universally-accepted impact on employment. According to the above-noted 2016 Census, Indigenous people overall are less likely to be employed compared to non-Indigenous people, by a rate of 62% versus 76%. However, unemployment rates decrease as educational attainment increases, particularly for Indigenous people, making education a crucial pathway to minimizing the gaps between Indigenous and non-Indigenous communities.

Many of the disadvantages facing Indigenous peoples—such as unemployment and lower incomes—can be traced back to the gap in educational attainment between Indigenous and non-Indigenous populations. Implementing the education recommendations from the Truth and Reconciliation Commission can help to minimize, and even eliminate, many of the gaps that exist between Indigenous and non-Indigenous people.

## TRC RECOMMENDATIONS FOR EDUCATION FOR RECONCILIATION

The TRC's report addresses the role of post-secondary education in supporting reconciliation efforts. The education-related recommendations are lengthy and include (but are not limited to) the following:

(10) We call on the federal government to draft new Aboriginal education legislation with the full participation and informed consent of Aboriginal peoples.

(11) We call upon the federal government to provide adequate funding to end the backlog of First Nations students seeking a post-secondary education.

(62) We call upon the federal, provincial, and territorial governments, in consultation and collaboration with Survivors, Aboriginal peoples, and educators, to:

- ii. Provide the necessary funding to post-secondary institutions to educate teachers on how to integrate Indigenous knowledge and teaching methods into classrooms.

**RECOMMENDATION 2:**

That the government implement the education-related recommendations from the Truth and Reconciliation Commission.



# UNIVERSAL PHARMACARE

BARRIER-FREE ACCESS TO PRESCRIPTION MEDICATION HELPS STUDENTS SUCCEED

Canada is the only developed country in the world with a universal health care program that does not include universal prescriptions. This has resulted in a multi-payer system with one of the highest prescription drug costs in the world, second only to the United States. An estimated 3.5 million Canadians have no coverage for prescriptions, and even among those who do, many have exorbitantly high co-pays or deductibles, which reduce access to prescription medication. National Pharmacare will improve health outcomes and the financial security of middle- and low-income households in general, but importantly will also help vulnerable groups such as students, who face barriers to accessing affordable health care and in general struggle with affordability.

Students are a unique portion of the Canadian population in terms of day-to-day experiences and stressors. Working full- or part-time to support themselves while also attending school can be taxing on any individual, let alone those who are prone to mental health issues. Yet most post-secondary students do not have the benefit of extended health and dental coverage from their employers, nor in many cases from their parents' employers. Because of this, students' union-run extended health and dental plans have become commonplace at universities and campuses across Canada. While these plans increase access to prescription drugs and other treatments, most plans require students to be in full-time studies to be included.

Support for universal Pharmacare is clear: 91% of Canadians believe our public health care system should include a universal prescription drug plan<sup>11</sup>.

Canada's patchwork prescription drug system is inefficient and unnecessarily expensive. Two recent high-profile studies have independently found that the implementation of a universal Pharmacare program would save billions of dollars for federal, provincial, and territorial governments as well as the private sector and individual Canadians. The Canadian Centre for Policy Alternatives reports that a universal Pharmacare program would save as much as \$11 billion annually<sup>12</sup>; a report from the Parliamentary Budget Officer reports that such a program would create an estimated savings of over \$4 billion annually (it is important to note that the latter report used Quebec's model for its findings, which is the most expensive model in Canada)<sup>13</sup>. Not only

will a universal national Pharmacare program save lives and billions of dollars in prescription drug spending, but it will ensure Canada's competitiveness by strengthening the mental and physical health of Canadian students and workers alike.

**RECOMMENDATION 3:**

That the government implement universal Pharmacare in Canada to lower health costs and ensure access to prescription drugs.

# ENDNOTES

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