

Canada Rebranded : Stronger Investments for Greater Returns

Submission to Standing Committee on Finance - 2009 Pre-budget Consultations



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Canada Rebranded: Stronger Investments for Greater Returns *Standing Committee on Finance – Pre-budget 2009*

Executive Summary

As Canada, North America, and other countries around the globe face economic uncertainty, the College Student Alliance (CSA) is urging the federal government to focus on rebuilding and retraining Canadians for the new economy. If Canada is to rebuild and sustain future prosperity, we must ensure that all Canadians have access to an affordable and quality postsecondary education (PSE) and/or training.

An educated and skilled citizenry will revive Canada's economy and place the country on the road to economic recovery and competitiveness. The benefits to both the individual and the taxpayer are worth Canada's investment in higher learning. More than \$123.3 billion in income is contributed to the Canadian economy annually by colleges, polytechnics, and institutes.¹ This is roughly eight percent of a typical year's economic growth in Canada.

We must prepare for the future economic success in Canada by designing strategically sustainable plans to educate and train all Canadians. A country as vast and diverse as Canada must be a leader in today's knowledge-based economy. We must be at the forefront of innovation, commercialization, and integration.

The CSA's vision for the future is a Canada in which all citizens have an opportunity to build on their natural talents through PSE and training, a system that is adequately supported both provincially and federally and allows learners to move across the country to gain new skills and experiences. To that end, the CSA recommends that the Standing Committee on Finance adopt the following three recommendations:

Recommendations to Lead Canada into the New Economy

- 1. The Government of Canada in partnership with the provinces and territories must develop a national education and training strategy.**
- 2. To assist in alleviating the increasing burden of debt that learners are assuming, the Canada Student Loans Program loan repayment policy should be changed to encompass interest relief and debt reduction components.**
- 3. The Government of Canada should establish a separate research envelope for colleges to expand their applied research, commercialization, and innovation capabilities.**

About the College Student Alliance

The mission of the College Student Alliance (CSA) is to build *Strong Students, Strong Leadership, and Strong Colleges*. Through the combined influence of 16 colleges and 23 member councils and the more than 110,000 full-time students they represent, the CSA acts as the provincial voice on issues such as financial assistance, admissions, education standards, system accountability, student rights, campus life, and services for students.

¹ TD Bank Financial Group, "Time to Wise up on PSE in Canada," March 15, 2004.

Making Education and Skills a National Priority

The Government of Canada, in partnership with the provinces and territories, must develop a national education and training strategy.

In order to provide Canada and Canadians with a clear and concise vision for postsecondary education (PSE) and training, a national education and training strategy should be developed. Canada needs to be able to compete on the world stage. Therefore, Canadians from coast to coast must have the knowledge and skills necessary to compete against the best and brightest in other labour markets. Canada will not be successful if it has only pockets of knowledge and skills; each province ought to perform to its greatest potential. This strategy must address the issues of accessibility, affordability, quality, and mobility for students in our country's colleges, universities, and institutes. The strategy should include a dedicated transfer that will earn Canada's higher learning institutions international acclaim while providing Canadians with the necessary knowledge and skills to remain competitive in today's ever-changing and growing global economy.

The current financial crisis provides Canada with the perfect opportunity to engage Canadians in all provinces and territories in a dialogue on PSE and training. In 2006, the Council of the Federation held a summit on PSE and training, which started the dialogue with stakeholders, but, unfortunately, there was no follow-up by the federal government. Provincial and territorial governments have been able to work cooperatively with the federal government on priority issues in the past, and that needs to happen again. The CSA believes that we need a strategy that lays out a vision for higher learning and training, including the objectives and an action plan for improving our PSE and training systems. Any national strategy must include the elements described below.

A Pan-Canadian Data Set

Governments across the country are increasingly seeking more and more quantitative evidence to support investments and make long-term policy decisions. However, there is currently no pan-Canadian data set that collects all information necessary for a statistical analysis of the PSE systems in our ten provinces and three territories. Therefore, the individual provinces and the nation are not able to properly measure and compare their qualities with those of other jurisdictions or countries.

Canada ranked last among 40 members of the Organization for Economic Cooperation and Development (OECD)² in terms of data collection for quality measurement in PSE. The CSA recommends the development of a data set that would collect this information so the government can meet its goals and priorities related to labour market growth, research, and productivity and ensure the accountability of its investments.

Recognition of Prior Learning and Pan-Canadian Mobility

Canadians should not be restricted to choosing an education that offers only practical, theoretical, or technological skills but should be offered a combination of all three and be able to move freely across the country. The Bologna Process (BP) managed to get 46 countries to come together to address the barriers to mobility and transferability; now it is time for Canada to accomplish the same ends.

By addressing the issues of transferability in its national education and training strategy, the government would be furthering the best interests of learners, the economy, and our national competitiveness. The government would ensure that all levels of PSE are legitimate and relevant to each and every student and that we create an integrated system of learning across Canada. Students need to be able to freely move among the tiers and across the borders of provinces and territories without encountering redundant learning, additional costs, and the negative effects of institutional competition. Likewise, graduates with full skills development are better prepared for the challenges they will meet in their careers. In addition, this will increase the attractiveness of our workforce to potential investors.

² Canadian Council on Learning. *Canada's PSE performance: file under 'm' for missing*. (20 Sep. 2007). Accessed through Canadian Alliance of Student Associations, *Creating a Post-secondary Access Agenda* on September 9, 2008.

College and university students want to know that they can gain the skills they need to be successful in life and work and that their credentials will be recognized across the country. Canada can maximize its human capital by encouraging students to pursue further education and by making it easier for them to access the offerings of colleges, universities, and institutes throughout the country.

A dedicated postsecondary education transfer payment to the provinces and territories

To develop a more prosperous society, Canada requires a PSE system of the highest quality. This is especially important as we strive to compete with other countries that are investing heavily in higher education and training. To ensure that our PSE system is the best in the world, both provincial and national governments must cooperate on the development of a national education and training strategy that includes a plan for reinvestment.

The first step towards solving the funding crisis facing Canada's colleges, universities, and institutes is clear. Canada's students, teachers, researchers, and administrators have been calling for the federal government to create a dedicated transfer payment for PSE. After such a transfer is instituted, it would be the responsibility of each provincial and territorial government to construct agreements with the PSE institutions within their jurisdictions.

Canadians want to see significant and sustainable funding to the provinces and territories to advance higher education and training. While this funding should not be encumbered by excessive constraints, the funds should be targeted at meeting the objectives of a national strategy and address the unique needs of students in each province and territory. We also believe that in order to ensure that the provinces and territories are actually investing in PSE within their respective jurisdictions, there should be some measures of accountability included in the strategy. We are calling on the federal government to make PSE an ongoing and visible national priority.

Over the past twenty years, Canada has cut real public funding per student by 30 percent, while the United States has increased its funding by 20 percent.³ These cuts are astonishing when one understands that the government and taxpayers realize a 15.9 percent rate of return for every dollar spent on colleges.⁴

Ensuring Access to Education and Training for All Canadians

To assist in alleviating the increasing burden of debt assumed by learners, the Canada Student Loans Program must change the loan repayment policy and consider adding interest relief and debt reduction components.

Lowering Interest Rates on Loans from the Canadian Student Loans Program

Congruent with expanding the accessibility to Canadian PSE, lowering interest rates would motivate people who do not want to take on debt to enter PSE. While the average Ontario college student graduates with \$8,400 of debt, 44% have borrowed more than \$10,000, and 29% have borrowed more than \$15,000.⁵ The number of students graduating with debt over \$15,000 continues to grow in Ontario.

The CSA supports phasing out high interest rates on loans provided by the Canada Student Loans Program (CSLP) and Ontario Student Assistance Program (OSAP) in order to better assist the federal and provincial governments in the transition. However, this process should take no more than 5 years with an end goal of eliminating interest at or above prime.

Extending the Interest-Free Period Up to Twelve Months on Student Loans and Allowing More Borrowers to Become Eligible for Interest Relief

³ Time To Wise up on Postsecondary Education in Canada, TD Bank Financial Group, March 15, 2004

⁴ Economic Contribution of Canada's Community Colleges and Technical Institutes: An Analysis of Investment Effectiveness and Economic Growth, Fact Sheet, Association of Canadian Community Colleges, May 2008.

⁵ Joseph Berger, Anne Motte and Andrew Parkin, "The Prince of Knowledge: Access and Student Finance in Canada" 3rd Edition, 130.

Because there is no interest-free period for students after they graduate, high debt loads and interest lead to long-term financial difficulties for the borrowers. After graduation, students' rates of earning differ due to their varied types of employment and the wage differentials within many occupational fields. As students have to pay higher interest costs, especially on their Canada Student Loan, borrowers might take a longer time to repay their loans and be exposed to difficult financial situations.

Students with debt loads of \$27,000 or higher face a 3% increased probability of default for every extra \$1,000 in debt.⁶ Loan repayment policies should not lead graduates to struggle to make ends meet or to default on their loans. The CSLP must respond to individual circumstances and provide additional protections and relief to individuals who face difficulties in loan repayment.

While interest relief programs allow graduates with low or no incomes to delay repayment without accruing additional interest, graduates who enter part-time, casual, or temporary employment and might not qualify for interest relief but are still having difficulty meeting their loan obligations will discover that there are no measures in place to help them make loan payments more manageable.

Making Research and Innovation Pillars of Success for Canada

The Government of Canada should establish a separate research envelope for colleges to expand their applied research, commercialization, and innovation capabilities.

Because people across the country are realizing the importance of research and innovation, the CSA urges the government to recognize and fund applied research at colleges, which is undertaken in collaboration with private and public sector partners and regularly leads to innovations and the commercialization of knowledge that results in new products and services benefiting the Canadian economy.

Applied research undertaken at Ontario colleges includes activities such as developing new and enhanced products and processes bringing new knowledge to expand market opportunities for small and medium-sized enterprises and global corporations; building and testing prototypes, demonstrating proof-of-principle; and carrying out non-routine laboratory testing or field studies that have application potential.⁷

One of Canada's research funding bodies, the Canada Foundation for Innovation (CFI) is an independent corporation created by the federal government in 1997 to further develop the research infrastructure in Canada. Since its inception, CFI has provided \$3.74 billion in funding to universities, colleges, research hospitals, and non-profit organizations across the country.⁸ Colleges and institutes of applied learning and technology have received \$5.06 million in funding for research infrastructure out of a total \$1.52 billion in funding to organizations in Ontario.⁹ Given the current reliance on applied research, innovation, and commercialization, the CSA feels that \$5 million is not enough to strengthen our capacity and growth in those areas.

It is difficult to draw inferences from this information as to whether or not corporations such as this have biases and preconceived notions regarding the ability or inability of colleges and institutes to perform important and relevant research. However, colleges are not receiving the financial support they should be acquiring. Therefore, we are looking to the federal government to establish a separate research financial package for colleges and institutes, allowing them to apply for research grants that further our applied research, innovation, and commercialization agenda.

⁶ Canada Student loans Program Annual Report 2003-2004. (2006). Human Resources and Social Development Canada. P.33-35. http://www.hrsdc.gc.ca/en/hip/cslp/publications/07_pu_AnnualReport20032004.pdf.

⁷ Applied Research and Innovation – Ontario Colleges – An Underutilized Resource, Colleges Ontario, September 2004, page 7.

⁸ Canada Foundation for Innovation, *2006-2007 Annual Report* (Place: Publisher, date), 2.

⁹ Canada Foundation for Innovation, *Projects Funded Database List*, <http://www.innovation.ca/docs/projects/CFIawards171108.xls> (accessed December 1, 2008).