

CAUT Education Review

How do the
Provinces Fare?

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Access Denied:
Financial Barriers
and Access to
Post-Secondary
Education

Conclusion

The Economics of Access:

The Fiscal Reality of PSE Costs for Low-Income Families

Most Canadians know that tuition fees have risen dramatically over the past 15 years. Today, average tuition fees for an arts and science undergraduate program are \$4,214. That represents an increase of 185% between 1990 and 2004. During that same period, inflation rose by less than 40%. Average student debt is over \$20,000 in most provinces, and many students are forced to work upwards of 20 hours a week to finance their education.

The effect this dramatic rise in tuition fees and student debt has had on low and modest income families has not been well documented. Most provincial tuition policies tend to treat all students the same, arguing that the long term benefits of post-secondary education justify high fees. But, these opportunities and benefits are not equally distributed.

In this report we demonstrate the effect that the rise in tuition fees has had on low and modest income families. By tracking tuition costs as a proportion of after-tax family income, we demonstrate that the burden of rising fees has not been shared equally. Contrary to those who would argue that low tuition fees are regressive because students from high income families are overrepresented in the system, it is the poorest Canadians who bear the biggest burden of fee hikes. When fees rise, access is imperiled for students from low and modest income families.

The baseline we use for affordability is the capacity of low-income families to fund a post-secondary education without going into debt. We do not assess the relative effectiveness of student financial assistance in addressing the affordability gap for poor

families because the majority of financial assistance available in Canada is in the form of repayable loans. As discussed below, loans impose a premium on those who cannot afford the up-front cost. While loans surely alleviate liquidity constraints, they do not make education more affordable. The point of this study is to measure the burden tuition fees impose on low income families. Loans do not relieve that burden, they merely defer it.

The main findings of the report include the following:

- Over the past 30 years, the burden of funding post-secondary education has shifted radically from government sources to students and their families. Government revenues, as a portion of operating income, have declined from over 80% in 1976 to 58% in 2004.
- Tuition fees, measured as a share of after-tax income, have increased for all income groups, but that proportion has risen most dramatically for low-income families.
- Some of Canada's poorest provinces, including New Brunswick and Nova Scotia, have the highest fees. In Nova Scotia, those in the lowest quintile of income would have to spend more than 67% of their after-tax income to pay one year of university tuition fees.
- Quebec and Newfoundland and Labrador, two provinces that have frozen and lowered fees respectively, have bucked the trend and lowered the proportion of after-tax income that poor families would have to dedicate to fees.



How do the Provinces Rank?

The following charts illustrate the growing burden of tuition fees on the poorest Canadian families. What is striking about these data is the spike in the proportion of after-tax income poor families have to devote to tuition fees. The policy shift in the 1990's toward higher tuition fees had a devastating effect on the affordability of post-secondary education for low-income families. This has varied by province. For example, British Columbia resisted the national trend toward higher fees through most of the 1990's, but a change in government in 2001 saw the province go from a leader in affordability to second from the bottom. On the other hand, despite being one of Canada's poorest provinces, Newfoundland and Labrador has consistently had a progressive

tuition fee policy – so much so that the province scored the highest in our equity index for 2004 and second in 1990 (see Table 1).¹

Table 1: Province by Province Comparison 2004 & 1990

Province	2004		1990	
	Rank	Index Score	Rank	Index Score
Newfoundland & Labrador	1	182.0	2	106.5
Quebec	2	185.2	1	90.3
Manitoba	3	205.3	5	136.4
Alberta	4	265.9	3	112.6
P.E.I.	5	275.9	8	158.5
Ontario	6	288.7	4	121.7
New Brunswick	7	320.6	10	174.9
Saskatchewan	8	338.9	6	149.7
British Columbia	9	340.0	7	155.8
Nova Scotia	10	404.6	9	166.3

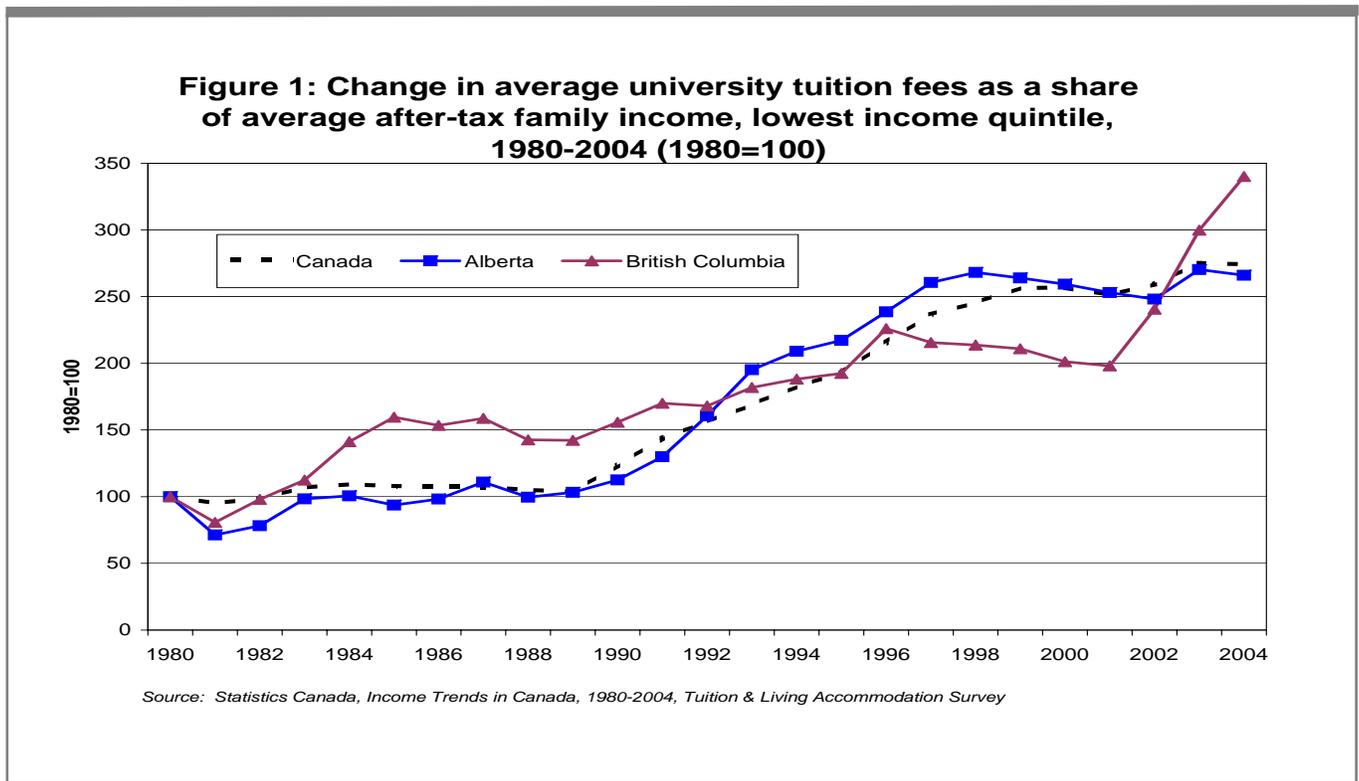
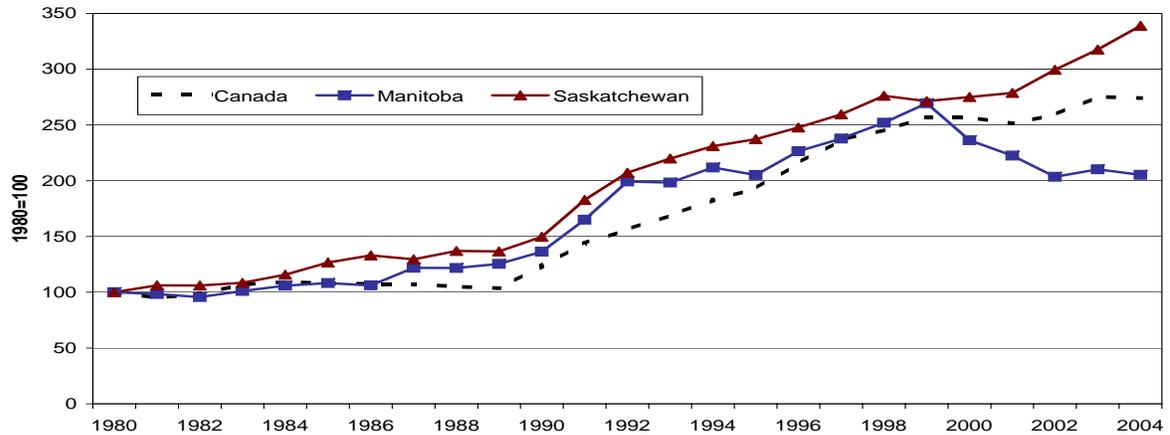
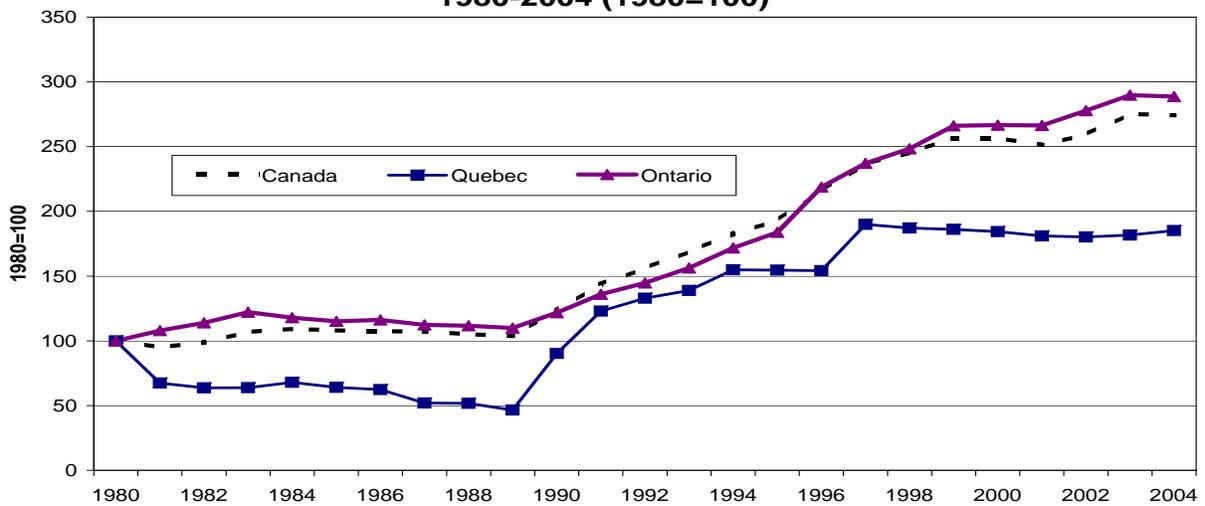


Figure 2: Change in average university tuition fees as a share of average after-tax family income, lowest income quintile, 1980-2004 (1980=100)



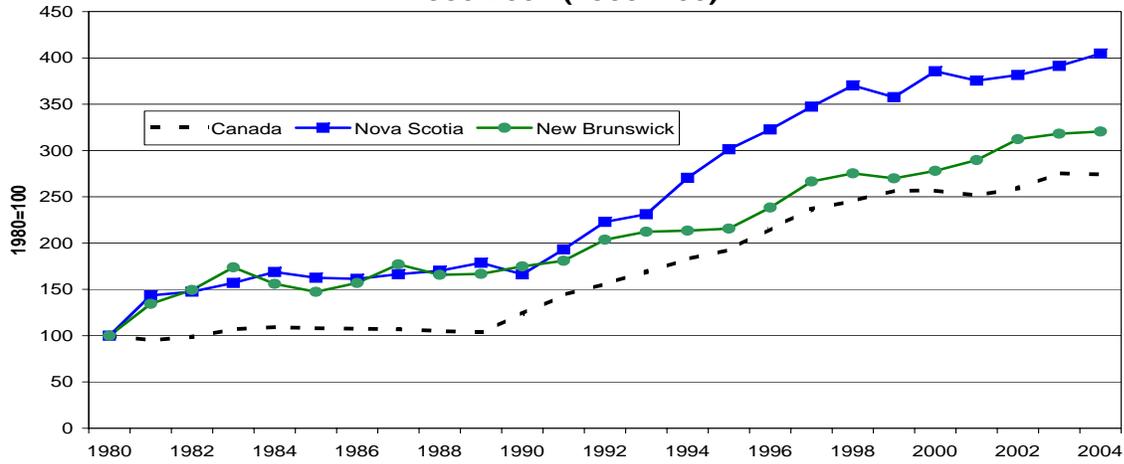
Source: Statistics Canada, Income Trends in Canada, 1980-2004, Tuition & Living Accommodation Survey

Figure 3: Change in average university tuition fees as a share of average after-tax family income, lowest income quintile, 1980-2004 (1980=100)



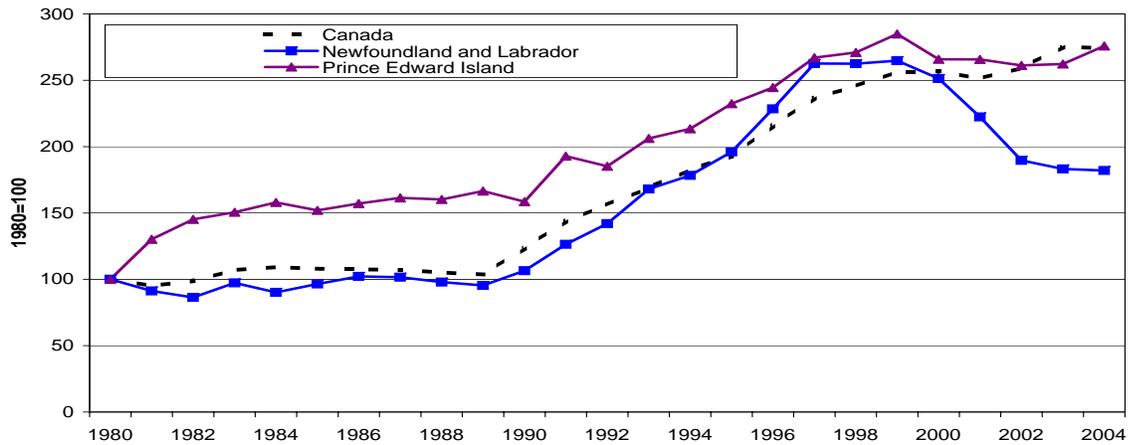
Source: Statistics Canada, Income Trends in Canada, 1980-2004, Tuition & Living Accommodation Survey

Figure 4: Change in average university tuition fees as a share of average after-tax family income, lowest income quintile, 1980-2004 (1980=100)



Source: Statistics Canada. Income Trends in Canada, 1980-2004. Tuition & Living Accommodation Survey

Figure 5: Change in average university tuition fees as a share of average after-tax family income, lowest income quintile, 1980-2004 (1980=100)



Source: Statistics Canada, Income Trends in Canada, 1980-2004, Tuition & Living Accommodation Survey

Sharing the Burden?

As fees have increased over the past ten years, the cost of a post-secondary education has come to consume a growing proportion of after-tax income. This increase has been felt across all income brackets, but the effect has been most pronounced for low-income Canadians. In 1980, those in the second highest income quintile would have to spend 2.8% of after-tax income on fees. By 2004, that had grown to 7.5%. The impact was even more dramatic for those in the lowest quintile. In 1980, those families would have had to pay 16.7% of their after-tax income for tuition fees, but by 2004 that had risen sharply to 45.8% of after-tax income.²

These numbers are the product of several national trends: substantial tuition fee hikes, declining after-tax income for those at the bottom of the Canadian economic ladder, a move away from non-repayable student financial assistance, and a fraying of Canada's social safety net. Median income fell through the 1990's by 2%, and dropped by 4% for single parent families.³ This decline took place during a period of retrenchment of Canada's social safety net. For instance, less than 40% of unemployed workers are now eligible for Employment Insurance benefits compared to nearly 80% in the late 1980's. In some of Canada's largest communities even fewer unemployed workers are able to receive benefits.⁴

Not surprisingly, single parent families, aboriginals, and visible minorities are vastly over-represented among the poor in Canada, particularly in urban centres. Though post-secondary education is clearly the quickest path out of poverty, research is increasingly demonstrating that those from economically and racially marginalized communities are the most likely to be

scared off by the sticker shock of tuition fees and the debt aversion inspired by the prospect of a \$25,000 debt load.

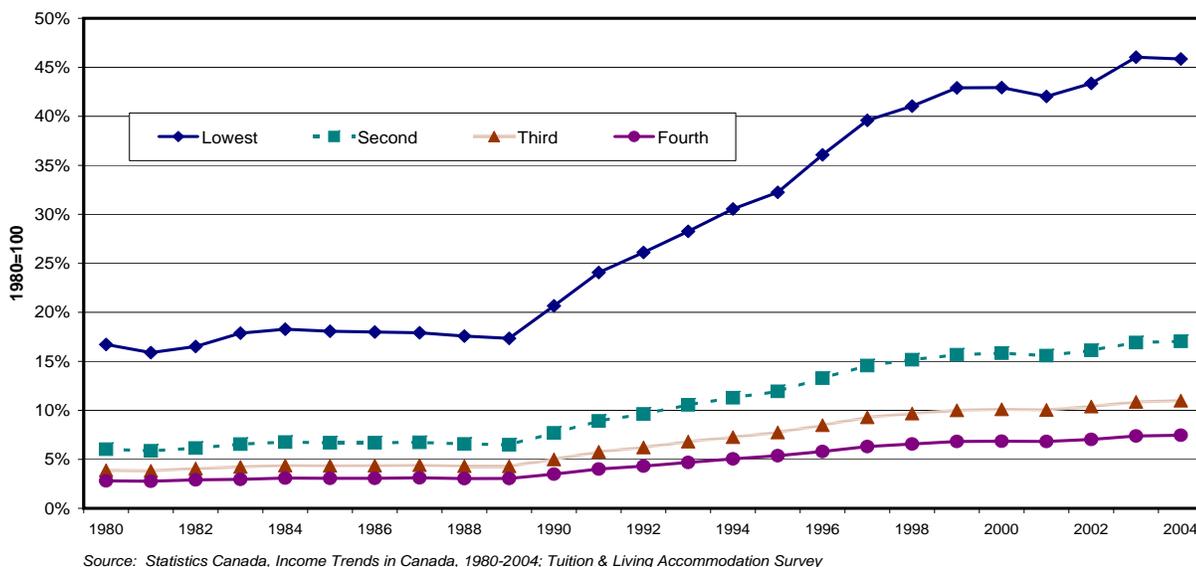
When the results are disaggregated by province, we find the problem is exacerbated by the fact that many of the poorest provinces tend to have the highest fees:

- In New Brunswick in 2004, a low-income family had to devote 53.6% of after-tax income to tuition fees.
 - In Saskatchewan, fees took up 56.7% of a poor family's after-tax income.
 - In Nova Scotia, the province with the highest fees, low-income families would be forced to spend a startling 67.7% of income just to meet the cost of tuition fees.
- Provinces with the lowest fees demanded considerably less of the after-tax income of their poorest citizens:
- In Newfoundland and Labrador, tuition fees accounted for 30.7% of the income of the bottom quintile.
 - In Manitoba, 30.4% of after-tax income of those in the bottom fifth went to fees.
 - In Quebec, 31% of after-tax income for the lowest income families went to fees.

Not surprisingly, these three provinces are the only ones to see a decrease in the proportion of after-tax income the poorest families devote to fees over the past five years.

In Newfoundland and Labrador in 1999, those in the bottom quintile of income devoted 44.3% of their after-tax income to fees. After five years of progressive tuition fee policy, that proportion was reduced to 30.7%. In Manitoba, the proportion of income for those in the bottom fifth declined by over 10% from 45.1% to 34.3%. These numbers demonstrate that a policy of lower tuition fees is equitable precisely because it has the most positive effect on those on the economic and social margins.⁵

Figure 6: Change in average tuition fees as a percent of after-tax family income by income quintile, 1980-2004, Canada (1980=100)



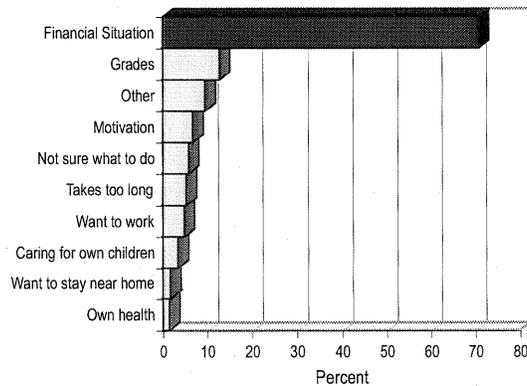
Access Denied: Financial Barriers to Post-Secondary Education

The stark numbers above need to be set against the backdrop of research showing that it is a lack of financial resources that shuts low-income students out of college and university. Statistics Canada found that for those who said they faced a barrier to participating in post-secondary education, 70% cited the lack of finances.⁶ Though other factors were listed as barriers, many of those (e.g. those who said they did not pursue a post-secondary education because they needed to work or to care for a child) are arguably proxies for financial barriers. These findings mirror an Ameri-

can study on the relationship between persistence and tuition fee increases. In one of the largest longitudinal studies of its kind, Michael Paulsen and Edward St. John found that for every \$1,000 of tuition fee hikes, low-income students were 19% less likely to complete a program.⁷

These findings are not surprising. According to Statistics Canada, those in the top income quarter in Canada are twice as likely to attend university as those in the bottom quarter.⁸ That gap has remained constant for the past 15 years. While some would celebrate the fact that it has remained constant as opposed to worsening, it is clear that tuition fee policy in Canada over the past 15 years has done nothing to close the access gap in post-secondary education.

Figure 7: Identified Barriers to Post-Secondary Education for Secondary School Graduates



Source: Youth In Transition Survey 2002 (Statistics Canada)

Conclusion

The increasing cost of funding post-secondary education has become a challenge for many Canadian families. Students and their families have to rely on personal savings, in-study employment, summer employment, credit cards, private bank loans and government student loans. The shift in financing post-secondary education from collective public funding to the individual has exacerbated existing social inequity in three important ways. First, it has made it more difficult for those from a low-income family to afford a post-secondary education. The increasing cost of a university and college education has not only made it harder for students from low-income families to attain a post-secondary education, but it has also put low-income students under increased pressure when they enter the system. Students from low-

income families have fewer resources to draw upon in a financial crisis and are forced to work while in study. These factors lead to many students abandoning their studies before completion.

Second, a system of post-secondary education that individualizes the financing of post-secondary education penalizes those least able to afford the up-front cost. As the data illustrate, those at the bottom of the economic ladder simply do not have the up-front resources necessary to afford a post-secondary education, and, therefore, must borrow. In Nova Scotia, where a low-income family would have to devote over 67% of after-tax income to fees, average student debt is now over \$28,000.⁹ A student who borrows \$25,000 to fund an education and takes the scheduled 10 years to repay her loan, pays close to a \$10,000 premium for her education.¹⁰

Finally, this report demonstrates that high tuition fees have the effect of cementing income inequities. The more of their income poor families are forced to set aside to fund post-secondary education for a child, the less they have for other necessities like housing, transportation, daycare, retirement savings and other costs. Though it should be intuitive, this point is vital to make because one often gets the sense that when policymakers and others speak of the "affordability" of tuition fees, they do so as if fees were the only pressing expense facing low and modest income families. Tuition fee hikes and the other costs of post-secondary education are only one part of a range of economic obligations a family must meet.

In sum, this report tells several distressing stories about post-secondary education policy in Canada. High tuition fees have been most harmful to those least able to af-

ford them. It is clear that high tuition fees are the chief culprit behind the stagnant participation rates of low-income students, and the modest decline in participation rates of middle income students over the past ten years. The limited increases in student financial assistance in the past few years are not nearly enough to address the gaping financial need that tuition fees create for low-income families. As low-income families struggle to finance a college or university education, they are forced to make inappropriate sacrifices and difficult financial decisions. A more equitable alternative is a collectively funded system of post-secondary education with a generous system of non-repayable student financial assistance. ■

Endnotes

¹ The index is calculated using 1980 as a base year with a value of 100. All figures in this report have been adjusted for inflation.

² For the purpose of this study, data was drawn from the *Labour Market Income Survey*. However, data for the top quintile of income earners by province is suppressed by Statistics Canada for privacy reasons. Statistics Canada does not release data based on very small sample sizes.

³ United Way of Toronto and the Canadian Council on Social Development, *A Decade of Decline: Poverty and Inequality in the City of Toronto in the 1990's*. Available on-line at:

http://www.unitedwaytoronto.com/who_we_help/Decade_in_Decline/pdfs/Decade_of_Decline_Final_Report.pdf

⁴ See *Time for a Fair Deal: Modernizing Income Security for Working Age Adults: Report of the Task Force on Modernizing Income Security for Working-Age Adults*, May 2006. Available on-line at: http://www.torontoalliance.ca/MISWAA_Report.pdf

⁵ For further elaboration of this point see Hugh Mackenzie, *The Tuition Trap* (Toronto: Hugh Mackenzie & Associates, September 2005). Mackenzie persuasively argues that low tuition fees funded through a progressive tax system provide a substantial net benefit to low income families. Though that point seems intuitive enough, many who argue for higher fees suggest that because students from high income families are overrepresented in the system, low tuition fees are regressive. This argument ignores the financial barriers identified in this report for low income families and over-estimates the capacity of student financial assistance to adequately fund high tuition fees and living costs.

⁶ Jeffrey W. Bowlby and Kathryn McMullen, *At a Crossroads: First results for the 18 to 20-year-old Cohort of the Youth in Transition Survey*, (Ottawa: Statistics Canada, January 23, 2002), cat. no. 81-591-XIE.

⁷ See Michael B. Paulsen and Edward St. John, "Social Class and College Costs: Examining the Financial Nexus Between College Choice and Persistence," *The Journal of Higher Education*, vol. 73, no. 2, March/April 2002, pp. 189-236.

⁸ Lynn Barr-Telford, Fernando Cartwright, Sandrine Prasil, and Kristina Shimmons, *Access, Persistence and Financing: First results from the Post-secondary Education Participation Survey (PEPS)*, (Ottawa: Statistics Canada and Human Resources Development Canada, September, 2003), cat. no. 81-595-MIE2003007.

⁹ Maritime Provinces Higher Education Commission, *Five Years On: A Survey of Class of 1999 Maritime University Graduates*, Fredericton, NB: Maritime Provinces Higher Education Commission, May 2006.

¹⁰ Based on the assumption of an interest rate of prime plus 2.5% where prime is 4% and the loan is amortized over 10 years, the standard length for student loans.

