

# Statement Regarding the 2017/2018 Federal Budget

August 2016

## Introduction & Summary

The Canadian Association of University Teachers (CAUT) represents over 68,000 university and college teachers, academic librarians, researchers, professionals and general staff at more than 120 post-secondary institutions in every province. We are committed to improving the accessibility and quality of post-secondary education (PSE) and defending academic freedom.

After years of austerity measures, Budget 2016/17 represented a welcome step toward reinvesting in the research granting agencies, and improving access to post-secondary education. With timid private-sector growth and a climate of low interest rates, the federal government is well placed to build on those investments to carve out a sustainable path to deliver good jobs and growth.

Partly as a result of long-term public underfunding of Canada's post-secondary sector, universities and colleges have come to rely on a large, low-paid, precarious academic workforce. Trained as researchers and scientists, these precarious academics currently represent an untapped potential to boost scientific research. Federal investments are needed to convert these positions into stable, full-time academic jobs with the opportunity to engage in research.

The government should therefore build on the recent success of federal-provincial agreement on reforms to the Canada Pension Plan. The federal government has the fiscal room to increase the Canada Social Transfer, but needs to adopt a leadership role to engage the provinces and set up a dedicated cash transfer for post-secondary education governed by a *Post-Secondary Education Act* that is modelled on the *Canada Health Act*, outlining clear responsibilities and expectations.

**CAUT therefore recommends the federal government develop a pan-Canadian strategy to further boost scientific research and post-secondary education. Specifically, we recommend the following:**

- Investing \$500 million over three years in funding for non-targeted fundamental research through Canada's granting councils in order to ensure, at a minimum, that inflation-adjusted funding is

restored to 2007 levels before the end of the government's mandate;

- Increasing the Canada Social Transfer by \$400 million in 2017/2018 while engaging the provinces on the creation of a *Canada Post-secondary Education Act*, modelled on the *Canada Health Act*, which outlines responsibilities and expectations for the federal and provincial governments, establishes pan-Canadian guidelines and principles, and determines long-term and stable funding formulae.
- Reinvesting \$10 million in Statistics Canada to restore and expand key surveys that academic researchers and scientists rely upon to conduct their work.

## I. Reinvest in Scientific Research

Over the past decade, the federal government pursued a strategy with respect to academic research that required post-secondary institutions and researchers to collaborate with industry on scientific research, and targeted new investments at projects that appeared to hold the promise of immediate commercial value. It has been a direction that favored narrow commercial interests at the expense of fundamental research and the broader public interest. It is now clear that this strategy has not delivered the promised economic spin-offs.

Instead, Canada has fallen behind other developed countries in science and innovation. Data from Statistics Canada shows that:

- Business investment in R&D decreased drastically, from \$17 to \$14 billion between 2006 and 2013 (-17.7%), after inflation;
- Total investment in R&D in Canada was \$27.7 billion in 2013 compared to \$30 billion in 2006 (-7.7%), after inflation;

The 2014 Science, Technology and Innovation Strategy noted the failure of federal policy to leverage more business investment in R&D:

*We see that while businesses in OECD countries spend an average of 1.63 percent of GDP on R&D, in Canada, the figure was only 1.11 percent in 2006 (\$16.5 billion) and this fell to 0.88 percent (\$16.2 billion) by 2012. Out of 34 OECD countries, this drop takes us from 16th to 22nd place...*

— 2014 S&T Strategy, page 8.

Skewing investments to market driven R&D at the expense of fundamental research has been shortsighted and ignores the role that basic research plays in scientific progress. In the area of medical research, for instance, the obsession with commercial outcomes has encouraged an emphasis on minor modifications to existing drugs and devices, rather than fundamental explorations of prevention. In other fields, fundamental research led to many key unanticipated innovations such as X-rays, nylon, Teflon, GPS technology, informatics, superconductivity and medical imaging.

Budget 2016/2017 provided a much-needed increase of \$76 million for Canada's granting councils, which fund the vast majority of fundamental research undertaken in Canada. However, double that amount will be required each year for the next three years to return to 2007 funding levels when adjusted for inflation.

Adjusted for inflation, the granting councils have seen steady erosion of their base budgets over the past decade. SSHRC funding is down over 10% in real terms; NSERC's funding has fallen by -1.5%; and core support for CIHR is 6% below 2007 levels (Table 1). The impact of this is felt in declining success rates for grant applications, less support for graduate students, and a weakening research infrastructure in Canada.

Budget 2016/2017 allocated a combined \$15 million in funding to allow Statistics Canada to undertake surveys to enhance clean technology data, economic and financial data, and housing market data. The government needs to commit to further restore Statistics Canada's research capacity by expanding key surveys that play a critical role in Canada's research infrastructure and that can inform evidence-based decision-making.

## II. Increase Funding for Post-secondary Education

Public funding of Canada's universities and colleges is inadequate to meet rising demand. In 1990, government operating grants made up 80% of total university operating revenues. By 2014, that had fallen to just less than 50%. A major factor behind this decline has been the reduction in cash transfers from the federal government to the provinces that began in the 1990s. Inadequate financing has resulted in rising tuition fees, large student debt loads, and high student-faculty ratios

**Table 1**

### Granting Council Base Funding, 2007–2017 (constant 2015 dollars, millions)

	SSHRC	NSERC	CIHR	Indirect Costs	Total
2007-08	416.9	1149.6	1106.0	356.3	3028.9
2008-09	389.1	1142.6	1075.6	364.8	2972.2
2009-10	400.1	1163.4	1088.6	359.5	3011.6
2010-11	390.6	1169.2	1115.9	358.3	3033.9
2011-12	386.3	1146.5	1065.5	350.6	2948.9
2012-13	379.0	1119.3	1037.2	345.5	2881.0
2013-14	359.6	1099.7	1028.9	342.1	2830.3
2014-15	359.8	1097.5	1028.7	344.7	2830.7
2015-16	362.4	1119.8	1028.7	340.7	2851.6
2016-17	371.9	1132.1	1040.0	354.9	2898.9
2007-17	-10.8%	-1.5%	-6.0%	-0.4%	-4.3%

that compromise the quality and affordability of post-secondary education.

Government underfunding has also resulted in the hiring of large numbers of poorly paid, precariously employed contract academic staff. Labour force survey estimates show that one out of every three university professors is now on a temporary or part-time contract. This has significant implications for Canada's scientific capacity. Contract academic staff, although trained as teachers and researchers, are hired only to teach. This represents a major under-utilization of research talent and potential.

While direct funding of universities and colleges remains the primary responsibility of the provinces, the reduction of cash transfers from the federal government to the provinces that began in the 1990s has played a major role in contributing to the financial shortfalls. Current federal cash transfers for post-secondary education are approximately \$400 million short of matching 1992-1993 funding levels when adjusted for inflation and population growth. Moreover, the escalator within the Canada Social Transfer (CST) is set at just 3% a year, a rate of increase that does not adequately reflect rising costs and increased demand for post-secondary education.

The federal government is well placed to remedy this funding imbalance. CAUT recommends federal cash

transfers for post-secondary education be increased by \$400 million to restore funding to 1992-1993 levels. In consultation with the provinces, the federal government should also establish an escalator that more accurately reflects growth in the post-secondary education sector.

CAUT recognizes that the ability of the federal government to address the underfunding of Canada's universities and colleges is hampered by fundamental flaws in how it provides cash transfers to the provinces in support of post-secondary education. The current CST is an unconditional block fund. Where, how or even if the money is spent, let alone spent on post-secondary education, is left entirely to provinces. This contrasts with the funding of health care, provided through a separate funding envelope – the Canada Health Transfer – and governed by national standards in the *Canada Health Act*. CAUT recommends the CST be replaced by separate stand-alone funds for social services and post-secondary education.

A newly established Post-secondary Education Transfer should be governed by a *Post-secondary Education Act*, modelled on the *Canada Health Act*. The *Post-secondary Education Act* should outline clear responsibilities and expectations for the federal and provincial/territorial governments, establish pan-Canadian guidelines, enact enforcement mechanisms, and determine long-term stable funding formulae.

### III. Improving Access to Post-secondary Education

Budget 2016/2017 increased the maximum Canada Student Grant for low-income students to \$3,000 per year for full-time students and \$1,800 per year for part-time students. While the improvements are welcomed, the maximum grant remains well below the actual costs incurred by students. We recommend raising the maximum yearly grant to \$6,000, a level closer to average Canadian undergraduate fees.

It is important to note that rising tuition fees place a disproportionate burden on Canada's Aboriginal students. Funding provided to band councils to support First Nations students, through the Post-Secondary Student Support Program, has plateaued while tuition fees have skyrocketed. Consequently, thousands of

qualified Aboriginal students remain on waiting lists for funding to pursue post-secondary education. It is time the federal government honours its historical commitments to Canada's First Nations, recognize education is a treaty right, and provide appropriate funding. As the Assembly of First Nations has noted, investing in education is not only a benefit to First Nations communities, it is a long-term and sustainable plan for Canada's economy.

### Conclusion

The federal government needs to play a leadership role in reinvesting in research and post-secondary education. Continued investments in fundamental research through the granting councils are needed so that the academic research community can serve the public interest by advancing knowledge and promoting the economic, social and cultural development of Canada. Reduced public funding for Canada's universities and colleges has created large numbers of precariously employed academic workers who are unable to contribute to their full research potential. Inadequate financing has pushed tuition fees higher, eroded access to post-secondary education, and has left an unreasonable financial burden to the next generation. The next Budget represents an important opportunity to make the investments needed to ensure post-secondary institutions are properly funded, accessible, and responsive.

This document is respectfully submitted on behalf of the Canadian Association of University Teachers.

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