

# Free Post-Secondary Education: *The case for eliminating tuition fees*

Fact Sheet | December 2015

## The Regressive Nature of Tuition Fees

When the public is charged a fee to access a government service or facility funded primarily by taxes, a user fee has been implemented. User fees operate on a regressive basis because households with lower levels of income pay a greater share of their disposable incomes to access publicly funded services or facilities than households with higher incomes. To illustrate, take the example of two households with differing incomes, each of which are planning to allocate money to spend on tuition fees. As a proportion of their total income, the higher income household will have to make fewer cutbacks in other areas of their spending than the household with a lower income. The end result is that the choice to attain a post-secondary education necessitates greater sacrifices for the less well off.

It was in recognition of this dynamic that the government of Canada first ratified the International Covenant on Economic, Social and Cultural Rights in 1976. At that time, Canada acknowledged the right of every person to free primary and secondary education, with the

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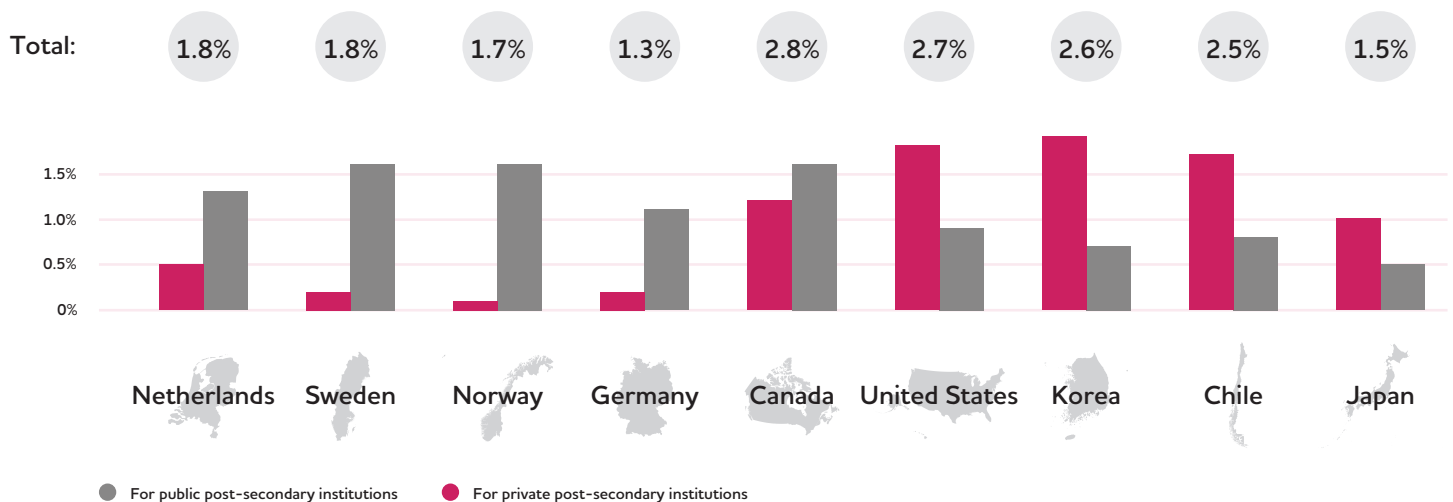
promise of introducing free post-secondary education.<sup>1</sup> As a percentage of gross domestic product (GDP), Canada has the curious distinction of being the only country within the OECD that allocates significant amounts of public money on both public and

private post-secondary education. Canada’s expenditures for public post-secondary education (1.6%) mirror those of countries where post-secondary education is largely free, whereas its expenditures on private post-secondary education (1.2%) approaches those

of countries where post-secondary education is quite costly.<sup>2</sup> This mixed approach to post-secondary funding has effectively negated the promise to move Canada towards a fully funded system of post-secondary education.

## Expenditure on post-secondary education as a percentage of GDP

Source: Organisation for Economic Co-operation and Development – Education at a Glance 2014



## A Matter of Priorities

As the cost of post-secondary education in Canada has reached record highs, there are increasing signs that provincial governments are recognizing the importance of the right for every person, regardless of their income levels, to freely access post-secondary education. The government of Newfoundland and Labrador, in 2015, eliminated provincial student loans for an entire cohort of students (until 2019) attending post-secondary institutions. Based on calculations from the 2015 Newfoundland Budget, the province will allocate an additional 0.035% of its annual GDP to replace provincial loans with funded non-repayable grants. This investment will allow for many more students, especially those from lower income households, to attend post-secondary institutions in the province.

While access to education is paramount, the decision to eliminate provincial student loans is also an indicator that the government of Newfoundland and Labrador is prioritizing social and economic conditions that will allow for students in the province to graduate from their program of study and meaningfully contribute to the economy. Graduates will be better situated to look for meaningful work, start businesses, purchase big-ticket items such as homes and cars, begin families and reach other important milestones sooner than for many indebted students.

Eliminating student loans is an important step towards establishing a free and fully-funded post-secondary education system. In fact, the idea of replacing student loans with grants has become a politically viable discussion in the United States with many candidates in the 2015/2016 Democratic Party leadership race calling for an annual allocation that would effectively allow students to attend post-secondary institutions debt-free. Such an allocation is calculated to take up between 0.03% and 0.04% of the United States' GDP.

Students in Ontario face both the issue of high tuition fees as well as high debtloads. Undergraduate and graduate students pay the highest university tuition fees in the country. The average cost of one year's tuition, at the domestic rate, for a general undergraduate program is \$7,868 and \$8,971 for a general graduate program.<sup>3</sup> Average college tuition fees, at the domestic rate, are \$2,600 and these figures are closer to the overall Canadian average.<sup>4</sup> It is therefore unsurprising that the average debt owed by Ontario students at the time of graduation tends to be higher than the national average at most levels of study.<sup>5</sup>

## Education is a Right

Thirty per cent of Ontarians have completed post-secondary education.<sup>6</sup> Education helps give individuals the tools they need to participate in social and economic life and is key to the social and economic development of a society. There are significant benefits of a more educated population in all areas of society including health, community development, civic engagement and the economy. In fact, the proportions of Canadians who report positive social outcomes such as health, having trust in others and volunteering are higher among those who have attained post-secondary education.<sup>7</sup> In order for these benefits to be further cultivated, a more educated population must be a priority for any government.

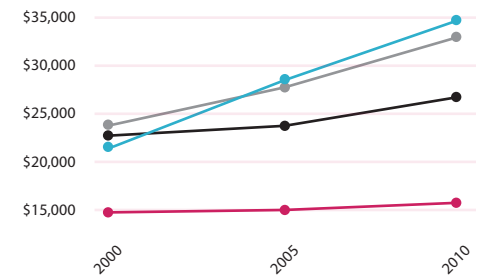
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The high cost of tuition fees is the largest barrier to accessing post-secondary education and disproportionately affects those who cannot afford this user fee upfront. Students from lower income families are more likely to rely on student loans. Students who rely on student loans are forced to pay back more than those students who can afford to pay upfront. The interest associated with accessing loans is often two to three times higher than the borrowed principle.

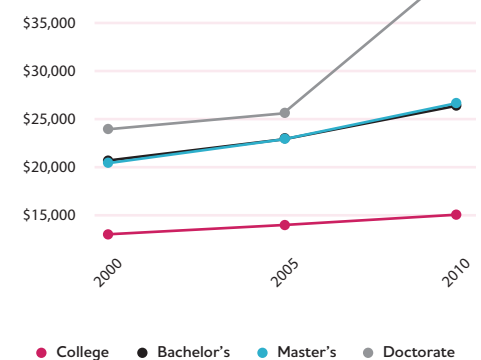
## Average debt owed at time of graduation to any source, government or non-government

Source: Statistics Canada. Table 477-0068 – National Graduates Survey

### Ontario



### Canada



## Towards free post-secondary education in Ontario and Canada

Eliminating student loans and tuition fees can be accomplished through the tax code. The existing income tax system of credits and savings programs largely benefits families with larger amounts of disposable income. Such households are able to reallocate money into non-taxable savings schemes which facilitate their ability to pay continuously rising tuition fees. Students from lower income households have no choice but to access a system of loans which facilitates ballooning debt. The tax code can be changed by taxing high income earners and corporations. A discussion about free education is in fact a discussion about government priorities. As the government of Newfoundland and Labrador has shown us, raising less than a fifth of a percent of GDP is enough to eliminate student loans. By bringing fairness back to the provincial

and federal tax codes, the cost of post-secondary education can easily be eliminated for all students in Ontario.

Currently the government of Ontario spends 0.019% of its GDP to pay for bad debt as a result of defaulted student loans and bankrupt private career colleges.<sup>8</sup> If it were to match that allocation to fund a system of grants for students, the government would eliminate 13.6% of the future debt burden for every student applying for a provincial student loan in Ontario.

If we take into account the federal government's role in providing student loans for post-secondary education, we see that the ratio of bad debt expenses to national GDP is similar to that of Ontario. Bad debts associated with the federal component of student loans make up 0.021% of the national GDP.<sup>9</sup>

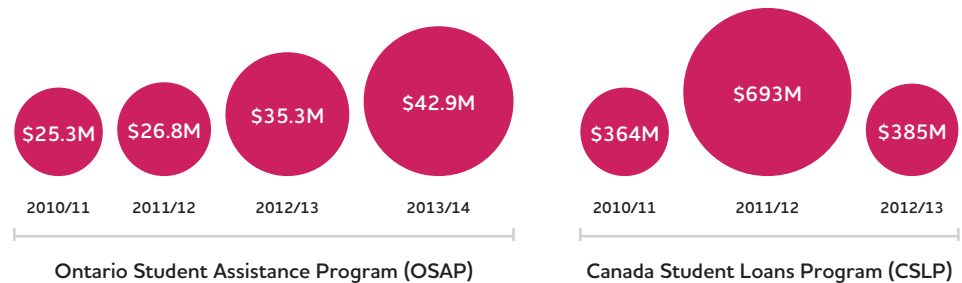
Similarly, if the federal government allocated those funds to a fully funded system of grants, students would have 15% of their federal student loans reduced. It is actually that easy. Relative to the provinces, the federal government has a much larger capacity to spend and generate revenue and should play a more prominent role in ensuring that everyone has access to a college or university education.

Instead of recognizing this reality, governments and college and university administrators claim that institutions must charge students tuition fees because there is not enough public funding to adequately fund institutions. Implementing free post-secondary education only requires the political of a government that prioritizes education and social services.

## Annual government expenditures servicing bad debt

Sources: Government of Ontario: Ministry of Training, Colleges and Universities – The Estimates

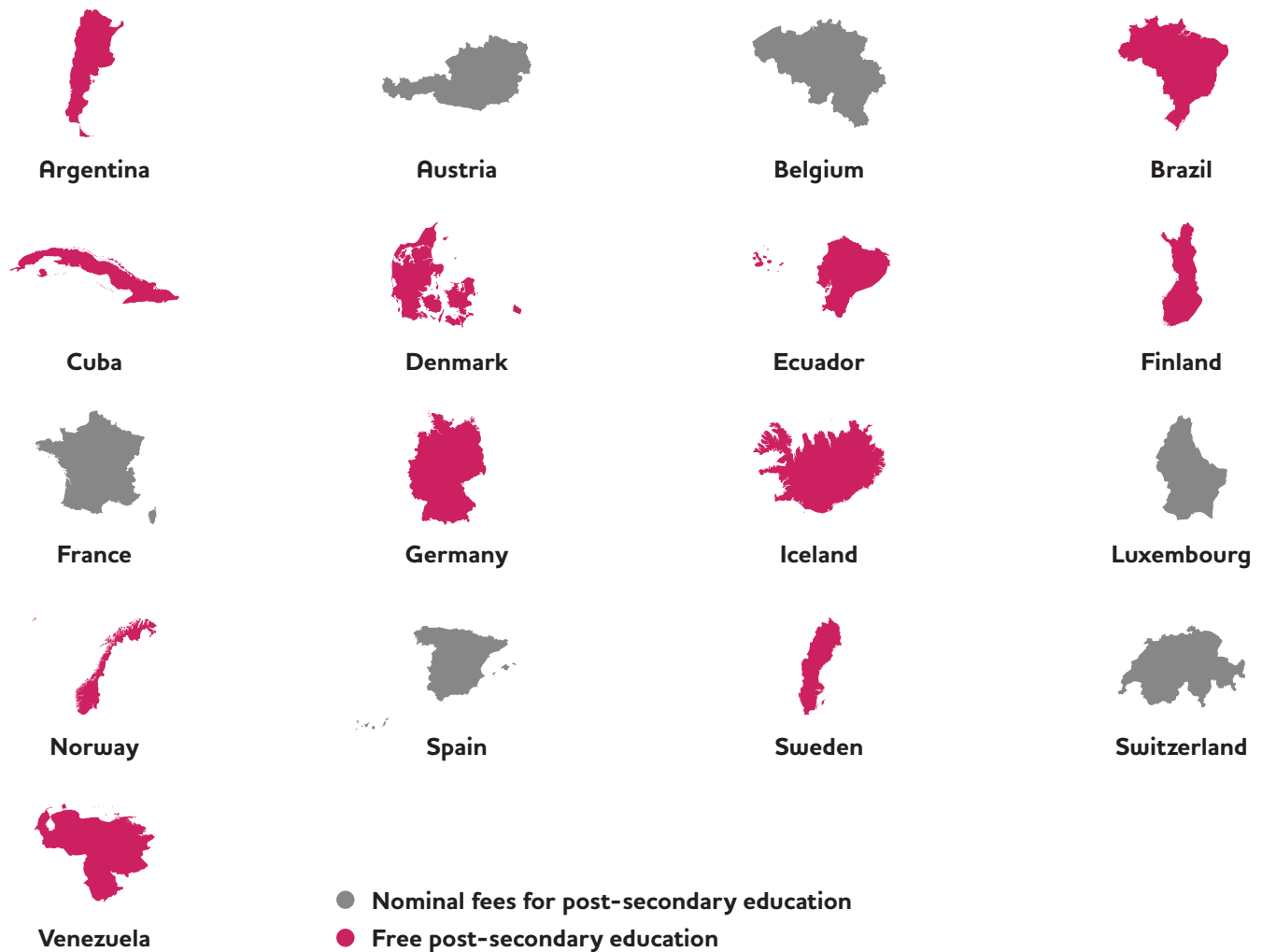
Government of Canada: Employment and Social Development – Canada Student Loans Program Annual Report



Achieving free education is a realistic goal. This was clear at the time of Canada's ratification of the International Covenant on Economic, Social and Cultural Rights in 1976. Canada's promise to move towards a fully-funded post-secondary system was inspired by the work of two jurisdictions in particular, Québec and Newfoundland and Labrador. Since the 1960s, students in Québec have paid no tuition fees to attend a Collège d'enseignement général et professionnel (CÉGEP) – commonly referred to as general and vocational colleges. By making CÉGEP education free, governments in Québec acknowledged the importance of reducing the financial barriers for those who choose to pursue a pre-university or technical program. This goal has also extended to university education, as undergraduate and graduate students in Québec have paid the lowest tuition fees in Canada over the last few decades. Similarly, in the spring of 1965, Newfoundland and Labrador introduced policy where students at Memorial University would not pay tuition fees and instead were provided a living allowance from the provincial government. Though this policy only lasted a decade, the legacy of accessible post-secondary education in Newfoundland and Labrador continues with tuition fees being slightly lower than in Québec. In fact, the recent policy shift to eliminate provincial student loans in Newfoundland and Labrador is the result of an ongoing dialogue with the Canadian Federation of Students. During the Canadian Federation of Students National Day of Action in 2012, the Premier of Newfoundland and Labrador proclaimed that she supported the elimination of tuition fees in the province. Since then, students in Newfoundland and Labrador have strongly advocated for free education in their proposals to the provincial government.



*Implementing free post-secondary education only requires the political will of a government that prioritizes education and social services.*



## Free Education Around the World

Many countries around the world have recognized the importance of providing no-cost access to post-secondary. In Western Europe, post-secondary institutions are largely public and students pay no tuition fees in Denmark, Finland, Germany, Iceland, Norway and Sweden. In the Americas, free post-secondary education is found at public institutions in Argentina, Brazil, Cuba, Ecuador and Venezuela. Additionally, the government of Chile will be scrapping tuition fees in 2017. Due to numerous mobilizations and their participation in the political system, students were able to make these gains in Argentina, Brazil, Chile, Ecuador and Venezuela. Other countries that charge nominal fees at public post-secondary institutions include Austria, Belgium, France, Luxembourg, Spain and Switzerland.

*These nations vary greatly in their demographics, economy and geography, yet they have all prioritized access to public post-secondary education systems.*

*We can do it too.*

1. United Nations Office of the High Commissioner for Human Rights. International Covenant on Economic, Social and Cultural Rights. Adopted and opened for signature, ratification and accession by General Assembly resolution 2200A (XXI) of 16 December 1966, entry into force 3 January 1976.
2. Organisation of Economic Co-operation and Development. Education at a Glance: OECD Indicators (2014).
3. Statistics Canada. Weighted average tuition fee for: full-time Canadian undergraduate students (Table 477-0021); full-time Canadian graduate students (Table 477-0022). Figures do not include tuition fees for Dentistry, Medicine, Pharmacy & Masters of Business Administration programs.
4. Colleges Ontario. College Resources: Environmental Scan (2015).
5. Statistics Canada. National graduates survey, student debt from all provinces, by province and level of study, every 5 years (Table 477-0068).
6. Statistics Canada. Education Indicators in Canada: An International Perspective (2014).
7. Ibid.
8. Government of Ontario: Ministry of Training, Colleges and Universities - The Estimates (2012-13, 2013-14, 2014-15).
9. Government of Canada: Employment and Social Development - Canada Student Loans Program Annual Report (2011-12, 2012-13).