

Tuition and Post-Secondary Education Affordability

PREAMBLE

Tuition is post-secondary education (PSE)'s most popular, well-known and divisive issue. The fundamental disagreement on tuition stems from differences in the principle and reality of tuition costs (Wellen 2005). While some, including universities, have typically argued that tuition is a necessary component of university funding, others, such as students, believe that tuition creates and places a large, unfair financial barrier to PSE – an increasingly necessary resource in today's society (Wellen 2005).

In Ontario, successive governments have attempted to regulate tuition in different ways over time (Boggs 2009). Various balances of funding formulas have been struck, with the current regulatory framework beginning in 2013 and lasting until 2017 (Nazar 2013). This ongoing framework caps undergraduate tuition increase at three per cent institutional averages, while also aligning Ontario Student Assistance Program deadlines and payments such that students may avoid late penalties (Nazar 2013). In addition, the government of Ontario has coupled this framework with the Ontario Tuition Grant, where certain students are able to receive a grant worth up to 30% of their tuition (Ontario Undergraduate Student Alliance 2015).

One key function of Ontario's frameworks is to strike a balance between public and private funding of PSE (Boggs 2009). For universities, an entirely public system places their health at the whim of elected politicians and creates issues of academic freedom, institutional autonomy, accessibility, quality of education, and financial stability (Levin 1990). Meanwhile, a completely private system where universities can charge whatever fees they deem necessary, puts many students in burdensome debt loads or even in danger of being unable to afford higher education completely (Wellen 2005).

Coupled with ancillary fees, which are "imposed or administered... in addition to regular tuition fees which a student is required to pay in order to enrol in or successfully complete any credit course," tuition in Ontario is the highest in Canada (Ministry of Training, Colleges, and Universities 2009; Loney 2014). In fact, in 2014, Ontario students paid \$7,539 on average for tuition and ancillary fees, nearly one thousand dollars more than the next province (Saskatchewan, \$6,659) (Loney 2014). Furthermore, a recent Ontario Undergraduate Student Alliance (OUSA) survey showed two-thirds of all surveyed students, and 86% of low-income students, indicated that they were concerned about their ability to finance their education (Carter et al. 2015).

While the current framework has made some improvement from its predecessors, the MSU staunchly believes more is needed to ensure our society and our students have access to affordable education. In 1980, students contributions substantiated less than 20% of all university revenue (Carter et al. 2015). Now, it amounts to over 50% (Carter et al. 2015).

In the face of rising provincial and federal debt, tighter university budgets, and a difficult economy, government and educational institutes may face the temptation to throttle funding to higher education and shift the cost of institutions further on to students (Wellen 2004). Such an endeavour is short-sighted and fails to capture the benefits of PSE to not only the individual receiving higher education, but to Ontario. Ontarians with a post-secondary degree are likely to live longer, be healthier, commit fewer crimes, vote in larger numbers, donate to charity, and volunteer in their communities (Alexander and Lascelles 2004). Furthermore, they contribute 50%

of income tax, despite constituting only 27% of the population.¹ These numbers, while only scratching the surface of the many benefits post-secondary education brings to a society, are a compelling reason for the continued public funding of higher education institutes.

This document represents the long-term and short-term evidence-based view of the McMaster Students Union (MSU) on the issue of tuition. It highlights the principles that the organization believes in, the concerns it sees in the tuition landscape, and recommendations to tackle those concerns. While the topic of tuition may appear divisive, the MSU believes strongly in the ability of dialogue and compromise to create tuition policy in Ontario and at McMaster that strikes a balance between competing interests and protects students from cumbersome and inaccessible student debt.

LONG-TERM VISION

Principle One: All willing and qualified students, regardless of socioeconomic status, must be able to access and excel within Ontario's system of post-secondary education.

Concern One: Tuition costs pose an apparent and immediate barrier to accessing post-secondary education.

Recommendation One: The government should create a strategy to adopt a publicly funded no upfront tuition model.

The MSU believes that every discussion about tuition must consider the link between tuition and accessibility in post-secondary education. Policymakers in tuition must focus on ensuring students are able to afford the costs.

Some post-secondary stakeholders have sought to deny a link between tuition and accessibility. A recent report on tuition from the Higher Education Quality Council of Ontario (HEQCO) claimed “Canadian research finds no consistent relationship between tuition fees and post-secondary participation and persistence rates” (Norrie and Lennon 2011). However, such reports simplify the connection between tuition and affordability, examining only small decreases in tuition while ignoring the connection between motivational barriers and affordability. For example, youth who believe a post-secondary education is beyond their reach financially, are less likely to excel in secondary school studies, and consequently less likely to access post-secondary education (Finnie, Lascelles, and Sweetman 2004).

Moreover, using participation as the sole measure of accessibility ignores the increased strain that rising tuition places on student budgets as well as its effect on student choices. Many students are forced to work long hours, attend only institutions close to home, or attend with a lightened course load in order to cope with rising costs. Additionally, reports such as HEQCO's fail to address demographic shifts and the lack of representation of low-income groups in post-secondary education.

The MSU advocates for a PSE system that requires no tuition to be paid upfront by any student qualified enough to be admitted to McMaster University. We understand that such an ambitious vision requires a substantial commitment and investment from the Provincial and

¹ Calculated via a custom tabulation utilizing Statistics Canada CANSIM data.

Federal Government. However, the MSU is an organization that lobbies for the best interests of its current and future members and we believe that tuition fees in any format pose a challenge of accessibility to our members. High education attainment for any and all willing members of society is a fundamental principle upon which many nations are built and having a fully accessible system of universities is paramount to that. Any future policy change by the government should be towards the direction of reducing the cost of education rather than towards increasing the current financial burden borne by students.

One of the defining criterion for the countries using a publicly funded no upfront Tuition Model, is a lack of tuition fees assessed to students. Instead, the government finances the post-secondary system almost entirely. Denmark, Finland, Greece, Norway, Slovakia, Sweden, and most recently Germany have shifted to this model.

We believe that for a fair and accessible PSE system, a merit-based system irrelevant to an individual's ability to afford tuition is necessary. The OUSA Paper on Alternate Cost Recovery Models covers these various models in detail.² Countries such as Ireland, Sweden, Norway, France and Brazil have completely eliminated tuition fees, while other countries like Australia and New Zealand have adopted a model where students pay no upfront tuition fees but are put in a higher tax bracket after graduation until the repayment of their student loan.

No upfront tuition models may also be achievable through an increased and dedicated Post-Secondary Education Social Transfer and progressively higher cost sharing by both the provincial and federal government.

SHORT-TERM VISION

EQUAL CONTRIBUTIONS TO POST-SECONDARY EDUCATION

Principle Two: The student contribution to post-secondary education should not exceed one dollar for every dollar each from the provincial and federal governments.

Concern Two: Student contributions to McMaster's operating budget are increasing substantially and have surpassed government contributions.

Recommendation Two: The federal and provincial government should increase operating grants to institutions annually to cover inflationary cost increases.

Recommendation Three: The provincial government should implement a tuition freeze in all future tuition frameworks until federal and provincial governments each contribute one dollar for each dollar of student contribution.

While this might appear to be a contradiction to Principle One, the MSU recognizes that students must push towards their eventual goal of no upfront tuition through a step-by-step process. Economic constraints and competing political ideologies stand in the way of achieving this goal at the present. Reducing the ratio of student contributions to a university budget is the first step.

² For further reading on this paper, please visit <http://www.ousa.ca/dev/wp-content/uploads/2009/10/Global-Examination-of-Post-Secondary-Education-Cost-Recovery-Models.pdf>

This principle acknowledges the reciprocal relationship between the tremendous private benefits accrued by individuals who attend higher education, and the substantial benefits higher education brings to the society as a whole. Over the span of 40 years, the earning premium for individuals who have achieved post-secondary education ranges from several hundred thousand dollars to over one million, depending on the degree and extent of education (Alexander and Lascelles 2004). On average, these individuals also encounter lower unemployment rates than the average high school graduate. Furthermore and as previously mentioned, individuals with higher education also account for a proportionally larger share of income tax than those without higher education. In addition to greatly contributing to government revenue, Ontarians with a post-secondary degree are more likely to be employed, live longer, be healthier, commit fewer crimes, vote in larger numbers, donate to charity, and volunteer in their communities (Alexander and Lascelles 2004). Thus, the responsibility for ensuring the sustainability of post-secondary education should be shared by the government and those who are attending.

As the Ontario economy becomes increasingly dependent on jobs that require a post-secondary credential, it will become vital, from both an economic and equity standpoint, that the post-secondary system is easily accessible to individuals of high and low income (Wolfe and Gertler 2001). Both the provincial and the federal government partner in funding higher education and are responsible for ensuring the well-being of society as a whole. Therefore, this principle affirms that for every dollar of student revenue, each level of government should contribute one.

However, several years ago, the federal and provincial governments contributed a greater portion of the operating budget at every institution than students did through tuition and other fees. However, as government contributions have declined, McMaster students are now contributing more operating funding than the government is.

Ontario universities, including McMaster, also receive the least per-student funding among the ten provinces (University of Windsor 2015). Universities in Ontario receive 65% to 75% of the average level of the rest of Canada in per-student funding from provincial grants (Council of Ontario Universities 2012). The funding difference is so great that it translates to approximately a \$768 million gap. It is important that the government contributes to decrease this funding gap, and promote post-secondary education.

It is important that the sector widely acknowledges the fact that over the last 30 years, an enormous shift in university financing has occurred, with no clear plan articulated to reverse this trend (Boggs 2009). According to the 2014-2015 McMaster University Operating Budget, students pay nearly 40% of the university-operating fund while the federal and provincial government combine to contribute another 40%. The remaining 20% comes from private grants and non-instructional goods and services. Due to the lack of government funding, this ratio has reached unfair and unsustainable levels where students are paying twice as much as each level of government. Worryingly, the 2015-2016 Operating Budget projects that student tuition will continue to contribute larger portions of university revenue as it will, for the first time, outpace government grants.

It must also be noted that reductions in federal funding for post-secondary institutions diminishes the quality of education and increases tuition fees (Carter et al. 2015). As a result, there has been a large increase in university class sizes in recent years, an increase in part-time and sessional instructors for undergraduate classes, and thus an increase between the student and full time faculty member ratio (Boggs 2009).

A need exists to rebalance the scales of post-secondary funding. An increased government contribution would do many things. Firstly, it would remove pressure on institutions to increase tuition to meet rising costs. Institutions often argue that their costs increase at a rate higher than inflation, and as a result they must be allowed to increase fees by more than inflation. Students have been subject to tuition increases well beyond inflation since 2006, and believe that the rising cost of post-secondary education could be more fairly shared with the government. If the government would absorb some of the financing burden of higher education through an increase to base operating funding, it would relieve both institutional pressure to raise tuition and reduce the cost and debts students would acquire.

Secondly, increased government funding would allow institutions to devote more resources towards funding quality education. While the government has made commendable efforts devoting the majority of new funding towards growing the system, the amount of per-student resources to enhance the quality of education over the last two decades has suffered a decline. Increasing the amount of per-student funding would allow institutions to invest in quality resources to match the impressive growth that has occurred over the last decade.

The MSU also urges the provincial government to not cap the annual funding increase at 1.5% as was recommended in the 2012 audit by Economist Don Drummond. He himself states “Such growth means that grants will not keep pace with projected enrolment growth of 1.7 per cent per year, nor with the general rate of inflation, never mind with the institutions’ historical internal rates of inflation” (Drummond 2012). At McMaster, according to unofficial dialogue with university officials the MSU has learnt that the average rate of inflation hovers around 5-6% annually, making the proposed recommendation by Mr. Drummond unsustainable, potentially leading to service cuts, tuition increases and other negative outcomes for, not only students but, PSE.

The Ontario Confederation of University Faculty Associations (OCUFA) also shares a similar stance with the MSU as it urges the provincial government to reinvest in post-secondary education (Wellen 2005). The association recognizes that the government is in a constrained fiscal position, but nonetheless should begin to increase funding to ensure that the quality of Ontario’s post-secondary education does not diminish. The 30% off tuition grant implemented in 2012 was a good first step towards increasing government funding, however many student populations remain ineligible, including older students, part time students, and graduate students. Many associations agree that an increase in government funding is the best option for Ontario universities including McMaster. The government should take action to increase funding for Ontario’s universities through operating grants to preserve the quality of education and match rising inflation.

ENSURING AFFORDABILITY OF POTENTIAL TUITION INCREASES

Principle Three: Ontario tuition increases should not be outpacing the ability for individuals and families to pay.

Concern Three: As tuition outpaces the rate of inflation and median household income, the current framework makes post-secondary education slightly less affordable each year for McMaster students.

Recommendation Four: If tuition must increase, the maximum increase should be no more than inflation as measured by the Consumer Price Index (CPI).

The responsibility for financing a healthy public education system in Ontario should be shared in good faith between the government and students. Part of this good faith must be an understanding that families have a limited amount of resources with which to pay for the costs of higher education, and cannot absorb limitless increases above the rate of inflation.

It is stated in the OUSA Tuition Policy that if there is an increase in tuition, this increase should never be more than the rate of inflation - inflation largely influences the ability of students and/or families to pay for PSE (Carter et al. 2015). In order to delay the rise in tuition, in 2013 Ontario lowered the cap on tuition fee increases from 5 per cent annually (the rate for the seven years prior) to 3 per cent each year (Nazar 2013). It is important to note that both professional and graduate programs, while still reduced, have a capped increase of 5 per cent each year, down from 8 per cent in past years (Nazar 2013). While this is a step in the right direction for the provincial government, the reduction to 3 per cent still poses a struggle - The Bank of Canada expects headline inflation to close 2015 and 2016 at 1.4 per cent and 1.9 per cent, respectively, rates lower than the tuition increase cap (Focus Economics 2015). The continued outpacing of inflation by tuition increases will continue to increase the pressure applied to the most vulnerable individuals families.

Furthermore, the rate of McMaster and Ontario tuition increases has been outpacing the rate of growth in household income substantially. While median income in Ontario increased by approximately 9.60 per cent between 2009 and 2013, tuition increased by approximately 19.4 per cent from 2010/2011 to 2014/2015.³

It is clear that median household income has had limited increase and tuition is rising much more rapidly - increasing above inflation. If this trend continues the changes will become exponential - PSE will become less affordable each year and encompass a greater percentage of a family's household income. Statistics Canada's "Changes in debt and assets of Canadian families, 1999 to 2012" by Sharanjit Uppal and Sébastien LaRochelle-Côté highlights the following numbers pertaining to debt, income and assets (Uppal and LaRochelle-Cote 2015):

- In 2012, the percentage of Canadian families with debt was 71%, up from 67% in 1999. The median debt held by these families was \$60,100, up from \$36,700 in 1999 (in 2012 constant dollars).
- Between 1999 and 2012, median debt and median assets increased for most types of families, but not equally for all categories of families. Median debt, for instance, increased faster among those in the 35-to-44 age group, among couples with children under 18, and among mortgagees.
- Between 1999 and 2012, the median debt-to-income ratio rose from 0.78 to 1.10, while the median debt-to-asset ratio remained stable, at around 0.25. Families in the 35-to-44 age group witnessed significant increases in both their debt-to-income and debt-to-asset ratios.

³ Calculated utilizing averages from Statistics Canada, Median Total Income, Undergraduate Tuition Fees

- In 2012, 35% of Canadian families had a debt-to-income ratio above 2.0—meaning that their debt was at least twice the level of their annual after-tax income. This compared with 23% of Canadian families in 1999.
- In 2012, 14% of families had consumer debt (i.e., debt other than mortgage debt) that was larger than their annual after-tax family income. In comparison, 8% were facing the same situation in 1999.

Because of large family debt increases over the past decade and on, the rate of McMaster and Ontario tuition increases, coupled with the highest provincial average tuition fees, places a large burden on families of (a) PSE student(s).

Solutions to system-wide affordability issues cannot occur meaningfully without price controls on tuition. Tuition regulation is an important pact that the government holds with students to ensure predictability, fairness and affordability in higher education. While students have not always approved of regulations completely, the most important priority of students is that they remain in place. Time and time again, deregulation schemes have been implemented at great cost to students and little benefit to universities. It is not uncommon for policymakers to mistakenly apply free-market principles to universities in the hope that competition and deregulation will help keep prices down for students and encourage efficient use of resources.

However, significant barriers to new providers, an unquantifiable product and a culture of high fees being equated with quality create an oligopoly that is largely insulated from market forces, thus creating pressure for all institutions to increase their prices.

Continued 3 per cent tuition increases are simply unsustainable for McMaster students and their families. Moreover, continued tuition increases will quickly erode the value of the government's 30% off tuition grant in the long run. While the government has currently committed to tying the grant to 30 per cent of the average first-entry non-professional tuition, continued 3 per cent increases will mean that even those students receiving the grant will be paying more than currently in just a few years. It is important to recognize that grants such as these are not permanent - many provincial politicians feel this grant should be eliminated. For the half of students not eligible for the tuition grant, costs will continue to rise faster than the resources available to them. Tackling the rising tuition costs will be critical to sustaining the value and importance of the government's new investment in financial assistance.

The affordability and accessibility of the post-secondary system are key considerations for McMaster students. In recognition of the fact that the ability of students and their families to pay for post-secondary education is related to price changes tied to inflation, if tuition must increase in the future it must never be by more than CPI inflation. This is a small first step towards a future where a larger share of a University's operating budget is being paid for by the government; leading to tuition reductions.

Students recognize that universities face cost pressures, but believe that the best way to meet these costs is through increasing the value of government grants or by finding new efficiencies, not increasing tuition beyond inflation. Limiting tuition increases should be part of a plan to return towards a more equitable cost-sharing model where the government increases its proportional contribution to university operating budgets.

PREDICTABLE TUITION

Principle Four: Year-to-year tuition in every program of study should be uniform and predictable so that students can budget and plan appropriately.

Concern Four: The current tuition framework exacerbates cost discrepancies between programs, allowing programs with larger base tuition fees to increase at rates disproportionate to others.

Recommendation Five: To flatten the escalating disparities that exist between programs and to provide clarity on year-to-year increases, any and all tuition increases should be consistent across program and year.

Aside from its tendency to keep costs controlled, tuition regulation can help ensure that increases are predictable for students. Students can budget properly for future years of education if they can anticipate exactly what their tuition and fees will be in their next year.

The current framework allows for tuition to increase by three percent annually in the first year of undergraduate courses and five percent annually in professional undergraduate and graduate programs. Overall, the average tuition increase across all programs should not exceed three percent annually (Ministry of Training, Colleges, and Universities 2013). This framework allows students to anticipate exactly how their tuition will increase in addition to more strongly defining what constitutes an undergraduate program versus a professional one. As a whole, this framework provides the predictability in tuition increases they need in order to budget and plan appropriately.

However, through the allowance of two-tier tuition increases, the cost differences between programs will increase dramatically. Under the current framework, average provincial tuition in the humanities will only increase by \$759 by 2018, whereas the average engineering tuition rate will increase by \$2,254 over the same time frame.⁴ While it is understandable that costs are likely different in providing engineering education, the heavier Basic Income Unit (BIU) weight in the funding formula and the higher average base tuition rates leaves cost-discrepancies unjustified. The current tuition framework does not articulate why there are differing caps placed on undergraduate, and professional and graduate programs or provide evidence that costs in all professional programs are increasing faster than general undergraduate programs. It is therefore concerning that certain programs have been allowed to increase at exponentially greater rates.

The convoluted nature of the current tuition framework has made the predictability of future costs impossible for students. While this framework has some advantages, it has a number of disadvantages from a predictability and fairness perspective. To address this, tuition increases should be absolutely, rather than relatively, uniform across programs and years of study.

DEBT MITIGATION

Principle Five: Families and students should be able to access post-secondary education without the need to take on unmanageable student debt.

⁴Estimated tuition increases calculated using caps as listed in *Tuition Fee Framework and Ancillary Fee Guidelines* and average undergraduate tuition fees from Statistics Canada, “Weighted average undergraduate tuition fees.” (Ontario Undergraduate Student Alliance, *Policy Paper: Tuition*, by Jen Carter, Jamie Cleary, Joyce Wai, and Colin Zarzour, (OUSA, 2015), 17.

Principle Six: Rising tuition should not require students to take on unmanageable in-study employment burden.

Principle Seven: Solutions to system-wide affordability issues cannot occur meaningfully without price controls on tuition that occur in a fair and progressive manner.

Concern Five: The percentage of households reporting debt attributable to post-secondary education has increased dramatically, most observable in middle-income households.

Concern Six: Tuition increases can have a discernible effect of the composition of the overall student population.

Concern Seven: Increasing investments in financial assistance are often seen as justifications for tuition increases.

Recommendation Six: McMaster University and provincial and federal government should increase funding for and better promote the availability of needs-based scholarships, grants, and bursaries.

The fact that increasing tuition is a major driver of student debt is well known and widely accepted. Meanwhile, it is unlikely that repayable financial assistance will completely disappear in the near future. As such, it is incumbent upon stakeholders in higher education to consider where student loans turn from tools to help students afford higher education into disincentives for participation. When student debt is substantial enough to dissuade students from participating in higher education in the first place, or when debt levels affect a student's ability to persist to completion, it is a sure sign that the higher education playing field is becoming less accessible. While many choose to attack the mechanism of student loans themselves, bringing this discussion back to tuition gets at the foundation of rising student debt as it is the reason students are engaging with financial assistance.

Meanwhile, in an economy currently struggling to sustain well-paying jobs, it may seem strange to characterize student employment as a burden. Certainly, the necessity for students to take on summer work to pay tuition, living costs, and other expenses is widely accepted by students, universities and government. However, as the costs of education have risen and wages have stagnated, summer employment is no longer sufficient to cover the costs of a year of university, and students are working increasing numbers of hours during the academic year to meet ends-meet.⁵

Employment burden refers to the degree to which in-study employment negatively impacts academic performance. As costs continue to rise and students attempt to find new revenue sources to fund tuition increases, the need for greater amounts of in-study employment increases. The burden associated with this trend is well documented in terms of completion rates. The Canada Millennium Scholarship Foundation notes that "data shows that the more hours university students work, the more likely they are to say that it affects their academic performance" (Drewes, Junor, and Usher 2005). In a survey by Prairie Research Associates, students who worked more than 10 hours a week were significantly more likely to report negative

⁵ Derived by calculating the tax-free income (\$8400) of an individual working full-time (35 hours/week) for 16 weeks (the maximum length of summer employment).

impacts on academic performance than students who worked 10 hours per week or less (Garcia, Li, and Martin 2013). Even more troubling, evidence from Statistics Canada's longitudinal Youth in Transition survey suggests that students who did not persist to further years of education were more likely to have worked greater numbers of hours during their first year (Statistics Canada 2009).

Intuitively this makes sense, university is a stressful and time-consuming pursuit only further complicated by the need to work multiple hours per week to cover costs. There is a great deal of dispute over the threshold at which employment begins to hurt academic performance and persistence, though most experts agree that working for a limited number of hours can be helpful but working too many can be harmful (Garcia, Li, and Martin 2013).

Despite these efforts by families and students, the percentage of debt deriving from student loans increased by 7.2 per cent for households in the lowest income quartile (Statistics Canada 2011). Meanwhile, the middle-income quartile reported a 73.6 per cent increase between 1999 and 2005 (Statistics Canada 2011). The amount total student debt reported by middle income families had increased by 1.5 billion dollars, in contrast to an increase of 600 million for low-income families (Statistics Canada 2011). Such a large increase indicates that middle income families are not only taking out larger loans to pay for post-secondary, but also that more of them are seeking them in the first place. In fact, between 2008-09 and 2010-11, the number of students who applied and qualified for OSAP increased by nearly 45,900 (Employment and Social Development Canada 2014). Expressed in terms of the overall student population, this amounts nearly a 10 per cent increase in OSAP utilization over a two-year period. Such large increases in reliance on financial assistance for middle-income families is concerning from an access perspective, as the majority of the need-based non-repayable assistance in Ontario is targeted at low-income students.

During the same time period, from 2008-09 to 2010-11, over 13,000 more students qualified for the Ontario Student Opportunity Grant (OSOG), a program that effectively caps a student's debt at \$7,300. Increased OSOG use can serve as an indication that more students are taking out the maximum in OSAP loans, particularly given the fact that the OSOG threshold increased from \$7,000 to \$7,300 in 2010. In essence, the rising price of education has been driving both an increase in the number of students with debt as well as the average value of that debt. With increased debt-loads comes concern about the ability of students to live independently post-graduation, save for important personal events like purchasing a house or car, marriage, or child-rearing, and also may compromise the ability of students to choose their preferred course of employment.

According to Statistics Canada, at the time of graduation, 43% of college graduates, 50% of bachelor graduates, 44% of master's and 41% of doctorate graduates relied on government or non-government student loans (private, family and bank loans), to help finance their education (Ferguson and Wang 2014). College graduates owed the least at \$14,900 (Ferguson and Wang 2014). Student loans for both bachelor and master's graduates were just over \$26,000, while doctorate graduates owed an average of \$41,100 at the time of graduation (Ferguson and Wang 2014).

43% of Canada's total university population is educated at Ontario universities and over 58,100 graduate students attended Ontario universities in 2013-14 school year (University of Windsor 2015). There has also been a 69% growth in university enrolment since 2000 and a 58% increase in the number of new first-year full-time applicants to Ontario universities'

undergraduate programs between 2001 and 2013 (University of Windsor 2015). Despite this growth in enrolment, education is not equally available to all students as an examination of the composition of the student population reveals that family income plays a significant role in university participation. According to the HEQCO, over half of the youth in their Survey of Labour and Income Dynamics (SLID) from the lowest income quartile did not attempt post secondary education compared to 16% of youth belonging to the highest quartile (Zhao 2012). Furthermore, university participation for youth with families in the highest income quartile is almost double that of youth whose families are in the lowest quartile (Zhao 2012).

The relationship between income, participation, and tuition fees becomes more pronounced when dramatic increases in tuition occur. A 2005 study examined the effect of tuition deregulation on the student population studying law at the University of Western Ontario. During the first four years of deregulation in this particular program, the average household income of students participating increased from \$40,000 to \$60,000, while the percentage of students attending from households earning \$40,000 decreased approximately 9.6 per cent (King, Warren, and Miklas 2005).

Further, within the period of tuition deregulation between 1996 and 2002, professional school tuition increased from approximately \$3,000 to just under \$8,000—an increase of 132 per cent in real terms over a six year period (Frenette 2005). These dramatic increases in tuition compromise the ability of students from low and middle income backgrounds to access professional programs and also highlight the impact of increasing tuition on student demographics.

Tuition increases not only cause middle-income families and students, to take on increasingly higher amounts of debt, they diminish the matriculation of low-income students. If tuition is to increase, it is paramount that these negative effects be mitigated. One proposal has been the conversion of many of McMaster's merit-based scholarships, totaling in excess of \$4 million dollars, into needs-based scholarships. At the same time, Ontario must consider a shift from student loans to non-repayable grants. This past August, Newfoundland became the first province to execute such a transfer and many in Ontario are now looking to our province to follow suit (Ontario Undergraduate Student Alliance 2015). While Ontario does have similar methods of debt relief, the system can be improved and better setting students up for success by providing up-front relief (Ontario Undergraduate Student Alliance 2015). Lastly, McMaster and government must ensure students are better aware of needs-based scholarships, grants, and bursaries to ensure proper utilization of these resources.

It is not possible for tuition to increase without compromising student accessibility even if there is a corresponding increase in financial assistance. However, as indicated by the Higher Education Quality Council of Ontario, a mix of grant and loan programs can be used to create a balance between tuition increases and financial assistance. Providing upfront funds and implementing/ promoting financial assistance are strategies which can be used to aid debt-averse and underrepresented populations (Norrie and Lennon 2011). In fact, the Rae Review conducted in 2005 supports this, recommending highly targeted grants for low-income students and their families (Rae 2005). The MSU is concerned that these perspectives are overrepresented in the political realm, and that real concerns associated with tuition and access will not be raised with decision makers in a meaningful way.

Firstly, by allowing tuition to increase each year and paying increasing amounts to students in financial assistance, the government has allocated resources in post-secondary

education inefficiently. While student financial assistance is designed to reduce costs for those students demonstrating the greatest need, research indicates that these students may be less likely to use financial assistance and are more likely to be price-sensitive to high tuition costs. For example, a study of price-sensitivity and debt aversion amongst underrepresented groups— low-income, Aboriginal, first generation, and disabled students — reveals that these groups are especially likely to over-estimate the price of post-secondary education, displaying more aversion to the prospect of taking on debt than other students (Palameta and Voyer 2010).

Secondly, governments often fail to match financial assistance to yearly tuition increases. Between 1993 and 2007, tuition increased by 80 per cent while need-based aid per student increased by only six per cent.⁶

Discouraging students from investing in post-secondary education, and thereby discouraging students from investing in better futures, is concerning to the MSU. We encourage students to invest in post-secondary education so that they can reap more benefits from the labour market, reduce their risk of unemployment, and receive higher earnings as compared to other levels of education. For example, full-time employees with a bachelor degree in Ontario can expect to earn \$144.2 for every \$100 earned by a high-school graduate (How Canada Performs 2015). In order to encourage students to invest in post-secondary education — gaining credentials that are useful in the labour market — tuition must not serve as a barrier to prospective students.

While some may argue that investing in universities is outside of Ontario’s fiscal reality, it is important to recall that these institutions are “economic engines that deliver social and economic prosperity for individuals, communities, the province, and the country” (University of Windsor 2015). Indeed, by investing in post-secondary education the government can expect higher tax revenues and fewer social transfer costs (“Income Advantage for University Graduates” 2015).

When discussing high-tuition, high- financial aid post-secondary systems, economist Hugh Mackenzie notes that “implicit in the argument for targeting [financial assistance] based on family income is that there is a well-defined very low-income group whose participation in post-secondary education might be adversely affected by substantial tuition increases or for whom higher tuition could create affordability problems” (Mackenzie 2005).

From here, he points out that the relationship between accessibility and affordability is oftentimes not simple enough to reduce to a simple target (Mackenzie 2005). Students who fall outside income targets may have circumstances wherein their parent’s assets are tied up, or where they are unwilling or unable to fund their child’s education (Mackenzie 2005). Lower-middle-income families whose parents only have marginally more income than the income target or slope are left without adequate assistance.

Available HEQCO data indicates that the number of students attending university from low and middle-income backgrounds remained roughly the same between 1999 and 2012. Mackenzie suggests that such a close level of participation between low and middle-income

⁶ Uses constant 2007 dollars and the 1994 value as 100%. Need-based aid (includes net loans, remission and grants) per student from: Joseph Berger and Andrew Parkin, *Ten Things You Need to Know About Financial Support for Post-Secondary Students in Canada* (Montreal: CMSF, 2008). Tuition credit (tuition revenue less mandatory set-aside for financial aid) per student from: Snowdon & Associates. 2009.

students indicates that the divide between these two income categories is marginal, with both requiring some amount of support (Mackenzie 2005). In practice, targeted student assistance tends to leave a substantial portion of students whose incomes are just above the decided cut-off with substantially less assistance than those within the target margin. With low, middle and high income participation remaining stable and roughly equal, low and low-middle income students may face the same degree of rising tuition but receive very different levels of assistance with which to cope.

Equally relevant is the evidence for loan aversion among students: between 10 and 30 per cent of students display some degree of loan aversion (Palmeta and Voyer 2010). This is particularly acute amongst Aboriginal and first generation students (Palmeta and Voyer 2010). The relatively high prevalence of loan aversion overall suggests that a number of individuals, especially those who have few alternative funding sources other than student loans, may find PSE to be unaffordable and refrain from enrolling. Often these concerns are well-founded: Aboriginal students may be intending to return to an Aboriginal community after graduation where employment levels and compensation are low, making debt-repayment difficult. Low-income students may have witnessed first-hand parents and other family members struggle with credit issues, and are unwilling to begin their adult life indebted.

Student concerns over the use of financial aid to justify tuition increases are in no way intended to imply that students do not welcome targeted financial assistance, without which post-secondary education in Ontario would be far less accessible. Rather, it is an admission that targeted student aid alone is not the solution to ensuring affordability.

ACCESSIBLE PAYMENT MECHANISMS

Principle Eight: McMaster University should facilitate students paying their tuition in a financially accessible manner.

Concern Eight: McMaster University's \$35 late fee and 1.2% interest charge forces students on OSAP or otherwise who cannot meet up-front payments to pay extra deferral fees.

Recommendation Seven: Tuition deadlines should not be placed well before students have the resources to effectively pay their fees.

Recommendation Eight: McMaster University should provide a flexible payment plan that does not require extra deferral fees and charges.

Not all students are able to pay the entirety of their tuition upfront before McMaster's current term deadlines (the 1st of the term month or the 15th if on OSAP). In the 2012-2013 year, 302 355 full-time students in Ontario required student loans, and many more have financial difficulties that prevent them from paying the entire sum upfront (Employment and Social Development Canada 2014). McMaster currently automatically charges a \$35 late fee for any student who chooses to pay between the 15th and 30th of the first month (Student Accounts & Cashiers 2015). Similarly there is a 1.2% interest charge per month for any unpaid tuition (Student Accounts & Cashiers 2015). We believe that such charges create an unnecessary burden to students with financial difficulties and unfairly profits from their situation. The MSU is

concerned that through the \$35 late fee, McMaster students who rely on OSAP or are otherwise unable to afford the large upfront term payment are forced to pay unnecessary fees.

However, the MSU does support McMaster's recent shift to a free of cost term based payment system because it allows students to more appropriately pay for their tuition in accordance with OSAP release. This system also allows low-income students and families, as well as students working part-time to pay for their education, to more easily afford education.

For example, a 2009 survey demonstrated that students made an average of \$3,000 in employment earnings over the course of a summer; however, this money was not fully used as funding for university. Instead, half of these earnings were spent on living expenses, leaving only \$1,500 for school-related expenses.⁷ Only exacerbating existing issues, student summer unemployment is at 12.90 per cent nationally with Ontario's summer unemployment rate (14.3 per cent) exceeding this national average (Ministry of Training Colleges and Universities 2015; Trading Economics 2015). Ultimately, the employment rates fail to help students gain savings to pay their tuition. The costs of PSE also extend far beyond tuition: rent ranges from \$4,500 to \$8,500 annually and average textbooks ranging from \$450 to \$1,000 (Drewes, Junor, and Usher 2005). While students require employment, it appears that they are becoming more scarce as between 2010 and 2011 Ontario lost over 9,400 student jobs.⁸ Considering the competitive nature of the student job market and students/families who face challenging financial circumstances, it is unreasonable to expect students to have saved over \$3,500 September 1st.

Moreover, the approximately 50 percent of students dependent on OSAP usually cannot access funds prior to the release of OSAP in September, thus causing these students to fail in meeting early fee deadlines (Martin 2012). It is also important to note that for some institutions lacking a deferral policy, debt adverse students from low-income backgrounds could drop out of university as opposed to accruing interest and fees. In consideration of these issues, the MSU recommends the provincial government require institutions to make it possible for students to defer half of their tuition and fees to the winter term at no financial cost. Furthermore, the MSU encourages McMaster voluntarily continue to maintain this system.

Moreover, in order to accommodate the diverse needs of students and aid programs, the possibility of monthly payment collection should be investigated in addition to the per-term billing already in place. This would better coincide with the arrival of paycheques and monthly budgeting. Given that summer employment earnings only average around \$3,000 and in-study employment is increasingly prevalent, it is likely that every student could benefit from the flexibility provided by more flexible tuition payment schedules.

The majority, around 60%, of Canadian students work during the academic year at an average of eighteen hours a week (Garcia, Li, and Martin 2013). Such a high in-study employment load suggests that students are struggling to make ends meet. Regulating flexible and realistic tuition payment deadlines would be a revenue-neutral way to ease an increasing amount of financial stress. Even if this measure were to be an opt-in process, allowing the institution to collect full fees in the summer from students fortunate enough to have the funds, it would provide an important alternative option for students who do not. It is important to stress

⁷ Ontario results of the Canadian Student Survey, Report One: Summer Work and Paying for Post Secondary Education (Toronto: Canadian Education Project: 2010)

⁸ Calculated from Statistics Canada, Labour Force Information (Ottawa: 2011)

that students should have a choice in their financial plan and that the terms and conditions of each should be explained as clearly and transparently as possible.

ACTIVITY BASED FUNDING MODEL

Principle Nine: Students should know how their tuition is being allocated for expenditure.

Concern Nine: McMaster does not have a clear funding model that students can access to see how their tuition is utilized.

Recommendation Nine: To make the use of tuition dollars accountable and transparent to students, McMaster University should implement an activity-based funding model.

Activity-based funding models are one of an assortment of different budgetary structures that universities can use when describing how their funding is broken down. With this model specifically, the university is able to demonstrate how funding is allocated on an activity basis, which introduces a high level of transparency to the process. For instance, if a student is paying 10,000 in upfront tuition, they would be able to track exactly how this money is allocated through an activity-based funding model. For example, perhaps 10% of their funds was distributed to capital building costs, while 50% went to faculty and staff salaries, and then remaining 40% to student service operation. All of this information would be easily digestible to a student before or after paying their tuition, as it would be available online.

Currently, McMaster University does not have a clear activity-based funding model in place. McMaster's budget process is highly transparent however, and is available online at their McMaster Budget Model website.⁹ This model describes exactly how the budget process works, and what the cost drivers and corresponding funding responses are in the McMaster context. Although students applaud the current transparency of this budget breakdown, students would still like to see a shift to a model that clearly breaks down how tuition specifically is used to fund different university practices. This would be a positive change for several reasons. First, as students within the Ontario Undergraduate Student Alliance believe, "it seems that students' obligations to their universities are explicitly expressed, but universities' reciprocal obligations to their students are overlooked" (Carter et al. 2015) Thus, by introducing this model students can rest at ease that their universities understand this fundamental agreement, and are cognizant of their responsibility to provide value worthy of the significant costs students are paying. Also, this process allows students to be rightly more critical of university spending. As students at McMaster finance nearly half of the entire budget of the university, it is within their right to know how much of their funds are going to particular initiatives, and whether or not they deem these expenditures to be appropriate. As a result, students believe that by introducing this model, these goals would be met by the university.

STUDENT REPRESENTATION IN UNIVERSITY GOVERNANCE

Principle Ten: As significant contributors to university revenue, students should hold appropriate representation in McMaster University governance.

⁹ Available on: <http://budgetmodel.mcmaster.ca/index.html>

Concern Ten: Students are poorly represented on university boards of governors, senate, and planning committees at McMaster University.

Recommendation Ten: Students at McMaster should be represented to a greater degree on university bodies, such as the Board of Governors, Senate, and various committees, than is currently the case.

Recommendation Eleven: McMaster Board of Governors committees should each have at least one student voting representative to provide the student voice at vital university decision-making bodies.

Students are now contributing the most significant portion of university revenue. Many decisions made by university governance, such as by the Board of Governors, the Senate, the Undergraduate Planning Committee, and more, directly impact the experience of students and how their tuition is spent. Student voice and input in these decisions is vital in ensuring they are made with students in mind. Furthermore, students from each academic division have distinct needs and views and accounting for this is necessary to ensure proper representation.

Despite these points, students have only one undergraduate and one board representative on McMaster's Board of Governors council out of a total of 37 members. The resulting governance structure raises significant accountability concerns. When a board or committee is able to appoint the majority of its own members, it cannot meaningfully be held accountable to any of its stakeholders. Students are currently able to contribute in different ways, sometimes even sitting on committees with significant decision-making power.

However, there is only 1 undergraduate representative on the University Planning Committee, which is responsible for the allocation of student money within the university budget. While students are provided the opportunity to sit on key university committees, even that involvement is severely limited.

This representation does not adequately compensate for a lack of significant contribution elsewhere. The student representation in this context is not enough to change the course of a decision if students had serious objections to a board decision. This is especially relevant because the Board of Governors has the ability to increase or decrease tuition annually apart from other important funding decisions.

University bodies should embody a partnership between the various stakeholders in the university, including a significant percentage of representatives from important constituency groups. Namely, boards should contain meaningful and effective representation from different constituency groups. Student organizations, faculty associations, administrators, government representatives, community groups should all be represented.

However, among these groups, students stand out as the only partner that has significantly increased their contribution to university finances on a per-capita basis. Since 1979, students have increased their contribution to operating budgets from one fifth to almost one half through tuition and ancillary fees. Greater representation, such as the expansion from one seat to several student seats, would allow student voices to reflect this increased contribution. An expansion of student seats should capture the true academic diversity of the student population and span faculties.

In addition, McMaster University should provide more accountability and transparency in their Board of Governors processes by allowing at least one student voting position on each of its committees. McMaster currently has dozens of committees associated with their Board of Governors, and many of these are currently not afforded a student representative, even as a non-voting observer (McMaster University Secretariat 2015). Thus, by providing this position to students, the MSU and other student groups on campus will be better posed to impact the work that is done at Board of Governors, as well as build on the positive relationship that students have already formed with their university administration.

Lastly, students should be able to easily access the decisions made in these governance bodies. Minutes should be publically available and should include details on deliberations and votes so students are able to understand reasons behind tuition-related decisions.

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