

MYTH or FACT?

A guide to common myths about the importance
of reducing tuition fees

Canadian Federation of Students

MYTH:

“Canada cannot afford to reduce tuition fees. If we reduce tuition fees, we will have to raise taxes.”

FACT:

All budget expenditures are choices about priorities.

For example, nearly 100 years ago, Canada made primary school attendance mandatory and free, at great expense to the national and provincial treasuries. However, mass public education was understood as the instrument by which individual Canadians could fulfill their potential, and Canada could reduce social and economic divisions.

In the 21st century, post-secondary education plays a similar role in the development of Canada and Canadians. More than 70% of all new jobs in Canada require some post-secondary education. Given the unprecedented wealth created in the world today, public post-secondary education should be viewed as a right of global citizenship.

In Canada, the past five years have seen over \$56-billion in federal budget surpluses. That would have been enough funding to eliminate tuition fees 10 times over and still have enough money for one of the world's most generous grants program. The future economic forecast is similar. Furthermore, the Association of Universities and Colleges of Canada estimate that post-secondary graduates are 15% of the population, but contribute more than 33% of the income tax base, and only require 8% of social program expenditures such as health care and social assistance.

Despite the modest portion of public expenditure required by higher education, there is no doubt that the continuing culture of tax cuts has damaged the accessibility and quality of public, post-secondary education. In 2000, for example, Paul Martin's government cut taxes by \$100 billion over 5 years. Most of those tax cuts went to Canada's wealthiest individuals and corporations. For example the elimination of the 3% surtax on those earning over \$250,000 cost \$650 million. By simply leaving that tax level where it was prior to the 2000 budget, the federal government would have enough money to reduce tuition fees by 10% for all students.

Any discussion of the cost of a social program must be put in the context of other government decisions. In the case of the current federal government, tax cuts for the wealthiest Canadians has taken priority over funding access to post-secondary education.

MYTH:

“Tuition fee freezes unnecessarily subsidise the cost of post-secondary education for those who can afford it.”

FACT:

Disgraced former Ontario Premier Bob Rae and conservative researcher Alex Usher promote this fallacy in order to popularise the notion that a “one-size-fits-all” tuition fee (also known as regulation) is obsolete.

Instead, Rae and Usher champion fully deregulated tuition fees cushioned by a tuition fee waiver for a tiny sliver of the population.

The argument is this:

- every student (poor, rich, or in-between) pays roughly the same tuition fee and receives equal benefit from freezes and reductions;
- low-income Canadians are under-represented in universities;
- low-income Canadians pay taxes that support public universities and colleges; therefore
- low-income families are subsidizing the participation of higher-income families.

The facts do not support Rae’s and Usher’s tuition fee campaign.

First, economist Hugh MacKenzie recently examined the issue and found no evidence that low tuition fees result in a net transfer of resources from low-income households to high-income households.

Second, Rae’s model of higher tuition fees for all but a small portion of the poorest students will actually exacerbate the dramatic gaps between the participation rates of different socio-economic classes. Rae’s plan will only expand the extent of the “ghetto” of those shut out of higher education to include more middle-income Canadians who barely afford tuition fees today.

MYTH:

“Lower tuition fees don’t improve access. Québec has the lowest tuition fees in the country and the lowest participation rates.”

FACT:

This is a popular refrain among those arguing for higher fees. However, like most arguments for higher fees it has more to do with politics than facts. College fees in Quebec are free and Quebec has, by far, the highest levels of participation at the college level. In addition, the freeze in Quebec has ensured that Quebec has the lowest average debt in the country. It is seems lost on those who argue for higher fees that low-income students in Quebec do not have to take out mortgage-sized loans to finance an education. A student from a working class family in Ontario forced to borrow the maximum will graduate from a four-year program with a debt of \$26,000. That same high need, low-income student in Quebec would graduate with a debt of approximately \$10,000.

In addition to the Quebec experience, other provinces have improved access by freezing or lowering tuition fees. The tuition fee freeze in Manitoba, has resulted in an increase in enrolment of close to 20%. In Newfoundland and Labrador the effect has also been pronounced. Prior to the introduction of the tuition freeze and reduction in Newfoundland and Labrador, enrolment was decreasing. Since the reduction was implemented in Newfoundland and Labrador university enrolment has increased by close to 5% at a time when high school graduation rates were declining.

In addition to claiming that lower fees don’t improve access, advocates of higher fees also argue that higher fees don’t harm access. The impact of fee hikes in British Columbia tells a different story. Enrolment at many British Columbia colleges is down. BC colleges have a proud record of serving low-income, rural communities. However, in the face of tuition fee increases of more than 100%, enrolment is down at almost all colleges and applications are also down at BC universities. Student debt for low-income students has soared since tuition fees were deregulated in BC. Based on researcher Claire Callender’s groundbreaking study on debt aversion, BC can expect that rising debt will further exclude qualified students from low-income families.

MYTH:

“As a result of their education, university and college graduates earn \$1 million more over their lifetimes, therefore they can afford to pay higher tuition fees.”

FACT:

This refrain, popular among university presidents, fails to mention that university and college graduates who earn more also pay higher income taxes. In fact, the whole purpose of the income tax system is to recover the costs of administering core social programs, such as health care and education. The income tax system in Canada is “progressive”—the more you earn, the higher tax rate you pay. Recovering the cost of public education from post-secondary graduates through income tax instead of higher tuition fees, ensures that everybody pays their fair share without being burdened by the up-front cost of an education.

Nevertheless, one should be skeptical of the \$1 million figure. It is an average, and is inflated by a calculation that adds compound interest. In other words, when inflation is factored out, the “net present value” (or “additional potential earnings”) of a university education is only \$148,000. However, as stated, it is an average of the increased earnings for university degree holders. The vast majority of post-secondary graduates are average income earners.

An analysis undertaken by economist Hugh MacKenzie demonstrates how unreliable the personal “investment” in post-secondary education can be. MacKenzie found that for one-quarter of all university graduates, the net value of a degree is negative. That is, for 25% of all university graduates, annual earnings are less than that of the average earnings of those with only a high-school diploma. The myth of the wealthy graduate who can pay more tuition fees is clearly not supported by the facts.

MYTH:

“Tuition fee freezes eventually cause dramatic increases in tuition fees when the government changes hands.”

FACT:

The only thing that causes tuition fees to increase is an irresponsible government.

Tuition fee policy is a reflection of the priorities of a given provincial government. To suggest that one policy (freezing tuition fees) automatically produces its opposite (massive tuition fee increases) is a gross simplification of the legislative process and the policy-making involved.

In reality, public opinion, lobbying, economic impacts, social benefits, party policy, and other government policy are all factors that maintain or produce changes in government policy. Successfully working the system yields results. For example, ongoing work by united students' movements in Québec and Newfoundland & Labrador ensured that when their governments changed stripes (Parti Québécois to Liberal and Liberal to Conservative, respectively), the tuition fee freeze was maintained.

The often-cited case of British Columbia, where a six-year tuition fee freeze was lifted in 2001 after a change in government, is an example of irresponsible government policy-making, not a pre-determined consequence of the original policy. The tuition fee freeze in British Columbia dramatically increased post-secondary participation and was one of the most popular provincial policies at the time. When the Gordon Campbell government was elected in 2002, it lifted the freeze as part of a policy to avoid providing adequate post-secondary education funding increases. In addition, the government cut its relatively generous grants program at the same time as it deregulated fees. Although university presidents campaigned for higher fees on the basis of a good system of student financial assistance, not a single college or university president had the integrity to speak out against the elimination of the grants program.

MYTH:

“Non-financial barriers are more important than tuition fees.”

FACT:

For the most part, when this argument surfaces, it is a cynical strategy to distract media/government/public attention from the urgent concerns of high tuition fees and student debt. It is a popular campaign tactic of the Millennium Scholarship Foundation.

Very often this Foundation tactic involves watering down the results of survey responses that demonstrate a high correlation between financial constraints and access to post-secondary education. For example, a survey response such as “I need to work before going to college/university” is categorized as a “non-financial barrier” as opposed to a financial barrier, thus “reducing” the respondents citing financial barriers as a reason for not continuing in college or university.

Access to post-secondary education is obviously a complex issue. Deep socioeconomic divisions within Canadian society ensure that thousands of students will not thrive in today’s school system. High tuition fees and the prospect of crushing student debt depress educational expectations further still and most evidence shows unequivocally that finances are the most important barrier.

Yet, the policy response to non-financial barriers from government and the Millennium Scholarship Foundation is an insult to the working poor and cynically manipulates the struggles of disadvantaged Canadian families. The federal Learning Bond and most “early intervention” programs are a blithe attempt to gloss over deep and fundamental inequities without any sincere vision for social change. At best, these programs help a handful of students without providing widespread relief. At worst, these programs are a cynical public relations stunt to foster the illusion that government cares for the less privileged while distracting Canadians from the urgent need to reduce tuition fees and other financial barriers to higher education.

MYTH:

“Higher tuition fees means higher quality.”

FACT:

This popular misconception has been peddled by college and university administrators who suggest that hiking tuition fees is the only “realistic” solution to the funding crisis facing colleges and universities.

Yet all historic and international evidence demonstrates that increasing tuition fees will neither improve the quality of higher education nor provide financial stability for public colleges and universities. In fact, the evidence demonstrates that while rising tuition fees contribute to burgeoning student debt and a host of new socio-economic problems associated with debt, there is no measurable improvement in the quality of education provided.

Perhaps the starkest example can be taken from the United Kingdom where tuition fees were only introduced in 1998. Within three years, it became clear that despite new user fees, the operating budgets of universities remained stagnant. In 2002-03 total per student funding from both government and tuition fees was lower than it was in 1996-97—the year before tuition fees were imposed.

In Ontario, the mid-1990’s was characterised by double-digit tuition fee increases yet the Progressive Conservative government withdrew \$400 million in funding for Ontario’s colleges and universities, exacerbating the crisis in quality and affordability at Ontario’s public institutions.

Rising tuition fees are symptomatic of government underfunding—not a cure. Wherever tuition fees are allowed to increase government simply withdraws a commensurate portion of public funding. In practice, the only factor that ever has or ever will determine the quality of higher education is the level of public funding government is prepared to invest.