

**MYTH
OR
FACT?**

*A guide to
common myths about
tuition fees*

MYTH

Canada cannot afford to reduce tuition fees. Everyone has to pay their part, especially students.

FACT

All budget expenditures are choices about priorities.

For example, about 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 per cent 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.

Let's take a look at some price tags of the government's priorities:

- Afghanistan mission: cumulative cost of \$13 billion
- Automotive industry bail-out: one-time cost of \$3.3 billion
- GST cut: annual cost of \$7.1 billion
- Corporate tax cut: annual cost of \$8.7 billion

So in relative terms, there is a lot of money being shuffled around on priorities that Canadians value less than public education.

Any discussion of the cost of a social program, such as education, 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 for post-secondary education.

We don't need to freeze or reduce tuition fees because that would mean helping out people who are wealthy, since they can afford to pay their tuition fees.

MYTH

FACT

Tuition fees are a flat tax that ignores a person's ability to pay. Progressive taxation is a fairer system.

Some people will claim that the driving force behind the latest reforms in Britain, Ontario, Manitoba and elsewhere, is the idea that reducing tuition fees benefits wealthier people more because they are generally over-represented in some post-secondary education institutions.

User fees in the form of tuition fees are a funding model for colleges and universities. In most provinces, fees make up about 40% of the operating revenue of your institution. Fees are paid cash for those who have it, lent to those who don't, and a sliver comes from cash that can be traced back to non-repayable financial assistance (grants).

Everyone pays the same tuition fee. Your source of cash may vary, but everybody pays the same fee. It is equivalent to a flat tax, the most regressive form of taxation. In fact it is worse, since poorer people aren't paying the same percentage of their income (flat). They are paying the same amount.

Where does government funding come from? It is, by and large, a mix of income tax, sales tax, and corporate tax. With the exception of sales tax, these government sources are far more progressive than user fees. Thus each tuition fee increase changes the ratio of progressive sources and regressive sources.

In other words, while it may be true that when fees go down, wealthier students fees also go down. In the larger picture, however, the redistributive role of taxation means that lower-income families still derive the greatest overall benefit from reducing tuition fees.

MYTH

Tuition fees are not harmful to lower-income students because they can get help from student financial assistance programs such as loans.

Student financial assistance in the form of loans is bankrupting a generation while up-front grants that are available don't increase at the same rate as tuition fees do.

This argument comes in many forms. During the 1990s when students faced double-digit fee increases, several Ministers mandated that a portion of revenue from fee increases would be used to create new student aid (often in the form of work or emergency loans).

There is no up-front grant offered anywhere in Canada that goes up by a 1:1 ratio with fees. Each fee increase depreciates the value of a grant, making it harder to meet other obligations, like rent, food, books, and transportation.

Moreover, 40 per cent of students with loans have un-met financial need.

The fact is that student debt in Canada grows \$440 million per year, net of repayment. If those who can't afford increases are being given grants, it stands to reason that this figure should be going down. The reality is that fee increases are not about the rich paying more; they are about everyone paying more.

Nevertheless, the false fee-aid dichotomy doesn't play out in the real world. Lower fees are generally accompanied by good student financial aid: as is the case in Quebec, Newfoundland & Labrador, and Manitoba.

FACT

Lower tuition fees do not improve access to post-secondary education. Quebec has among the lowest tuition fees in the country and has a low participation rate.

MYTH

FACT

Enrolment is not a proxy for access.

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. The change in the fees changes who is getting in, not necessarily how many and it has a lot to do with the accessibility of different types of post-secondary education.

For example, college fees in Québec are free and the province has, by far, the highest levels of participation at the college level. In addition, the freeze in Québec has ensured that Québécois have the lowest average debt in the country. It seems lost on those who argue for higher fees that low-income students in Québec 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 Québec would graduate with a debt of approximately \$10,000.

In addition to the Québec experience, other provinces have improved access by freezing or lowering tuition fees. The tuition fee freeze in Manitoba, along with a push by the province to increase enrolment, resulted in an increase 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, university enrolment has increased by close to 5%, at the same time as high school graduation rates were declining.

The impact of fee hikes in British Columbia tells a different story where enrolment at colleges is down. BC colleges have a proud record of serving low-income, rural communities, but in the face of tuition fee increases of more than 100% enrolment is down. Student debt for low-income students in BC has soared since tuition fees were deregulated.

Based on researcher Claire Callender's groundbreaking study on debt aversion, BC can expect that rising debt will exclude more and more 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.

This simply isn't true. There is a small average premium for degree- and diploma-holders, which is often exaggerated and glosses over workforce inequality. The vast majority of graduates will become average income earners, not millionaires in any way.

We can call this the “Return On Investment” argument. One of the most common myths perpetuated by university presidents is that university and college graduates—as a result of their degree or diploma—earn an extra one million dollars over their lifetime.

For starters, Hugh MacKenzie at the Canadian Centre for Policy Alternatives researched this number and found that it was arrived at by taking all of the average higher earnings that you would have earned in your working life, gave it to you at graduation, and let you earn interest on it for your life.

MacKenzie found that the real number is closer to \$40,000, and that is just an average. Many, many graduates never see that premium.

The Organisation for Economic Cooperation and Development (the rich countries club) agrees. In a recent report they said that the “premium” is about \$80,000 for men over their lifetime, and about \$40,000 for women over that of a high-school graduate.

Even still, the supposed return on investment is not borne equally by all college and university grads. Tens of thousands of students take on massive debt each year to pursue higher education. This debt reduces return on investment. People who never had to borrow will, perhaps by definition, see the greatest return on their investment. Those from more working class backgrounds pay back loans with compound interest. Women with loans face a wage gap in the workforce, as do other marginalized communities.

FACT

Tuition fees and other financial barriers are not that much of a barrier.

MYTH

FACT

As tuition fees go up, low-income students make up a smaller percentage of the population of the post-secondary education system.

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. The fact is this: access to post-secondary education is very complicated, and no two families have the same decision-making process. People know that the minimum credential to achieve a middle-class lifestyle is a post-secondary education, and as a result, many families are willing to take on incredible debt to achieve that dream. The presence of a heavily-marketed government loan program certainly mitigates a degree of the outright inability to raise the funds for university or college. Nevertheless, there is still some compelling evidence that money still matters when it comes to access to post-secondary education. For example, Canada has one of the smallest academic achievement gaps in the secondary school system.

In other words, there is a relatively small disparity in the academic achievement between high and low-income students in high school. Yet there is a 2:1 gap in participation in university between the wealthiest fifth and the poorest fifth. What happens between high school and post-secondary education? Surely, \$5,000 in user fees.

MYTH

If we reduce tuition fees, we have to expect a reduction of quality.

FACT

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 recent years many institutions have been increase tuition fees as they also cut back departmental budgets.

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.

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 first imposed in 1998. Within three years, it became clear that despite the addition of 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 in 1996-97, the year before tuition fees were introduced.

In Ontario, the mid-1990’s were characterised by double-digit tuition fee increases. At the same time, 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 to solve the problem. Wherever tuition fees are allowed to increase, governments simply withdraw an equal portion of public funding. In practice, the only factor that has ever or will ever determine the quality of higher education is the level of public funding that governments are prepared to invest.

