

2014 Federal Budget Submission

Thompson Rivers University Students' Union

About Thompson Rivers University Students' Union

The Thompson Rivers University Students' Union (TRUSU) is the membership organization of the over 10,000 students attending Thompson Rivers University in Kamloops, British Columbia. We are Local 15 of the Canadian Federation of Students, Canada's largest students' organization. Our members collectively provide advocacy, services and entertainment that contribute to universal access to, and a fulfilling experience in, the public post-secondary education system.

Executive Summary

This submission presents the priorities of the TRUSU for the 2015 federal budget, within the context outlined by the House of Commons Standing Committee on Finance. These priorities, in support of affordable, high quality post-secondary education, are priorities that provide a strong fiscal and economic base, support families, increase competitiveness, streamline taxation, and create better jobs.

Post-secondary education (PSE) plays a vital role in Canada's economic growth. Highly educated Canadians are the strongest revenue generators, and increasing access and completion rates in PSE supports a balanced federal budget. The most effective federal program to this end is the Canada Grants Program. By reinvesting the value of educational tax credits in the Canada Student Grants program, the federal government could assist more Canadians access and complete PSE, reduce economically stifling student debt, streamline taxation, and grow the tax base and the economy at little to no cost.

The Canada Health Transfer (CHT) and the Canada Social Transfer (CST) are central to assisting families and vulnerable Canadians. Unlike the CHT, the CST is not regulated and there is no mechanism to measure the return on investment. The creation of a Post-Secondary Education Act would ensure appropriate amounts and purposes of investments in PSE, and the creation of an organization to collect and analyze relevant data would inform further direction for this investment.

In regard to global competitiveness, the success of Canadian businesses requires Canada to invest in PSE research and innovation programs at levels competitive with the United States, Germany, and the Netherlands, who rank in the top ten for overall competitiveness.

Finally, a no cost option is available to the federal government to maximize the number and types of jobs for Canadians while improving employment rates for the largest segment of unemployed Canadians – youth. By amending the Canadian Labor Code to include interns, the federal government can create youth employment demand and convert unpaid interns into employed Canadians.

Balancing the federal budget to ensure fiscal sustainability and economic growth:

Investing in PSE is vital to future economic growth and financial sustainability of the country, as it is critical in developing a strong tax base.

PSE graduates are more likely to be employed and earn more in comparison to Canadians with less education. In 2011, employment rates for people 25-64 years of age with some level of PSE was 82%, while employment levels of their peers who did not have their high school diploma was 55%. The median Canadian wage in 2011 for people with a baccalaureate level credential or higher was \$67,519; for those with below a baccalaureate level credential it was \$49,039; for those with only a high school diploma it was \$42,814; and for those with less than high school it was \$37,000.

Greater earnings provide greater income tax contributions. In 2006, Canadians with university degrees made up only 22% of the population yet they contributed 41% of all income tax paid in Canada and received only 14% of all government transfers. Post-secondary graduates not only pay the largest percentage of income tax but they have the largest difference between income tax paid and government transfers received. For this reason people with post secondary education are the strongest revenue generators economically.

In order to grow the economy and in turn the tax base, government should increase the number of Canadians who both access and complete some level of post-secondary education. The Canada Student Grants Program provides upfront support for access to post-secondary education, but currently has only enough funding to remove barriers for 10% of all Canadians enrolled in post-secondary education. Increasing funding to the Canada Grants Program will increase access to post-secondary education and increase earnings, leading to economic growth and a growing tax base.

Recommendation:

1. Increase funding to the Canada Students Grants Program

Supporting families and helping vulnerable Canadians by focusing on health, education and training:

The federal government demonstrates a commitment to supporting families and helping vulnerable Canadians through the Canadian Health Transfer (CHT) and the Canadian Social Transfer (CST), the latter providing for education and training.

The Canada Health Act establishes service criteria provinces must meet in order to receive the full federal cash contribution through the CHT. Further, the Canadian Institute for Health Information has a mandate to lead the development of health information to enable policies to improve health and health care. These measures help to ensure the \$32 billion in the 2014-2015 CHT is invested in the best possible

way. It also ensures that policies and decisions affecting the CHT are grounded in accurate and up to date information.

The CST provides funding to multiple social services including post-secondary education, social assistance, early childhood development, and early learning childcare organizations. In the 2014-2015 year the transfer will divide \$12.5 billion between provinces and territories. However, unlike the CHT there is no legislation ensuring the cash transfer is invested appropriately among all social services. For example in 2008, British Columbia received a \$110 million increase to the CST but cut funding to post-secondary education by \$50 million. In addition, there is no organization that collects and develops information on social programs ensuring the provinces and territories are maximizing the return to Canadians.

The creation and implementation of policies stipulating service criteria for the CST will ensure residents of Canada will have access to applicable social services without financial barriers. The creation of an organization devoted to collecting information and working with decision makers at both the federal and provincial level will ensure the CST is best supporting families and helping vulnerable Canadians.

Recommendation

1. Develop a Post-Secondary Education Act in cooperation with provinces and territories
2. Create an organization with the mandate to collect information relating to the CST

Increasing the competitiveness of Canadian businesses through research, development, innovation, and commercialization

According to the 2012/13 World Economic Forum's Global Competitiveness report, Canada ranked 14th amongst 70 countries in global competitiveness. Countries receive a ranking based on how they perform in three areas: basic requirements, efficiency enhancers, and innovation and sophistication. Canada has room for significant improvement in the innovation and sophistication pillar, on which it ranked 25th. Ensuring Canada is investing competitively in PSE research will dramatically improve Canada's innovation and sophistication score, resulting in increased global competitiveness of Canadian business.

In 2012, Canada invested \$2.4 billion in PSE research programs. However, this investment equals 17% of the average investments made to PSE research by countries such as United States, Germany and the Netherlands, that ranked in the top ten for overall competitiveness and innovation and sophistication. Recognizing the importance of funding PSE research, the federal government allocated \$46 million to the Granting Councils and created the Canada First Research Grant with \$1.5 billion over the next decade. However, even with these contributions, Canada continues to invest less than 20% of the funds that highly competitive countries do.

For Canada to be competitive through research, innovation, and commercialization the federal government has to invest competitively in higher education research.

Recommendation:

1. Increase funding to post-secondary research programs

Improving Canada's taxation and regulatory regimes

The federal government could improve the tax system, reduce financial barriers to PSE, and streamline the way Canadian students are supported by transferring the value of education tax credits and savings schemes to the Canada Student Grants Program, reducing demand on the Canada Student Loan Program.

In the 2011/12 academic year there were approximately 1.99 million students enrolled in post-secondary education across Canada, with the average annual tuition cost of \$5,146 per student. Altogether, students paid just over \$10 billion in tuition fees. The increasing cost of post-secondary education is the number one barrier Canadians face when attempting to attain PSE.

Statistics Canada reports that students from low-income families are less than half as likely to participate in university than those from high-income families. Tax credits and saving schemes are ineffective, as they do not improve the participation rates of Canadians who cannot afford the upfront cost of tuition fees.

Currently, the federal government assists with these upfront costs by lending 2.4 billion dollars through the Canada Student Loan program. Unfortunately, there is a direct negative relationship between levels of student debt and completion rates. A student borrowing \$10,000 annually is almost 40% more likely to drop out compared to a student borrowing less than \$1000 annually.

The most effective means of supporting access to PSE is the Canada Student Grants Program. By reallocating a fraction of the annual amount of education tax credits claimed to the Canada Student Grants Program, the federal government could effectively address the upfront cost of every student and reduce need for the Canada Student Loan Program.

Recommendation:

1. Transfer the value of educational tax credits and saving schemes to the Canada Student Grants Program

Maximizing the number and types of jobs for Canadians

Unemployment rates among Canadian youth are twice as high as the general population. At the beginning of 2014 there were an estimated 384,300 unemployed people between the ages of 20-29. A Canada 2020 policy paper states that youth unemployment and underemployment presents a significant economic challenge, undermining the strength and quality of Canada's human capital and underutilizing our work force.

While the current budget committed to reallocate \$30 million over the next two years and to invest an additional \$20 million for each of the next two years to

internship programs, this will assist only 3,000 young Canadians transition from PSE into the work force. At the same time, it is estimated that 100,000 to 300,000 young people are working in unpaid and unregulated internships across Canada.

By amending the Canadian Labor Code and regulations to include internships it is possible for the federal government to create employment demand and convert unpaid interns into employed Canadians. Paid internships will equip Canadians with the practical and technical skills they need to succeed while simultaneously connecting them directly to the labor market and producing tax-paying citizens. This requires no additional financial commitment and will maximize the number and types of jobs available for the largest segment of unemployed Canadians.

Recommendation:

1. Amend the Canadian Labor Code to include interns

Summary of Recommendations

1. Develop a Post-Secondary Education Act in cooperation with provinces and territories
2. Create an organization with the mandate to collect information relating to the Canada Social Transfer
3. Increase funding to post-secondary research programs
4. Transfer the value of educational tax credits and saving schemes to the Canada Student Grants Program
5. Amend the Canadian Labor Code to include interns

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