

Progress Report to the Standing Committee on Public Accounts: Consultations with Stakeholders on the Costs and Benefits of Mandatory Training for Student Loan Applicants and Recipients

REQUEST

On April 4, 2022, the Chair of the Standing Committee on Public Accounts wrote to the Deputy Minister of Employment and Social Development Canada (ESDC), requesting an updated status of the Department's assessment of the costs and benefits of mandatory training for borrowers and for those who are scheduled to begin repayment of their student loans.

CONTEXT

In February 2021, the Standing Committee on Public Accounts produced a report on Student Financial Assistance, which included the following recommendation:

“Recommendation 4 – on financial literacy: That, by 31 May 2021, Employment and Social Development Canada provide the House of Commons Standing Committee on Public Accounts with a report outlining its progress on A) making all the financial information needed by loan recipients in the Canada Student Loans Program available on the web portal of the National Student Loans Service Centre; and B) consulting with stakeholders about the costs and benefits of mandatory training for student loan applicants before loans are provided and for student loan recipients who abandon or complete their studies.”

This recommendation stems from the committee's study of the Office of the Auditor General of Canada's spring 2020 report on Student Financial Assistance, which included the same recommendation.

On May 31, 2021, the Honourable Carla Qualtrough, Minister of Employment, Workforce Development and Disability Inclusion, provided a written response in lieu of the progress report requested by the Committee. With respect to the recommendation related to mandatory training (Recommendation 4B), the response indicated that ESDC had begun consulting with stakeholders to better understand the perspectives of stakeholders on mandatory training modules for students. It also indicated that, going forward, work would include an assessment of the costs and benefits of implementing a mandatory training module.

PROGRESS REPORT

ESDC recognizes the importance of ensuring Canadians have access to tools and information to make informed decisions about post-secondary education. This includes providing access to effective, relevant financial literacy tools to support students in

making informed decisions throughout their post-secondary journey, and into repayment.

Summary of Consultations

Over the last year, ESDC has engaged with key partners and stakeholders to inform an assessment of the costs and benefits of implementing mandatory financial literacy training.

All provinces and territories (PTs) offer student financial aid, and 10 PTs partner with ESDC to deliver the Canada Student Financial Assistance program. Their views are therefore essential to informing the way forward. A federal-provincial-territorial Financial Literacy Committee (FLC) was created in early 2021 to provide a forum for ESDC and PTs to exchange information and best practices on financial literacy for post-secondary students, and to advance initiatives of mutual interest. The FLC has held several meetings since February 2021 to discuss a range of topics related to financial literacy, including the proposal for mandatory training.

ESDC also consulted with key stakeholders, such as post-secondary student advocacy groups and the Canadian Association of Student Financial Aid Administrators, among others, in the summer and fall of 2021. These consultations were useful in understanding the lived experience of students as it relates to mandatory training. ESDC also engaged with the Financial Consumer Agency of Canada (FCAC), given its broad expertise in the field of financial literacy.

Overall, there was **broad support** for enhancing financial literacy for students, and in increasing awareness of student financial assistance. There was a recognition that financial literacy training can yield significant benefits for students, such as increasing borrowers knowledge and confidence to help them make sound financial decisions. At the same time, it was noted that there are existing tools available (e.g. some elementary/high school students have access to supports), but that access varies across the country. As a result, careful consideration regarding the scope of mandatory training is important, with a view to **complementing existing supports** and avoiding duplication and confusion.

Concerns were also flagged about the potential **barrier** that mandatory training could create for prospective students. Creating a legal requirement to take training in order to receive student loans and grants could be seen as excessive, and could dis-incentivize some individuals from pursuing a post-secondary education; especially the most disadvantaged, who may already be reluctant to seek such assistance. It was noted that training should be designed and implemented in a manner that would support students from all walks of life, and be accessible for students with disabilities.

In addition, questions were raised about the potential **effectiveness** of mandatory training on informing decision-making, including the appropriate timing for training. And with respect to repayment, concerns were raised about the ability to enforce the

requirement to take training after a student has already received their loans and grants. It was noted that there was limited evidence on the effectiveness of mandatory financial literacy training for post-secondary students in the Canadian context. However, there was also strong support for testing innovative approaches to client-centred financial literacy training, with a view to helping students in their decision-making.

Feasibility Study

In response to the benefits and risks raised by stakeholders, as well as internal analysis, ESDC is working in close collaboration with the FCAC, in consultation with PTs, on a feasibility study. The objective of the study is to test how to implement financial literacy training in a way that increases knowledge and influences behaviour towards improved outcomes (e.g. increased financial knowledge among borrowers, increased borrower engagement with program supports, reduced delinquency/default rates, better repayment outcomes). The study will provide an opportunity to assess the extent to which some of the concerns flagged through the consultation phase emerge, and to what extent the design of the training module can be adapted to mitigate these issues and improve effectiveness. Importantly, the feasibility study will provide an opportunity to evaluate the potential impact and effectiveness of mandatory financial literacy training, prior to recommending any kind of national implementation, to ensure it provides a return-on-investment and tangible benefits.

As part of the work to develop the feasibility study, ESDC is also assessing implementation considerations, including potential legislative/regulatory requirements. For example, making training a mandatory condition to receive student financial assistance could require legislative changes by the federal government, as well as by participating PTs, who are responsible for the application and assessment of federal and PT student financial assistance.

Conclusion

Per the Committee's recommendation, ESDC has **successfully completed consultations** with stakeholders about the costs and benefits of financial literacy mandatory training. These consultations support ESDC's assessment of mandatory training as having the potential to increase the financial literacy of students, but for which further evidence on effectiveness and analysis of implementation options is required. ESDC will work with key partners to undertake a feasibility study on the potential for mandatory financial literacy training for post-secondary students, with a view to providing an evidence base to inform next steps.