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Canadian Federation of
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**SUBMISSION TO THE
HOUSE OF COMMONS
STANDING COMMITTEE ON FINANCE
2004**

National Professional Association Coalition on Tuition



Mister Chair and Distinguished Members of the House of Commons Standing Committee on Finance,

Members of the **National Professional Association Coalition on Tuition** thank you for giving us the opportunity to present to you our views on Canada's fiscal priorities with regard to post secondary education, and professional programs in particular. The annual consultations undertaken by this Committee are, in our opinion, an essential venue for engaging stakeholder input to key social and economic issues that affect the daily lives of Canadians, as well as the prosperity of our country.

First, we would like to recognize the federal government's commitment to new and enhanced strategies relating to post secondary education, as announced in the 2004 budget. We welcome any initiatives that may help promote access to a post secondary education for Canadians; ease the burden of saving for and pursuing a post secondary education; and reduce the debt burden of students and new graduates. We believe, however, that these strategies are insufficient to meet the needs of students and families who are struggling to bear the high cost of a post secondary education. Additionally, we were disappointed that there was no commitment to increase funding transfers to the provinces for post secondary education. The allocation of additional funding is the primary recommendation we bring to you today. We see this as a fundamental component in promoting accessible, affordable, and quality post secondary education for Canadians.

I am pleased to make this presentation to you again this year on behalf of 9 national organizations – a diverse range professional associations, and others. We have united in this Coalition out of shared, substantial concern about the potential effects of high tuition fees and excessive student debt on *access to a professional education* as well as, ultimately, the *availability of professional services* to the Canadian public. We believe that decreased and insufficient federal government funding has been a key factor that has led to the escalation of tuition fees in many jurisdictions. This is a priority issue that needs your attention, particularly since the importance of promoting the knowledge economy, and ensuring access to a post secondary education, are key objectives the federal government has already identified.¹

¹ Canada's Innovation Strategy, Government of Canada.

Cost of a Professional Education Relative to Net Family Income

According to data from Statistics Canada, the average student in a second-entry program, such as medicine, dentistry or law, is *entering* these programs with debt of \$32 200² or more that has been accumulated from a *prerequisite* undergraduate degree. These students then face annual tuition fees of \$10 000 and higher, which are the norm for many professional programs across the country.

It is important to note that research from the Canada Millennium Scholarship Foundation found that, "the older students are, the less likely they are to receive financial support from their family."³ This describes many professional program students, particularly those in second-entry or extended post secondary studies, who may be older than students enrolled in shorter-term programs.

Many professional program students cannot, therefore, rely on financial assistance from their families. This is not surprising. Financing a \$10 000 annual tuition fee equates to \$833 per month over 12 months and represents 15% of the average Canadian family's after-tax monthly income, and 33% of the national average income for a single parent female.⁴ After paying for housing, food, transportation and other basic living expenses, it is unlikely that the average Canadian family would be able to set aside an extra \$833 per month of their after-tax income towards their child's post secondary professional education, or even half that amount.

It is important to realize that this \$10 000 tuition financing scenario does *not* include mandatory school-related expenses such as books and supplies, or basic living costs, which can be particularly high if a student must attend school away from home. In fact, Human Resources Development Canada estimates these expenses alone total \$11 780⁵ or more, bringing the actual cost for one academic year to at least \$22 000 for many professional program students. As a consequence, the monthly expense amount for families would actually be *more than double* the \$833 estimate already provided. For those millions of Canadian families who may have one or more children planning to attend or currently enrolled in post secondary studies, the savings would need to double or triple, as the case may be.

² Statistics Canada, The Daily, April 26, 2004, National Graduates Survey: Student Debt, p. 3. Debt is from both government and non-government sources.

³ Sean Junor and Alexander Usher, Canada Millennium Scholarship Foundation. *The Price of Knowledge: Access and Student Finance in Canada*. First Edition 2002. Student Costs and Resources. see: <http://www.millenniumscholarships.ca/factbook/en/student.html>

⁴ Based on 2002 data (most recent available). Statistics Canada, The Daily, May 20, 2004, Family Income 2002. The national average after tax monthly income for 2 parent families with children is \$67 700 per annum (or \$5 641 per month), and \$30 800 (or \$2 566 per month) for female single parent families. See <http://www.statcan.ca/Daily/English/040520/d040520b.htm>

High Student Debt Exacerbated by Private Loan Debt

As a result of these high costs, as well as insufficient grants and scholarships, many of today's professional program students are being forced to finance their education on their own, and through excessive debt. They are also relying on private loan sources, such as lines of credit, to meet the need that government loans *don't*. For example, for those students who are eligible to receive a Canada Student Loan, the maximum amount available⁶ does not cover the basic tuition cost for many professional programs. According to a 2003 report commissioned by the Canadian Millennium Scholarship Foundation, in cases such as these, where students' costs have exceeded assistance limits, this has resulted in "a [student aid] program bias against high need students"⁷. In light of these factors, students are compelled to seek loans from other sources, which further exacerbates their debt.

Tuition Fee Increases Higher than Rate of Inflation and Increases in Professional Income

Unfortunately, tuition fees continue to rise more rapidly than the general rate of inflation. Statistics Canada's June 2004 release on the consumer price index notes that, "the 8.1% increase in tuition fees continues to be one of the important factors impacting the 12-month increase in the CPI."⁸

The income for professional groups has not been increasing at the same rate as tuition fees. For example, tuition fees in undergraduate programs in medicine in Ontario *more than quadrupled* over an 8-year period, from an average of \$3 430 in 1995-96 to \$14 543 in 2003-04⁹. The net income for postgraduate trainees¹⁰ and physicians' net income has neither tripled nor quadrupled over the same 8-year period, making it substantially more difficult now, than in the past, to pay off school-related debt.

⁵ Government of Canada, Canlearn. Saving for your child's education, The projected cost of your child's Education. University Tuition. Typical 1996 university cost living away from home: \$13 000 - \$3500 tuition = \$9500 x 24% (8 years x 3% inflation cited in reference above) = \$11 780. see: <http://www.canlearn.ca/financing/saving/guaranteefuture/clcos.cfm?langcanlearn=en>

⁶ The maximum Canada Student Loan amount available during the 2003-2004 academic school year was \$9 350. Although the maximum amount will increase to \$10 880 as announced in the 2003 federal budget, this will still not be sufficient to cover the annual tuition fee and compulsory fees for many professional programs.

⁷ Fred Hemingway Consulting (for the Canadian Millennium Scholarship Foundation). Assessing Canada's Student Aid Need Assessment Policies, March 2003. see <http://www.millenniumscholarships.ca/en/research/archive/>

⁸ Statistics Canada, Latest release from the Consumer Price Index, Friday, July 16, 2004. see <http://www.statcan.ca/english/Subjects/Cpi/cpi-en.htm>

⁹ The fees reported here are first year tuition fees for Canadian citizens and permanent residents/landed immigrants occupying regular quota places. Data source: Association of Canadian Medical Colleges.

¹⁰For medical students, repayment of government student loan debt begins 6 months after graduation and continues during postgraduate training (also known as residency).

Effects of High Tuition Fees and Excessive Debt on Public Access to Professional Services

In addition to the enormous personal stress that high debt places on students, there are implications for society as well. Ultimately, high tuition fees and exorbitant student debt may erode efforts to ensure that Canada's professionals reflect the diverse society that it serves. They may also perpetuate exclusivity among professions such as law, in which the current composition is already extensively homogeneous¹¹.

Excessive levels of debt are influencing some graduates' career choices in favour of the most lucrative opportunities. For example, many law graduates are pursuing corporate law over human rights law, and increasing numbers of medical graduates both in Canada and the U.S. are forsaking Family Medicine for higher-paying specialties.^{12,13,14} In addition, a study published in the *Canadian Medical Association Journal* found that, compared with 4th year medical Ontario students, first year students (i.e., those hit hardest by significant tuition fee increases) were more likely to cite financial considerations as having a **major influence** on specialty choice or practice location.¹⁵ Furthermore, results from a B.C. survey of new RN graduates found that 80% had accumulated debt ranging from \$5,000 to \$50,000, and that debt had impacted some graduates' decisions to leave the province for financial incentives offered elsewhere.¹⁶

New graduates tell us of substantial financial incentives in the U.S. that will alleviate or eliminate their debt altogether, or corporate opportunities in urban centers with similar financial offerings. A recent study of Ontario law students found that "students' first priority in their job search is pay, with students "overwhelmingly [reporting] that they are seeking high paying corporate jobs in numbers disproportionate to positions available."¹⁷ This situation may intensify as increasing numbers of students across the country graduate with overwhelming levels of debt. As a

¹¹ Canadian Bar Association. Response to the Provost Study of Accessibility and Career Choice in the University of Toronto Faculty of Law. April 2003. see <http://www.cba.org/CBA/Equality/Equality/Tuition%20Fees.asp>

¹² Twenty-nine Family Medicine residency positions were unfilled in 2004 after the 2nd iteration of the match, compared to 23 in 2003. Canadian Resident Matching Service. see: www.carms.ca

¹³ Josefson, D. Applications to US medical schools fall for fourth year. 323 (7313):592, British Medical Journal, September 2001. also see www.bmj.com.

¹⁴ Adams, Damon. School debt helps drive medical students into specialty matches. April 7, 2003. Amednews.com. see <http://www.ama-assn.org/amednews/2003/04/07/prsb0407.htm>

¹⁵ Kwong et al. Effects of rising tuition fees on medical school class composition and financial outlook. Canadian Medical Association Journal. April 16, 2002

¹⁶ According to the Canadian Nurses Association. Source cited: Registered Nurses Association of British Columbia, December 2003.

¹⁷ Money, Jobs And Fear: Tuition Report From the Ontario Bar Association Student Division, October 1, 2002. see <http://www.cbao.org/en/pdf/tuitionreport.pdf>

consequence, we may see the availability of some professional specialties become increasingly scarce, and rural and remote communities' access to professional services, deteriorate. This issue is crucial when one considers the current human resource shortages in a number of professions, such as the health sector, and their impact on services provided to the Canadian public, particularly in rural or remote areas. It is also critically important in the practice of law, as large firms are located in large urban areas. As such, there may be small cities and rural areas that will have limited or no access to lawyers. According to the Canadian Bar Association, this may, in turn, have serious implications for individuals in those communities in terms of their ability to have access to justice.

Summary and Recommendations

A professional education must be affordable if we ever expect to reach the goal of "access". It must not be a luxury item that can be afforded only by an elite segment of society. Nor should it be an opportunity that, for the average Canadian family or individual, can be pursued only through the acquisition of enormous debt. Additionally, the burden of repayment must not be excessive or influence the *kind of specialty* a professional chooses to practice, and *where*, such as the U.S. versus Canada, or urban areas versus rural and remote communities.

In closing, members of NPACT urge the federal government to demonstrate leadership on this matter, and work with the provinces and post secondary institutions on a priority basis to:

- increase federal transfer payments targeted for post secondary education in order to alleviate the pressures driving tuition fee increases; and
- increase the availability of grants and scholarships for professional program students.

Thank you for the privilege of speaking to you today.