

School of Public Policy & Governance

UNIVERSITY OF TORONTO

Challenges in university financing and accessibility in Ontario

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Overcoming financial obstacles to university
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Purpose

It is a pleasure to participate in this Town Hall meeting on overcoming financial obstacles to university. I am pleased to share the Panel with Pam Frache, education director for the Ontario Federation of Labour, Katherine Giroux-Bougard, national chairperson of the Canadian Federation of Students, and Ken Norrie, vice-president of research at the Higher Education Quality Council of Ontario.

I thought that the most useful, if perhaps discouraging, thing I could do in my remarks today is to set out some of the interrelated challenges that any university president, higher education minister, or Premier will have to take into account as they reflect on the ideas that come out of forums like ours today. I will draw substantially on the work that Greg Moran, Michael Skolnik, David Trick and I have been doing in a study of the evolution of Ontario higher education sponsored by the Higher Education Quality Council of Ontario. Our study is due to be published as a book by McGill-Queen's Press later this year¹ and because we are still refining the numbers I will use rounded figures in my comments today.

Our main story line is that society is making two persistent demands on institutions of higher education which, given the reality of limited resources, are transforming Ontario's postsecondary system. The first demand is to accommodate substantial increases in overall participation in higher education, particularly to baccalaureate programs, and to enhance accessibility for members of groups that historically have been under-represented. The second

¹ *The Transformation of Ontario's Postsecondary Education System*, by Ian Clark, Greg Moran, Michael Skolnik, and David Trick, Queen's Policy Studies, McGill-Queen's University Press, 2009

is to accelerate the pace of knowledge production, particularly of knowledge that may have commercial value and that will enhance Ontario's international economic competitiveness.

I will focus on the three challenges most relevant to our topic today: that of financing the system; that of improving access for traditionally under-represented groups; and that of building capacity to accommodate the dramatic enrolment increase projected for the Greater Toronto Area.

I realize that some in the room will find my focus frustrating because it will imply that there are no easy answers. Furthermore, because I am defining access in terms of increased university participation without reference to student outlays and debt, I will not be addressing the very real challenges that individual students face in financing their university education once they have gained access to it.

If we use overall participation rates as the indicator of access, the system has performed well to date. Ontario institutions have done a remarkable job in accommodating the dramatic increase in the number of young people wanting to go to university. Enrolment in Ontario's universities, measured in full-time equivalents (FTEs), has grown from fewer than 100,000 in the late 1960s to almost 400,000 today. Over the last four decades, university enrolment has increased faster in Ontario, and particularly in the Greater Toronto Area, than in almost any other part of North America.

The financing challenge

But this has led to a huge financing challenge. Government funding has not kept up with the enrolment growth. Using 2007 dollars, the Government of Ontario's contribution declined from almost \$11,000 per FTE in the mid 1980s to just over \$7,000 in the mid-years of this decade. As is painfully apparent to all of us in this room, at the same time as government funding per student declined, the student contribution from tuition and mandatory fees increased, from a little over \$2,000 in the mid-1980s to over \$6,000 in the mid-years of this decade (again, all in 2007 dollars).

Ontario funding per student has been among the lowest of the ten provinces during most of the last three decades and Ontario student fees are now among the highest. I spent nine years working with university presidents, sometimes in alliance with student groups, advocating for increases in per student funding by the provincial government. I will admit that we were less than completely successful. But as we think about solutions for the future we should not forget the pressures on the Ontario government from other societal needs, particularly in a period of decline in many of the province's traditional economic sectors, and in the face of federal-provincial arrangements which redistribute funds from Ontario taxpayers to other provinces.

We should remember, for example, that in the 2005 budget when Premier McGuinty's government added substantial funding to universities and students through the Ministry of Training, Colleges and Universities, most of the other ministries in the government had their budgets frozen or reduced.

It is not just students who have been feeling the financial pinch. Virtually all Ontario university administrators feel that their budgets have become more and more squeezed. Most of them will be surprised that our study has found that the increase in student contribution has essentially matched the decline in government contribution so that total funding per student has been roughly constant for two decades at around \$13,000 per year in 2007 dollars.

Why have discretionary budgets tightened and faculty-student ratios declined during a period of roughly constant real resources?

The first reason has to do with price. University expenses have been rising faster than the Consumer Price Index (CPI). This includes compensation, which accounts for roughly 70% of university budgets and also most of the other costs such as books, periodicals and utilities. Ontario universities publish a non-salary price index showing an increase by 69.5 per cent from 1986-87 to 2003-04, compared with a 55.0 per cent increase in CPI.

The second reason has to do with additional volume of activity. A good example is information technology, which has transformed services such as registration, libraries, payment processing and human resource administration. But, contrary to some expectations, educational applications of information technology have led to cost increases rather than savings. The prospect that teaching and student learning would in some fashion be automated has not materialized. Technology-supported learning has proven to be costly both in terms of technology and human resources to maintain technical infrastructure and to develop and sustain educational applications.

Another example is debt servicing. Since 2000 there has been a substantial expansion in university physical plant to accommodate higher enrolments, increased research activities and other needs. Capital debt repayment and interest charges have grown from \$72 million in 2000-01 to \$169 million in 2006-07 – in other words, from one per cent to almost two per cent of total operating revenues from all sources.²

And then there is what might be called the “cost of complexity.” In the past two decades, the increased complexity of university activities has added costs in areas such as recruiting of students and faculty, internally-funded scholarships and student aid, fund-raising and

² <http://data.cou.ca/> accessed November 10, 2008.

development, alumni relations, internationalization of research and education, and internal and external research services including industry liaison.

These new and expanded activities all require resources and many require time from teaching faculty. These additional institutional demands plus the increased demands related to research have reduced the hours per year that faculty spend on teaching.

The challenge of improving accessibility for traditionally under-represented groups

Let me now turn to the challenge of increasing accessibility for traditionally under-represented groups. As noted at the outset, the enrolment rates in Ontario (particularly if one includes college enrolments), suggest that Ontario is better at providing access to higher education than most other jurisdictions.

But I imagine everyone in this room would like to see accessibility to postsecondary education improved. We believe that higher education – whether it leads to a degree, a diploma, or certification in a skilled trade – is becoming essential to economic security. While higher education offers no guarantees, a student who completes a postsecondary credential is statistically more likely to gain employment that is relatively stable, relatively well-paying and more likely to lead to career advancement, compared with a student who enters the labour market directly from secondary school.

The accessibility challenge in Ontario, as in other jurisdictions, is most glaring for young people from families falling in the lower ranges of family income, and from families where the parents did not attend postsecondary education. In 2001, children from families earning more than \$100,000 were about two-and-one-half times as likely to attend university as children from families with annual incomes of less than \$25,000.³ The income-related gap in university participation was essentially unaltered between 1993 and 2001 in spite of substantial increases in overall enrolment in Canada's universities.⁴

The main accessibility challenge for Ontario is to provide the policy supports that will increase university participation by students from traditionally under-represented groups – including students with low or moderate family incomes, students from families with no history of attending higher education, First Nations students, students with disabilities, and others. For individuals from historically disadvantaged groups, and for individuals whose families are new to Canada, higher education may be the surest step to full participation in mainstream

³ Berger, J., Motte, A. & Parkin, A. (2007). *The price of knowledge 2007*. Montreal, Quebec: Canada Millennium Scholarship Foundation.

⁴ Drolet, M. (2005). *Participation in Postsecondary Education in Canada: Has the Role of Parental Income and Education Changed over the 1990s?* Ottawa: Statistics Canada Catalogue No. 11F0019MIE No. 243, p. 30.

economic, social and political institutions. For governments whose economic strategies depend on increasing the share of workers whose skills and abilities can attract well-paying employers and investors, expanding higher education to include non-traditional groups is essential to success.

Overcoming the barriers to participation in these under-represented groups will require expanding the capacity of postsecondary institutions to accommodate them. But it will also require new responses from universities combined with government initiatives necessary to address students' interest in and preparation for higher education.

Studies taking into account a broader range of factors suggest that non-financial factors account for fully 84 per cent of the gap in university attendance between children from families in the highest income quartile and those in the lowest.⁵⁶ These factors include quality of high schools, school grades at age 15, academic performance on standard tests, whether the student has discussed or planned for higher education, and parental encouragement.

There is evidence that, for a minority of students, substantial annual increases in tuition discourage enrolment. These impacts would be stronger were it not for the effect of government financial aid programs.⁷ The impacts are not confined to low-income students, but may be felt by middle-income students in the absence of adequate financial aid – as has been found, for example, during the period of rapid increases in tuition associated with the deregulation of professional programs in Ontario in the late 1990s.⁸

These findings suggest some of the complexities in understanding and improving participation among young people from low- and moderate-income families. Financial and non-financial factors are not easily disaggregated, and they affect students over a period of many years. Many of the non-financial factors cited as being the greatest deterrents to university attendance by children from lower income families have financial origins. Each of these variables is, at least in

⁵ Frenette, Marc (2007). *Why Are Youth from Lower-income Families Less Likely to Attend University? Evidence from Academic Abilities, Parental Influences, and Financial Constraints*. Ottawa: Statistics Canada.

⁶ A second independent analysis by Johnson (2008) of data from the same survey came to parallel conclusions regarding the relative importance of factors other than finance in impeding access. See also Berger, Motte and Parkin (2007).

⁷ Johnson, David (2008). *How is variation in tuition across Canadian provinces related to university participation in the Youth-in-Transition Survey? Working Paper 2005-09 EC*. Department of Economics, Wilfrid Laurier University. See also Johnson, David, and Fiona Rahman (2005). *The Role of Economic Factors, Including the Level of Tuition, in Individual University Participation Decisions in Canada*.

⁸ Frenette, op cit.

part, likely to have roots in the relative financial disadvantages of the family but at a time much earlier than the age at which decisions are made to attend university.

The challenge of expanding capacity in the GTA

The third challenge is that of expanding the number of undergraduate places in the Greater Toronto Area. The demographic outlook in the GTA is sharply different from that in the rest of the province. Fuelled by continued high levels of immigration, the number of young people in the GTA is expected to grow almost continuously over the period to 2021. In the rest of Ontario, the number of young people will grow modestly to 2014 and then decline. By 2021, there will likely be more people age 18-24 in the GTA than in the rest of the province combined. In addition, there will be growth from rising participation rates. University participation rates have been on a continuous upward trend since the early 1950s, with only a few short-lived pauses. If participation rates continued to rise in accordance with this long-term trend undergraduate enrolment in 2021 could be up to 100,000 higher than the 354,000 FTEs in 2007, and that the bulk of the increase will be from students residing in the GTA. These numbers are consistent with Ryerson University's estimate of an increase in students wanting to attend university in the GTA of up to 65,000 students and University of Toronto *Towards 2030* report's "conservative estimate" of 40,000 new places by that year.⁹

In other words, accommodating the demand for additional spaces in the GTA could require the equivalent of another U of T. It will be a huge challenge because all of the existing universities and most of the colleges have grown substantially since the late 1990s. All face shortages of space and, in some cases, shortages of developable land.

Conclusion

To conclude, the Ontario postsecondary education system faces enormous challenges in the coming years that are interrelated in complex ways. There are unlikely to be simple solutions. Meeting the challenges will require the collective work of many actors including consultative efforts like the one we are engaged in today.

Thank you.

⁹ Ryerson University has estimated that the number of students wanting to attend university in the Greater Toronto Area (GTA) may be 34 to 49 percent higher in 2021 than it is today" (Ryerson University, *Consultation Paper: Leading toward Ryerson University's Academic Plan: 2008-2013*, 2008) – equivalent to an increase of 36,000 to 65,000 students. A University of Toronto report says that, "The Government of Ontario expects growth in demand for undergraduate university places to be especially intense in the Toronto region. Conservative projections call for 40,000 new places in Toronto" (*Towards 2030 Synthesis Report*, 2008, 7.)