**NDP - Liberal Deal on Tuition Reduction**

It was revealed late last night that the NDP had demanded and received a promise of increased transfer payments for post-secondary education in return for propping up the Liberals in the upcoming budget vote. However, because the funding is meant to be conditional on provinces reducing their tuition fees by ten percent, the deal seems more likely to be the source of a federal-provincial showdown than the source of lower tuitions for students.

While some of the smaller provinces may accept the deal, it seems unlikely that any of the large provinces will accept the strings proposed by the New Democrats. Neither Quebec nor Alberta are likely to tolerate federal influence on tuition policy; Ontario and BC will likely say they have other spending priorities within post-secondary education (quality and system expansion, respectively.) Since a transfer program that excludes the country’s four largest provinces (and over eighty per cent of its citizens) is unlikely to be politically viable, it is difficult to see how this “deal” will ever be actualized to bear practical fruit.

But the deal also raises a host of other questions, including:

1. If the provinces reject the offer, what happens to the NDP-Liberal deal? Is Layton’s support contingent on provinces accepting the deal, and if so, does this place Martin’s fate in the hands of Messrs. Charest, McGuinty, Klein and Campbell?

2. Are provinces free to cut a deal this year and then raise tuition again by, say, 15% next year? If so, what is this deal really worth?

3. If this is meant to be a multi-year, then where is the 5-10% escalator required to compensate provinces and institutions for increased labour costs and system expansion? Would provinces and institutions be expected to absorb this cost? At one level, this is a laudable deal; $1.5 billion for post-secondary education is always good news.

However, the practical upshot of this specific proposal is that the majority (over 60%) of the money will end up in the hands of families with above-median incomes, and institutions themselves will not receive any new money. Leave aside for a moment the fact increasing the disposable income of upper-income families is an odd cause for the NDP to champion: Is a 10% tuition reduction really the best use of $1.5 billion? Among the things this money could buy in higher education are:

1. A targeted grant program to low-income students that would make tuition effectively free for everyone with family incomes under $50,000.

...continued overleaf
Feature

2. The creation of 100,000 new university spaces nationwide
3. The creation of 200,000 new college spaces nationwide
4. Doubling the budgets of the three granting councils
5. The elimination of the deferred maintenance problem at Canadian universities

In a world of sensible policy-making, these pressing priority alternatives would at least have got a hearing. Unfortunately, in today’s frantic deal-making environment in Ottawa, the siren call of middle-class welfare seems to have won the day.

Feature Article

New Directions in Canadian Student Financial Aid Policy: Access for the Poor or Affordability for the Middle-Class?

EPI is taking the occasion of International Student Loan Day (see below) to examine the state of the policy debate on student assistance in Canada and the directions student aid policy seems likely to take over the next twelve months. More specifically, we would like to dispel the notion that the main faultlines in the student aid debate are between students and governments or between the federal government and the provinces. In fact, the most important faultline of all is an ideological one, between those who want to use tuition and student aid policy to improve the affordability of post-secondary education (PSE) for the broad mass of students and their families and those who want to use student assistance as a more highly targeted tool to improve the accessibility of education, specifically for students from low-income backgrounds. This distinction between affordability and accessibility is only beginning to be understood here in Canada and deserves more attention than it currently receives.

The dominant approach to post-secondary funding, which seems to have been adopted by many provincial governments, the federal department of Finance and the Canadian Federation of Students, is to make funding as widely available as possible and to oppose targeted funding for low-income students.

The assumption here is effectively be that if general costs are held down (or offset through grants or tax credits), then access to higher education will improve. These groups do not agree on the level of subsidy required (the Department of Finance and the Federation of Students, for instance, have very different ideas on the subject), but they do share a basic approach in that all seem to believe in the need for equal subsidies for all. This group, therefore, believes that the purpose of student aid is to increase the affordability of education for all.

However, there is a fair bit of empirical evidence showing that for people in middle and upper income groups, a decrease the cost of higher education though lower tuition and/or higher grants is welcome (in that it frees up income for other types of consumption) but, fundamentally irrelevant to the decision to attend post-secondary education. For people from lower income groups, however, the empirical evidence shows that a significant decrease in the cost of education is likely to make a difference in post-secondary attendance. As a group, people from poorer backgrounds tend to have less cultural capital on which to draw, which makes them less likely to see the long-term benefits of education which in turn means that they require greater financial incentives in order to attend PSE.

This gives rise to the other “camp”, which consists of the federal department of Human Resources and Skills Development Canada, the Canada Millennium Scholarship Foundation and the Rae Commission in Ontario. These groups tend to believe that since access to post-secondary education is primarily a problem for youth from lower socio-economic backgrounds, it is to these students that funding should be focused. In contrast to those who believe that student aid is about affordability for all, this camp believes that student aid, properly targeted, is a tool which can be used to promote accessibility.

Over the past two years, Canada has seen major initiatives both on the affordability side and on the accessibility
**US Developments**

**Latino Students & the Educational Pipeline**

The Washington office of the Educational Policy Institute documents the progress of Latino students from eighth grade to the workforce in a three-part report series. Supported by a grant from Lumina Foundation for Education, EPI analyzed longitudinal survey data from the U.S. Department of Education.

The reports provide a series of recommendations for middle schools, high schools, and postsecondary institutions in changing the tide of opportunity for Latino youth, such as increasing communication to students and families about postsecondary options, better utilizing middle and high school guidance counselors, and encouraging and supporting the successful attainment of mathematics education, such as Algebra II by the 9th grade.

The full series, coauthored by Scott Swail, Alberto Cabrera, Chul Lee and Adriane Williams — is available online at the EPI website at http://www.educationalpolicy.org/pdf/LatinoIII.pdf

**NEW DIRECTIONS ... CONTINUED**

... side. This lack of coherence in policy development suggests that there is currently no real policy consensus about the direction future that Canadian student aid programs should take. What follows is a review of some of the recent, major initiatives from each camp.

**The Affordability Initiatives**

Tuition Fee freezes in Quebec, Manitoba, Newfoundland and Ontario: Manitoba and Newfoundland have both had tuition fee freezes for about five years now; Quebec’s freeze has been in place for a decade while Ontario’s is now entering its second year. These programs are enormously popular with the public (surveys in Ontario have shown support for the tuition fee freeze at approximately ninety percent); citizens understandably are concerned about user fees to public goods, and like to hear that user fees are frozen in precisely the same way that they like to hear that taxes are frozen.

While these initiatives undoubtedly help students and their families contain their education costs, there is no evidence that they have broadened accessibility for lower income youth in any appreciable way. Indeed, the evidence in Manitoba is that the social composition of the student population has not changed at all over the past five years.

The subsidy required to finance a tuition fee freeze necessarily treats all students equally, and since the student body is already drawn disproportionately from students from higher income brackets, this implies that the net impact of the subsidy is also heavily tilted towards high-income families. In other words, not only have tuition freezes not made a demonstrable impact on access, they have largely subsidized wealthier families whose children almost certainly would have attended higher education in any case.

The Government of Canada’s Tax Expenditure Increases: Between 1995 and 2001, the Government of Canada went hog-wild with tax expenditures as a means of funding post-secondary education. Among a long list of initiatives, one stands out: tax credits for monthly education amounts were hiked from $60 per month to $400 per month for full-time students and from $0 to $200 for part-time students, which caused annual federal and provincial tax expenditures on education to rise from approximately $800 million to over $2.1 billion.

... continued on next page
**New Directions ... continued**

As Hugh Mackenzie noted in his recent paper (see Research Briefs, page 6) tax credits and tuition subsidies have precisely the same distributional effect.

Like tuition subsidies, they are universal and have a flat value, regardless of the student's background. Since the student body is drawn disproportionately from wealthier families, it is these families who receive the lion's share of this new billion-dollar windfall. Yet, as with tuition subsidies, there is little if any evidence to show that these increases in subsidies have had any impact on access to education.

Ontario's Changes to the Independent Student Rule: In one of the more bizarre one-off policy changes in recent years, the Government of Ontario in 2004 decided to reverse its 1998 policy of defining an "independent student" (i.e. a students whose parents' incomes are not included in the needs-assessment calculation for the amount of assistance awarded) as one who is five years out of secondary school instead, and reduce the threshold to four years, as is the policy in the Canada Student Loans Program. This was popular with students, notably the Canadian Federation of Students, who had made restoration of the four-year threshold a "top" lobbying priority.

Upon examination, it is clear that the people who benefited from this change were students in their fifth year of post-secondary studies, of whom a parental contribution was no longer expected. Crucially, not all fifth year-students fit this description. Those from low-income backgrounds (i.e. under $50,000 per year) had never needed to make a contribution in the first place and thus were not affected by the policy change. Students from middle-income families (i.e. $50,000 to $80,000) saw their loan entitlement rise somewhat. The students who benefited the most were those with family incomes over $80,000 who had previously been ineligible for loans but now could receive maximum levels of loans and grants very easily.

Although not an affordability initiative per se, the changing of the Ontario fifth-year rule does fit a larger pattern with affordability measures: the lack of targeting to low-income students and choosing to give money to existing students (in this case, students quite near to finishing their degrees) than to focusing money in ways that might attract newer, lower income students currently unable to attend PSE. Indeed, given the nature of the beneficiaries of this measure, it is not unfair to suggest that this is an example of student aid becoming a form of middle-class welfare instead of a tool to improve access. That a government pitching itself to the middle-class would do this is perhaps not that surprising; why a self-styled "radical" student group would aid and abet such an effort is perhaps more of a mystery.

Quebec's Student Assistance Cuts: While Quebec's recent cuts to student grants were not an affordability initiative in themselves (quite the opposite, in fact), the impulse behind the cuts betrayed much of the same logic. According to former education minister Pierre Reid, the education ministry was required to find $103 million in savings. The cuts to student aid were chosen specifically as an alternative in order to preserve Quebec's ten-year tuition fee freeze. In other words, a program that helped the poorest students was cut in order to preserve a universal set of benefits of which wealthier students were the primary beneficiary. Quebec students were therefore quite right to describe the change as "regressive" and oppose it on those grounds.

The Accessibility Initiatives and their Backlash

There are three main accessibility initiatives, which have all been announced but are not as yet in operation. The first was the announcement of a new "Canada Learning Bond", in the 2004 federal budget. This was essentially a modification of the Canada Education Savings Grant (a classic piece of middle-class welfare) to specifically assist low-income families by giving them the right to an automatic $500 grant and the possibility of annual $100 top-ups. Also in the 2004 budget was a new federal grant program, which specifically targeted low-income first-year students. These programs, which eschew broad spending in favour of targeted investments in the low-income range where access to education is a pressing problem, are clearly drawn from a different source of inspiration that the many "affordability" initiatives listed above.

Finally, there is the $50 million per year "research" fund which the Canada Millennium Scholarship Foundation is currently negotiating with all ten provinces and three territories. What the Foundation seems to be trying to do is to exhaust its endowment by 2010 (as it is legally mandated to do) by creating a new pool of money specifically targeted at low income students. This would be something of a departure for the Foundation, which has become increasingly disenchanted with the ineffectiveness of the strategy bequeathed to it by the Government of Canada in 1998 of helping "high need students." High need students, it turns out, tend to be upper-year, independent students (often in professional programs such as law and medicine) who already have several years of PSE behind them. The partial switch to helping "low income" students is a way for the Foundation to achieve what it originally wanted to do, which was to increase access by attracting new, low-income students to PSE. (The incongruity between "high need" and "low income" students is explored in EPI's May 2004 publication Are thePoor Needy? Are the Needy Poor?, available on the EPI website.)

Curiously, the Foundation's approach has not found much favour with student groups, who are usually quick to point out the need for more aid to low-income students. To see why, it is instructive to look at what happened to Bob Rae when he released his report on post-secondary education in Ontario.

Effectively, what Rae said about access to education was the following:

1. Tuition will likely rise over time in order to pay for expansion and increased quality
2. Grants should be increased so that students from families earning under $30,000 per year can be guaranteed a grant equal to tuition
3. Loans should be increased so that middle-class parents do not have to shell out any more money from their own pockets (indeed, in some cases less) than they currently do.

While student groups could hardly be expected to get excited about the first point, the others should have been slam-dunks. Rae's report was the first major... continued on page 7
Global Higher Education Rankings

The Global Higher Education Rankings 2005, representing the first systematic and rigorous exploration of the affordability and accessibility of higher education within an international comparative context. The rankings gather available, comparable data on student costs, resources, and opportunities in terms of higher education.

According to the study, Sweden ranked as the most affordable nation, followed by Finland and The Netherlands. While predominantly-Anglophone countries (Canada, Australia, the US and the UK) were clustered at the bottom of the affordability rankings, their higher education costs tend to be offset by more generous student assistance and higher national incomes than their European peers. The United States, the United Kingdom, and Japan were the lowest ranking nations.

In terms of accessibility, The Netherlands garnered first place overall, leading Finland, the United Kingdom, the United States, and Canada. Continental European countries generally fared poorly in the accessibility rankings, with Sweden, Italy, Germany, Belgium and Austria coming in the last five places in the survey.

"Evidence from the study indicates that, though the perception of the US lagging behind other countries in terms of affordable education hold, the gap between high-tuition and no-tuition countries is not as much as many people believe," commented Alex Usher, Vice President of EPI and one of the report's authors. "It is important to remember the role which relative national incomes and student aid program generosity, in addition to tuition fees, play in making the net cost of higher education affordable in terms of ability to pay."

"Finland and the Netherlands are the undisputed success stories of the survey in terms of accessibility and affordability. Both have large student bodies, high attainment rates, extensive grant programs and are reasonably reflective of broader society," stated report co-author, Amy Cervenan. "Certainly, the North American experience lends support to the possible connection between the size of the education system and its equality of access."

More generally, the data in this study strongly suggest that the links between accessibility and affordability are not as straightforward as some policymakers and analysts believe. While The Netherlands and Finland do well in both categories, many "affordable" countries do poorly in the accessibility rankings while many "less affordable" countries — notably the United Kingdom and the United States — do very well in terms of accessibility.

The rankings in order are:

Affordability

1. Sweden
2. Finland
3. the Netherlands
4. Belgium (Flemish)
5. Ireland
6. Belgium (French)
7. Austria
8. Germany
9. France
10. Italy
11. Canada
12. Australia
13. United States
14. United Kingdom
15. New Zealand
16. Japan

Accessibility

1. The Netherlands
2. Finland
3. the United Kingdom
4. Ireland
5. Belgium (Flemish)
6. Ireland
7. Belgium (French)
8. Austria
9. Germany
10. France
11. Italy
12. Canada
13. Australia
14. United States
15. New Zealand
16. Japan

(Complete information was not available for either Japan or New Zealand.)

Announcements

EPI Welcomes Senior Scholars

EPI has recently named two eminent scholars of retention as Senior Scholars to the organization: Alberto Cabrera, of the University of Wisconsin and Peter Dietsche, of Humber College.

Dr. Alberto Cabrera
Dr. Cabrera is a Professor of Higher Education at the University of Wisconsin-Madison, where he teaches and works with the Wisconsin Center for the Advancement of Postsecondary Education (WISCAPe). Dr. Cabrera received his doctorate from UW-Madison, and taught at Penn State University before moving back to the UW system. He has worked on two major projects for EPI, including co-authoring Latino Youth and the Pathway to College.

Dr. Peter Dietsche
A graduate of McGill University and the University of Western Ontario, Peter Dietsche received his doctorate from the University of Toronto. Dr. Dietsche has worked extensively in the college systems both in Quebec and Ontario, where he further developed his interest in the issues of student retention, organizational effectiveness, and institutional evaluation. Peter is currently involved in several projects related to student retention and success, and has been director of institutional research with Humber College.

EPI welcomes Massimo Savino — the newest member of our team. A graduate of McGill University and the London School of Economics, Massimo began working with the Toronto office as a Research Associate this spring.
Research Briefs:

A brief roundup of important research studies you may have missed.

“Funding Postsecondary Education in Ontario: Beyond the Path of Least Resistance”
McKenzie’s study is by far the most interesting and well-written of the papers to emerge from the Rae Review. Too much of his argument hinges on extremely dodgy data (if chart 13 were true, then poor kids would outnumber rich kids at university) and an even dodgier definition of what constitutes a “progressive” spending program (even CESG’s qualify as progressive, apparently). But it’s still an excellent summation of recent Ontario policy in access and student aid, and the discussion of tuition fees as a benefit tax is probably the best thing ever written on the subject, in Canada at least.

“Is Post-Secondary Access more Equitable in Canada or the United States?”
by Marc Frenette, available at www.statcan.ca
Frenette, author of the excellent Too Far to Go, which looked at the relationship between distance to a PSE institution and access to PSE, has written another excellent paper. Using data from the American National Longitudinal Survey of Youth and the Canadian Survey of Labour and Income Dynamics, Frenette compares access rates of youth from different income cohorts in the US and Canada.

Frenette found that while American youth were more likely than Canadian youth to attend university, the gap in participation between rich and poor was much more pronounced south of the border.

“Participation in Post-Secondary Education in Canada: Has the Role of Family Income Changed in the 1990s?”
by Marie Drolet and

“Who Goes? The Direct and Indirect Effects of Family Backgrounds on Access to Post-Secondary Education”
by Ross Finnie, Eric Lascelles and Arthur Sweetman, also available at www.statcan.ca
These two recent Statistics Canada studies both show large, persistent gaps in participation between high-income and low-income Canadian youth. Drolet’s paper uses data from the new Survey of Labour and Income Dynamics to shows conclusively that despite changes in tuition fees over the 1990s, the gap between rich and poor did not change between 1993 and 2002. Finnie, Lascelles and Sweetman use data from the School Leavers Survey and School Leavers Follow-Up to demonstrate that these gaps in participation are to a very large extent the result of background and intermediate variables that come into play long before issues of post-secondary financing come into play.

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Seneca College of Applied Arts and Technology is currently engaged in a research project on student retention, for which the Educational Policy Institute is involved as the Independent Research Team. The Enhancing Student Success Research Project is a pilot project that aims to document the impact of certain interventions on the retention and success outcomes of identified “at risk” students. The pilot project is in part supported by Human Resources and Skills Development Canada.
Measuring the Quality of Post-Secondary Education: Concepts, Current Practices and a Strategic Plan

A new paper from Canadian Policy Research Networks (CPRN) coauthored by Ross Finnie, of Queen’s University, and EPIC’s Alex Usher, provides a critical new look at the important yet nebulous concept of “quality” in education.

The authors begin by assessing current practices in quality measurement and management in Canada and around the world. Aware of the myriad drawbacks in much of the current quality measurement practices, the authors focus on developing an analytical approach to help identify the factors that limit or contribute to quality outcomes, and propose a conceptual framework for improving quality measurement.

The paper’s conceptual framework captures the PSE experience as a story of inputs and outputs, with the following narrative:

1. **beginning characteristics** (the characteristics and abilities of incoming students that affect their educational experience and the outcomes)
2. **learning inputs** (the institutional financial resources, material inputs and the organization of those)
3. **learning outputs** (the “skill sets” or any other attributes of graduates arising from their educational experiences that help determine final outcomes), and
4. **final outcomes**, the more specific “ultimate ends” to which the educational system may contribute — everything from employment, income and job satisfaction to civic participation and continued education.

Critically, this framework is neutral to the definition of “quality” — in effect, this analytical framework could be applied to any number of differing definitions of quality provided sufficient data was available to measure them. It is also neutral with respect to the issue of institutional accountability; its purpose is to show relationships between inputs and outputs, not to specify the institutional consequences (if any) of having “good” or “bad” relationships.

With this framework in hand, the paper goes on to discuss the data sources currently available and find significant gaps in terms of the requirements demanded by the conceptual framework. While enough empirical data appears to exist to permit some small advancements in quality measurement, a longer term data collection strategy is required in order to fully exploit the framework presented in the document.

**NEW DIRECTIONS ... CONTINUED FROM PAGE 4**

Government report in the past twenty years to suggest that PSE should be effectively free to low-income students, and its recommendations of increased loans to the middle class was certainly in line with the student movement’s support for increased lending to fifth year students (see above). Effectively, Rae was making the case for targeted support to increase accessibility rather than general support to increase affordability.

And yet, student response — and that of the much of the media — to the Rae report was a loud raspberry. The Canadian Federation of Students actually dismissed the idea of (effectively) free tuition for poorer students as a “ruse,” instead opposing the program on the grounds that the plan would be bad for the majority of its (largely middle class) members. The Globe and Mail joined the nay-sayers chorus almost immediately, with its news editors choosing to focus on the perception that Rae’s recommendations ignored the middle class. Though the Ontario budget is still a couple of weeks away, it seems unlikely that the Government will shift towards an access-based approach to student aid and will likely stick to the safety of the existing system.

What this reaction underlines is that the accessibility approach is a much tougher sell than the affordability approach. Firstly, the affordability approach is much easier to communicate. Students and citizens alike grasp the notion of a tuition fee freeze or “grants for all” much more easily than they do notions of targeted assistance. More importantly, though, the accessibility approach requires the middle class to accept that others need help more than they do and that the public good aspect of education will remain (or possibly increase) were access to education equitable. Currently, the middle classes — be they student leaders or newspaper editors — appear not to accept this logic, or at least recoil from its practical applications (i.e. targeted assistance).

In short, the affordability advocates have the benefit of arguments which are easy to understand and communicate, but lack any empirical evidence to show that the approach has much affect on access. The accessibility advocates have interesting new ideas and the stronger empirical case, but have yet to find a way of communicating their ideas in a way that resonates with the public. This debate seems likely to run for some years yet.