

# WOULD HIGHER TUITION FEES RESTRICT ACCESS TO UNIVERSITY STUDIES?

In February 2004, the MEI published an Economic Note on tuition fees and their effects on access to university studies. Since then, the Quebec government announced that fees would rise cumulatively by \$50 per semester from 2007 to 2012. It is still not known what policy will be adopted after 2012. To this day, Quebec tuition fees are still lower than their 1994-1995 level in real terms. This Economic Note is an update which aims to examine the university tuition fee situation in Quebec.



This Economic Note was prepared by **Germain Belzile**, director of research at the MEI. It is an update of a previous Economic Note prepared by Norma Kozhaya and published in February 2004.

A widely held view, disseminated by student associations in particular, suggests that improving access to higher education means students should pay little or nothing in fees. Despite this, a growing number of figures from academia, politics and the business community<sup>1</sup> are arguing in favour of higher tuition fees to deal with what they see as underfunding that is harming the quality of higher education.

In reality, this debate is based on a false choice. The available data for the various Canadian provinces show no direct relationship between tuition fee levels and access to university studies. In other words, low tuition fees do not result in high enrolments.

## The cost of university studies and enrolment rates

Quebec's case illustrates this phenomenon clearly. For the 2008-2009 academic year, average annual undergraduate tuition fees for Canadian students were \$2,180 per student in Quebec, the lowest level in Canada. Comparable fees were \$5,877 in Nova Scotia and \$5,667 in Ontario, with the Canadian average, excluding Quebec, standing at \$5,329 (see Table 1 in the Appendix on the MEI website for more

details). It is also worth noting that related university fees, despite a substantial increase in recent years, are relatively low in Quebec. These amounted to \$603 for 2008-2009, slightly below the Canadian average of \$701 (see Table 3 in the Appendix). This additional amount thus has little effect on the general picture.

Quebec also has the lowest contributions by students to university expenditures. Tuition and related fees received by Quebec universities represented 9.6% of their expenditures in 2007-2008, the latest year for which detailed data are available, compared to 24.8% for Ontario and an average of 19.1% for all Canadian universities.<sup>2</sup>

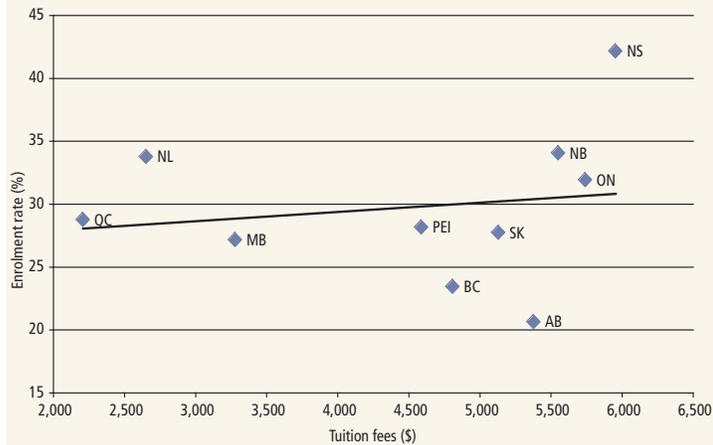
Despite Quebec's low tuition fees, university enrolment (calculated as the proportion of 18-to-24-year-olds registered full-time at a university) is close to the Canadian average. The rate was 28.8% for the 2008-2009 academic year. Meanwhile, Nova Scotia, with the highest tuition fees, also had the highest enrolment rate, at 42.2%. "Access" thus does not rhyme with "low tuition fees." Figure 1 shows the almost complete absence of a relationship between tuition fees in a province and its enrolment rate in university studies.



1. See, for example: Lia Lévesque (Presse Canadienne), "Bouchard en faveur du dégel des droits de scolarité," *La Presse*, February 23, 2010.  
2. Students' contributions to university expenditures are calculated by adding tuition fees (Table 1 in the Appendix) to related fees (Table 3 in the Appendix) and dividing the sum by overall per-student spending by universities (Quebec Department of Education, *Education Indicators – 2009 Edition*, 2009, pp. 44 and 45).

FIGURE 1

Tuition fees and enrolment rates of 18-to-24-year-olds in the Canadian provinces (2008-2009)



Source: See the Appendix on the MEI website.

The sharp increase in tuition fees in Quebec after 1990 (following a two-decade-long freeze) does not seem to have affected the enrolment rate, which continued to rise. Moreover, enrolment fell after 1994, even after fees had again been frozen for students residing in Quebec. In Ontario, meanwhile, a tuition fee increase of 263% (or 153% in constant dollars) from 1989-1990 to 2008-2009 did not harm the enrolment rate, which is now above the Canadian average (see Figure 2).

## The true causes of non-enrolment

Low tuition fees do not necessarily benefit the poorest. In fact, students whose parents are financially well off are more likely to attend university than those whose parents are poorer. The results of Statistics Canada surveys<sup>3</sup> show that, among 18-to-24-year-olds from families with incomes of \$100,000 or more, 45.6% held university degrees or were studying at university. This compared to just 19.5% for young Canadians from families that were less well off (incomes of \$25,000 or less). This discrepancy in enrolment rates has been quite stable over time.

Inability to pay does not necessarily explain differences in university enrolment. It is an undeniable sociological reality that, even if higher education were free, young people from underprivileged and less educated backgrounds would be less inclined to continue on to university for all sorts of other reasons. A number of factors explain why a young person would be more likely or less likely to enrol at university, including high school grades, parents' educational levels, parents' expectations regarding their children's education, and savings set aside for studies by students or parents.<sup>4</sup> Nothing guarantees that freezing or even lowering tuition fees would provide better access to higher studies.

Surveys conducted by Statistics Canada show that 26% of Canadian students who never advanced to post-secondary studies gave financial reasons as the main cause for not enrolling.<sup>5</sup> Among other reasons, 20% mentioned a desire to take a pause in their studies while 9% indicated a lack of interest in pursuing their education. A number of other factors raised by smaller numbers of respondents accounted for nearly half the reasons mentioned.

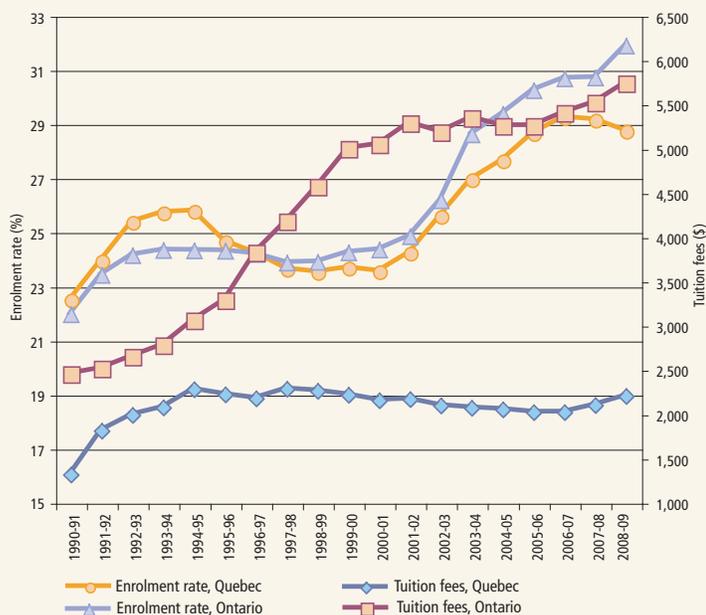
It should also be noted that tuition fees are just one component of "financial reasons," which also include living costs, housing and revenue losses while studying. For Quebec, 13% of respondents gave financial reasons as the primary cause for not continuing their studies, while 18% wanted to take a pause in their studies and 17% indicated a lack of interest. For Ontario, these figures were 23%, 19% and 7% respectively. However, the fact that enrolment at CEGEPs (junior colleges) is essentially free in Quebec partially explains the low proportion of students who mention financial reasons as the primary cause of non-enrolment. This makes it probable that, if only university education were taken into account, the proportion would be closer to the Canadian average.

*The available data for the various Canadian provinces show no direct relationship between tuition fee levels and access to university studies.*

3. Marie Drolet, *Participation in Post-secondary Education in Canada: Has the Role of Parental Income and Education Changed over the 1990s?*, Statistics Canada, February 2005.  
 4. Diane Looker and Graham Lowe, *Post-secondary access and student financial aid in Canada: current knowledge and research gaps*, Canadian Policy Research Networks, February 2001; Lynn Barr-Telford et al., *Access, persistence and financing: first results from the Postsecondary Education Participation Survey*, Statistics Canada, 2003.  
 5. Kelly Foley, *Why Stop after High School?*, Canada Millennium Scholarship Foundation, 2001.

FIGURE 2

Enrolment rate of 18-to-24-year-olds and tuition fees in Quebec and Ontario (in constant 2009 dollars)



Source: See the Appendix on the MEI website. Tuition fees have been adjusted to take account of inflation.

Of course, in this type of survey, responses may not reflect the full reality. It may be relatively difficult for a young person to admit that the main reason for not being at university is poor grades in high school or CEGEP. Such considerations mean that the importance of financial reasons is probably overestimated.

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Finally, a major U.S. study examining the positive relationship between enrolment in post-secondary studies and family income obtained highly interesting results that in some ways contradict the arguments that are normally heard.<sup>6</sup> The study shows that at most 4% of young Americans fail to pursue post-secondary education for financial reasons or, in the authors' terminology, because they are subjected to "liquidity constraints." Most of the discrepancy in enrolment between rich and poor can be explained by the qualifications required to pursue higher education. In other words, children whose parents have high

incomes are more likely to attend institutions of higher learning because they have access to higher-quality primary and secondary education and are better qualified to pursue higher education. This long-term "family effect" is the dominant factor and will not disappear, regardless of tuition fee levels.

### The returns from education

Another question to consider when thinking about higher learning is the returns it provides. University graduates generally have incomes well above the average after completing their studies, largely offsetting the shorter-term costs. Education is an investment in human capital and a highly profitable one. It is normal for those who benefit from it to bear at least part of the costs. On the whole, despite some variations based on the chosen discipline, the average income of university graduates is much higher than that of people without degrees. For example, a recent study from the Quebec Department of Education<sup>7</sup> found that a high school graduate can expect to earn a lifetime pre-tax income of \$1,288,438, compared to \$2,166,948 for someone who holds a bachelor's degree. Taking account of the benefits (higher net income) and the direct and indirect costs (for example, the income losses resulting from the choice to continue studying rather than to work), the study concludes that there is a 10.6% private rate of return on a bachelor's degree.

By subsidizing higher education more heavily in a generalized way, the average taxpayer is in effect financing many young people from well-off families and the high salary-earners of tomorrow. It is worth asking whether it is fair for people who do not benefit from university to contribute to its financing to this extent.

### The true stakes

Quebec university rectors have indicated on many occasions the urgent need for added financing. They believe that the key to competitiveness lies in higher tuition fees along with enhanced financial assistance for studies.<sup>8</sup> According to Luc

6. James Heckman and Pedro Carneiro, *The evidence on credit constraints in post-secondary schooling*, National Bureau of Economic Research, Working Paper # 9055, July 2002.  
 7. Marius Demers, *Taux de rendement du baccalauréat : pour les diplômés et pour l'Etat*, Quebec Department of Education, December 2008.  
 8. McGill University, *Four universities launch an appeal to resolve underfunding*, Press release, February 7, 2007.

Vinet, the outgoing rector of the University of Montreal, Quebec universities are receiving \$400 million less than their Canadian counterparts.<sup>9</sup>

Another major challenge universities have to contend with is the hiring of young professors of international calibre. The directors of various university departments state that their revenue shortage prevents them from offering competitive salaries to attract top professors. For example, a recent study by the professors' association at HEC Montréal found that the average salary of an associate professor is \$66,820 at the management school of the Université du Québec à Montréal but \$144,089 at the University of Toronto's Rotman School of Management. For a full professor, the average salary is \$103,311 and \$203,899 respectively.<sup>10</sup>

An increase in tuition fees, together with adequate assistance directly targeting low-income students, would help maintain access for all qualified students while providing universities with adequate financing to ensure quality teaching and research. Part of the additional income the universities obtain could go toward helping the least well-off students who, as we have seen, are in a relative minority.

Universities should have the choice of whether to impose higher fees based on the mandate and the mission they set for themselves. McGill University, for example, receives many foreign students and is in direct competition with other

institutions across North America. It does not have the same mission as the Université du Québec à Trois-Rivières. It should be able to adapt tuition fees to its financial requirements and its competitive environment. McGill announced in 2009 that it intends to raise tuition fees substantially for its MBA program, which runs at a deficit of about \$10,000 per student each year.<sup>11</sup>

## Conclusion

Greater access to higher education is undeniably a noble and justified goal. It benefits not only those being taught but also society as a whole. But the most effective ways of facilitating access are not obvious. The real question should be how to build and consolidate a university network that meets the needs of various client groups. Some universities meet particular regional requirements while others emphasize teaching and research that are of national or international calibre.

Governments face various pressures in allocating limited resources, particularly with the rapid cost increases in the health care sector. It seems obvious that they cannot continue to finance universities adequately if tuition fees do not follow the growth in costs. Not allowing university tuition fees to rise seriously compromises the quality of higher education in Quebec without benefiting less well-off students. At the end of the day, what does it matter if everyone can attend university when the diplomas they receive are worthless?

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9. Ariane Lacoursière, "Université de Montréal : le dernier cri d'alarme du recteur," *La Presse*, May 26, 2010.  
10. Association des professeurs de HEC Montréal, *Enquête sur les salaires des professeurs dans les disciplines liées à la gestion ou au management*, November 2008 (data are for the 2006-2007 academic year).  
11. Carson Jerema, "McGill privatizes MBA program," *Macleans OnCampus*, March 9, 2010.