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Would Higher Tuition Fees Restrict Access to University Studies?

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 view, a growing number of university administrators and various people in academic and political circles are arguing in favour of higher tuition fees to deal with what they regard as underfinancing that is affecting the quality of higher learning.

In reality, this debate is based on a false choice. Data from various Canadian provinces show no direct relationship between lower fees and greater university access. In other words, low tuition fees are not linked to high enrolments. In fact, the opposite is true.

The cost of studies and rates of enrolment

Quebec's case illustrates this paradox well. For the 2003-04 academic year, average annual undergraduate tuition fees are \$1,862 per student in Quebec, the lowest in Canada. Comparable fees are \$5,557 in Nova Scotia, \$4,923 in Ontario and \$4,025 on average for Canada. Quebec is also where students' contribution to university revenues is lowest. Tuition fees received by Quebec universities represented 9.2% of their total revenue in 2002-03,

compared to 26.2% for Nova Scotia, 25.3% for Ontario and an average of 19.2% for Canadian universities as a whole (see Table 1 in the Appendix on MEI's website).

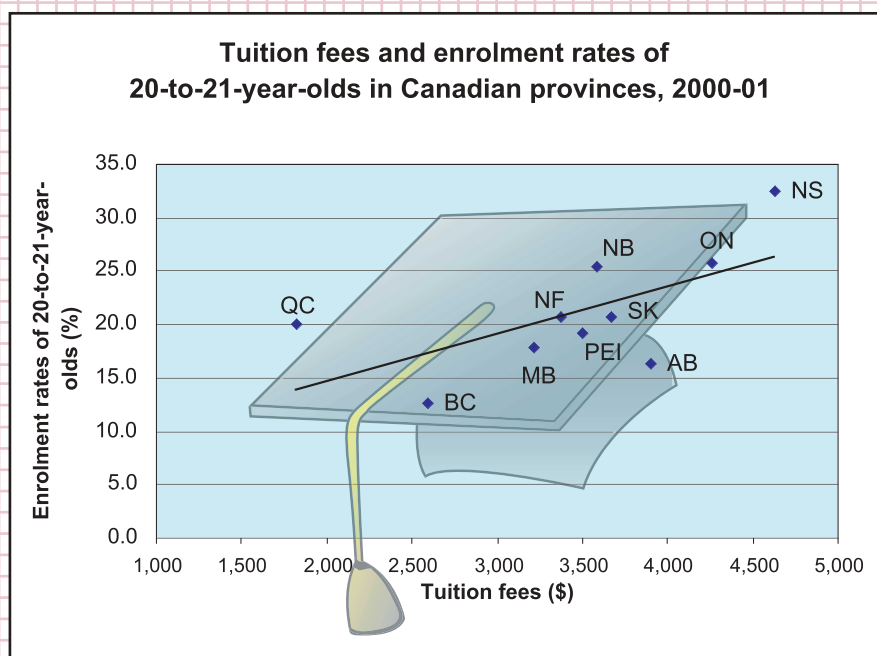
Despite Quebec's low tuition fees, its university enrolment (calculated as the proportion of 20-to-21-year-olds registered full-time at a university) is among the lowest in Canada.¹ The

level was 20% for the 2000-01

academic year, the most recent year for which we have detailed data. Meanwhile, Nova Scotia, with the highest tuition fees, also has the highest enrolment rate, at 33%. Graph 1 illustrates this paradoxical situation: the rising curve, representing the general trend, shows that the higher the fees are in a given province, the higher the enrolment rate tends to be as well.

These results obviously do not mean that increasing tuition fees in a given province

Graph 1



Sources of data: for enrolment rates, Canada Millennium Scholarship Foundation and calculations by the author; for tuition fees, Statistics Canada.

¹ We wish to thank Sean Junor of the Canada Millennium Scholarship Foundation for providing us with data on university enrolment by age group. See the Appendix for further details on these data (http://www.iedm.org/uploaded/pdf/univers_annexe.pdf).



will lead to a rise in enrolment rates, but they do suggest that the opposite cannot be maintained either, namely, that higher fees will necessarily reduce enrolment rates.

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It is also pertinent to note that, despite a major increase in recent years, ancillary costs remain relatively low. They stand at \$685 in Quebec for 2003-04, the highest level in Canada apart from Ontario, compared to a Canadian average of \$623. This extra payment of a few dollars does not change the general picture because total fees in Quebec remain far below the Canadian average.

The unfreezing of tuition fees in 1991-92 (they had been kept at the same level for about 20 years) and their near doubling in the next two years seem not to have affected the enrolment rate, which kept rising. Moreover, enrolment has gone down slightly since 1994, even after tuition fees were frozen again for students residing in Quebec. Meanwhile, in Ontario, the 137% increase in tuition fees over the last 10 years, by far the highest increase in Canada, did not affect the enrolment rate, which now is the third highest in the country (see Graph 2).

The true causes of non-enrolment

Low tuition fees do not necessarily benefit the poor. In fact, students whose parents are in the highest income quartile (the wealthiest 25% of the population) are more likely to attend university than those whose parents are

in the lowest quartile. The results of recent Statistics Canada surveys show that, among 18-to-24-year-olds from families with incomes of \$100,000 or more, 40% held university degrees or were studying at university. This compared to just 19% for young Canadians from the poorest quartile (incomes of \$25,000 or less). The gap in enrolment rates has tended to decline slightly over time to the benefit of less well-off students, despite higher tuition fees in Canada apart from Quebec.²

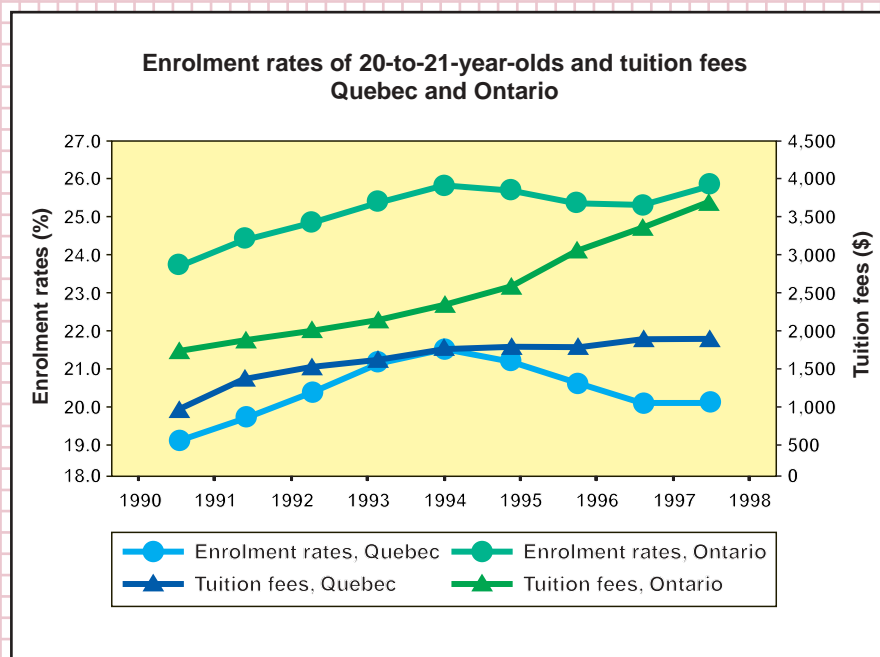
Inability to pay does not necessarily explain the differences in university enrolment. It is an indisputable sociological reality that, even if higher education were free, young people from underprivileged and less educated backgrounds would be less inclined to continue on to university for all sorts of other reasons. A number of factors explain why a young person would be more likely or less likely to go to university, including high school grades, parents' educational levels, parents' expectations concerning their children's education, and savings set aside for studies by students or parents.³ Nothing guarantees that freezing or even lowering tuition fees would improve access to higher studies.

In surveys conducted by Statistics Canada, 26% of Canadian students who never advanced to post-secondary studies gave financial reasons as the main cause of non-enrolment.⁴

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 totalled nearly half the reasons mentioned.

It should also be noted that tuition fees

Graph 2



Sources of data: for enrolment rates, Canada Millennium Scholarship Foundation and calculations by the author; for tuition fees, Statistics Canada.

² Statistics Canada, "Family income and participation in postsecondary education, 1980 to 2000", *The Daily*, October 3, 2003.

³ 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.

⁴ Kelly Foley, *Why Stop after High School?*, Canada Millennium Scholarship Foundation, 2001.



are just one component of “financial reasons,” which also include living costs, housing, etc. For Quebec, 13% of respondents gave financial reasons as the main cause of 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. It should be noted, however, that the fact that CEGEPs (junior colleges) are free in Quebec partially explains the low proportion of students who mention financial reasons as the main cause of non-enrolment. It is thus probable that, if only university education were taken into account, the proportion would be closer to the Canadian average.

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 at high school or CEGEP. Considerations such as this mean that the importance of financial reasons is probably overestimated.

Finally, a major U.S. study examining the positive relationship between participation in post-secondary studies and family income obtained highly interesting results that in some ways contradict the arguments that are normally heard.⁵ 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 participation gap 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 better-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 return to university education

Another question to consider when talking about higher learning is yield. University graduates typically have incomes well above the average, largely compensating for the higher

costs incurred in the short term. Education is an investment in human capital and a highly profitable one. It is normal that those benefiting from it should bear at least part of the short-term costs. Generally speaking, despite certain variations based on discipline, the average income of university graduates is about 60% higher than that of people without degrees, and the unemployment rate among university graduates is about 60% lower than that of the working population as a whole (see Tables 2 and 3 in the Appendix). In addition, studies examining the return to university education, once direct and indirect costs are taken into account, show levels of 14% to 19% for a bachelor’s degree.⁶

By broadly subsidizing higher education more heavily, the average taxpayer is in effect financing many young people from well-off families and the high salary-earners of tomorrow. It should be asked if it is fair for people who do not benefit from university to contribute to its financing to this extent.

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The true stakes

Quebec university rectors have indicated on many occasions the urgent need for added financing. “Quebec universities would require an amount of \$375 million to reach their competitive ability compared to universities in the other provinces.”⁷ This requirement for financing is mortgaging the quality of universities’ teaching and research services. Prof. Philip Merrigan, director of the economics department at the Université du Québec à Montréal, stated that “there exists no doubt that current underfinancing is harming quality.”⁸ Universities are suffering from major shortages in terms of libraries, laboratories and computer equipment. Per-student spending in Quebec on libraries and student services is lower than in Ontario.⁹

⁵ James Heckman and Pedro Carneiro, *The evidence on credit constraints in post-secondary schooling*, National Bureau of Economic Research, Working Paper # 9055, July 2002.

⁶ François Vaillancourt in *Renovating the Ivory Tower*, pages 216-217. The yield rates take account of the difference in income between a graduate with at least a bachelor’s degree and a person without a degree, given the costs of education including tuition fees and income foregone while studying.

⁷ CREPUQ (Québec conference of university rectors and principals), Press release, January 23, 2003.

⁸ Alec Castonguay, “Le débat est relancé. La facture de l’école : une hausse des frais de scolarité déboucherait-elle sur un enseignement de meilleure qualité ?”, *Le Devoir*, August 30, 2003, page B1.

⁹ Ministère de l’Éducation du Québec, *Indicateurs de l’éducation, édition 2003*.



Another major challenge facing universities is in hiring young professors of international calibre. The directors of various university departments state that their revenue shortage prevents them from offering competitive salaries to attract and retain the best professors. The remuneration of a university professor is 6% lower in Quebec on average than in Ontario and the western provinces, let alone the outsized gap with U.S. salaries. In reality, this average difference is much greater in certain areas, often key fields affecting economic competitiveness such as medicine, engineering or finance. "Other universities in Canada or the U.S. sometimes offer 15% or 30% more in salary than we do. It is worse in the field of science," Prof. Merrigan notes.¹⁰

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 competes directly 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.

Not allowing university fees to rise to meet requirements risks seriously compromising the quality of higher education in Quebec without benefiting less well-off students.

Conclusion

Greater access to higher education is undeniably a noble and justified goal. It affects not only those being taught but society as a whole. But the most effective ways of facilitating access are not obvious. The real question should deal with the means of building and consolidating a university network that meets the needs of various client groups. Some universities meet specific regional requirements, while others emphasize teaching and research of national or international calibre.

Governments face various pressures in allocating limited resources, particularly with the rapid increase in health care costs. It seems obvious that they cannot continue to finance universities adequately if the freeze on tuition fees is maintained. Not allowing university fees to rise to meet requirements risks seriously compromising the quality of higher education in Quebec without benefiting less well-off students. At the end of the road, what does it matter if everyone can attend university when the diplomas they receive are worthless?

¹⁰ Alec Castonguay, *op. cit.*


Montreal Economic
Institute

Montreal Economic Institute
6418 Saint-Hubert Street
Montreal (Quebec)
Canada H2S 2M2
Telephone: (514) 273-0969
Fax: (514) 273-0967
e-mail: info@iedm.org
Web Site: www.iedm.org

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