



The Importance of Public Post-Secondary Education

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Check Against Delivery

Have you ever noticed that politicians like to say that their initiatives will pay for themselves? (Think tax cuts, or the Olympics.) The fact is, few government initiatives do. That doesn't mean they aren't sometimes worth doing. But even most good policies cost money. Sadly, there is no such thing as a policy that has only benefits. Here's an important policy truism: every policy, from health care to housing to tax cuts to putting in a stop sign, has costs, benefits, risks, opportunity costs, and – of great importance — winners and losers. Some of these costs and benefits can be quantified, some can't. The function of good public policy is to weigh these carefully, and there is no escaping questions of values (particularly when it comes to thinking about who the winners and losers will likely be).

Few public policies pay for themselves, except, that is, for the work you do.

Education stands almost alone. It is common to refer to education as an investment, but the fact of the matter is that education is indeed rightly understood as an investment, with dividends back to both the individual, but also to society at large. It is an investment that is truly too good to pass up.

I'd like to spend a few minutes drawing on Bob Allen's 1999 CCPA study, *The Education Dividend*. (Bob's a former UBC economist now teaching at Oxford.)

What Bob investigated was what he called the "social rate of return" of education spending, on high school, through college certificates, to university degrees.

He looked at the costs of education on the one hand: to individuals in foregone income, books, etc., and to society in the form of public spending on building and operating schools and educational institutions. Then he compared these to the higher incomes people earn as a result of completing each new level of education, and the extra money received by the public treasury because of the higher taxes on those higher incomes.

And what he found was, at every level, there is a social rate of return to education spending that exceeds the cost of public spending on education, *even if governments have to borrow money, meaning run*

deficits and pay 5% borrowing costs, to do so. And the social rate of return was higher for women, which speaks to the importance of education in enhancing gender equality.

The highest social rate of return was from the completion of high school, *which speaks directly to the policy foolishness of eliminating tuition-free ABE.*

The social rate of return for a college diploma was between 7.6-10% for men, and 13.6-16% for women.

The social rate of return for a university bachelor's degree was 9.3-11% for men, and 11-15.3% for women.

Bob's paper didn't look at Early Childhood Education and child care, but plenty of research points to this as having the highest social rate of return of all.

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Let's talk a bit about that the trends in public spending for post-secondary education, and I'm going to draw now on a CCPA paper by Marc Lee and John Malcolmson, published in late 2004, which looked at spending trends between 1991 and 2003.

Between those years, we did see a sizable increase in post-secondary spaces, at BC's colleges, university-colleges and universities. Spaces increased about 38%. But that sounds somewhat more impressive than it is, because the population was also increasing, and because BC was starting from a very low point.

Indeed, British Columbia, before that time, had the smallest post-secondary sector relative to its population in the country. For decades, BC has been a freeloader on the rest of the country. Less so today, but we still are. By which I mean that we depend on many more people with post-secondary education than we produce. We fill this gap by inter-provincial and international migration. We have been the beneficiaries of a massive "*brain gain*", meaning we've imported people we need with post-secondary degrees. (In fact, even when we had the highest top marginal tax rate in the country in the mid 1990s, this was the case). I suspect many of you in this room are examples of this phenomenon – other jurisdictions subsidized your post-secondary degrees, while BC is reaping the benefits. But what this has meant is that children born in BC have been at a disadvantage – there were fewer post-secondary spaces for them.

Nevertheless, the good news is that we have increased spaces and we are thus slowly making up for lost time.

Now the bad news: the funding has not kept pace with the growth in spaces. I'm sure that's no surprise to you all. You know that from experience. But here are the numbers:

- Real per pupil spending (meaning after inflation), between 1991 and 2003, fell by 21% at universities and 10% at colleges. Most of this decline happened in the first part of the 1990s, before the tuition freeze. Then it flattened. And then in recent years, under the current government, it fell slightly again.

- Real public funding relative to population has been flat, which speaks volumes, given what we know about how low our spending was relative to other provinces at the start of this period.
- And public funding relative to GDP – meaning relative to both our needs as a society, but also relative to our capacity to pay – has been falling.

And, of course, we've also seen this dramatic shift in how we pay for education and in who pays. Tuition has doubled – indeed this is the primary way in which post-secondary institutes have dealt with cost pressures. There is more reliance on donations. There is more corporate involvement, which in turn distorts some of the choices made by post-secondary institutions.

If we wanted to restore real per pupil funding to 1991 levels, it would take \$220 million. If we wanted to fully fund the new 25,000 spaces, it would take another \$200 million. That sounds like a lot of money. But the good news is, the money is there (and I'll get to that later).

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When we talk about access to post-secondary education, there are really two kinds of access issues: space and financial ability to pay.

I recall a comment made by Premier Campbell about a year or two ago. It was the time of year when universities announce how high applicants' grades need to be to gain admission, and he was quoted saying that, with such high entrance requirements, he doubts he would have gotten into university. It is, of course, tempting to interpret this comment the obvious way... but I won't. I actually think the comment is more telling: the space issue, and the resulting high grades required, is an issue for the kids of middle and upper-income families. They get it. And the government is doing something about it with the 25,000 new spaces.

But, it is -- quite literally -- addressing one form of access, *at the expense of the other*: they have let tuition fees double, and eliminated the grants program, and redirected this money to the new spaces, thereby improving the access issue that concerns upper income families, while worsening the access issue that most concerns lower-income families.

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Those on the right often point to the research showing how people with more education earn higher incomes, and they use this to bolster their argument that tuition should be higher. "After all," they say, "if individuals benefit from education, why should they not be asked to contribute more?"

Well, there is good reason to keep tuition down:

As Bob Allen's work notes, people *already* pay the full cost of their education. But they do so after they graduate. They pay more after graduation through a progressive tax system that charges those with higher incomes more.

It makes good sense to have people pay more at the back door, rather than the front door. First, in this way, low-income doesn't close the front door on people before they even get a chance to access post-secondary education. There is a connection between tuition and participation, particularly for people from lower-income families.

Second, because while, in general, people with post-secondary degrees and certificates will earn more, some will not, and a progressive income tax system is sensitive to these individual differences. Moreover, some people will, after graduation, want to pursue careers that may have high social value, but low market value, and we want them to be able to make such decisions freely, without huge debts hanging over their heads and distorting their choices, because we all benefit, when people make such choices.

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The provincial government is currently experiencing some of the consequences of bad choices it made during its first mandate; the consequences of failing to appreciate education as an investment. They are discovering the hard way the false economy of some cuts, particularly to education.

Some examples:

Eliminating ITAC: BC is currently the only province experiencing a decline in apprenticeships. Now, as we head to the Olympics with all the associated infrastructure projects, we have skills shortages and labour costs will rise.

Not letting people on welfare also attend post-secondary institutions, eliminating IBT funding, and ending tuition-free ABE at colleges and institutes. The CCPA just published a report (with financial support from FPSE) by Shauna Butterwick called *A Path Out of Poverty*, which detailed how investing in these developmental education programs for low-income adults pays off. Shauna's paper showed how the former IBT programs represented extraordinary "bang for the buck". In the final year of the IBT program, the programs received about \$4 million, and with that served about 20,000 people on social assistance. The for-profit training programs now in operation can't hold a candle to this record. Moreover, whereas the current training provided to people on social assistance has focused on those with the *least* barriers to employment, the former IBT program, by design, focused on those longer-term welfare recipients with *significant* barriers to employment.

This contrast speaks directly to the difference between what gets prioritized when we seek to meet these goals publicly versus what gets done when we go the private, for-profit route. You get what you pay for. That's why we've joined with you in calling for a return of this vital role your members used to play. We need to bring back tuition-free ABE, IBT-funding, and for heaven's sake, we need to let people mix education and social assistance in a way that makes sense for them.

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I've been making a lot of economic arguments so far this morning – the economic case for public spending on education. And we all understand that, in an increasingly knowledge-based economy, the economic case is very clear.

But of course, this isn't just about economics. Education is a human right, and that is how it ought rightly to be understood. It is fundamental to democracy and equality. It is about *citizenship*, and learning for the joy and fulfillment of it. And it's about that precious time, mainly in the lives of younger people, when they can think about things that are bigger than themselves.

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There is an alternative.

That's what the CCPA seeks to demonstrate each year when we publish our annual *BC Solutions Budget*.

A few days ago we published our *2006 BC Solutions Budget*. In it we made clear that the government has been systematically low-balling its revenue forecasts. A year ago the government tabled a budget with a \$200 million surplus, but it is now clear that the actual surplus for this year will be closer to \$2 billion, even after the \$1 billion put aside for collective agreement signing bonuses.

The fact is, there is a lot of money available with which to make significant investments. Among other things, our *Solutions Budget* reversed the harmful cuts made over the past few years — cuts that disproportionately harmed women. We increased welfare benefit rates by 50% (they have been frozen for 12 years!). We fully funded a comprehensive early childhood education and child care program. And we increased education spending (k-12 and post-secondary) by \$500 million per year for three years (meaning, by the third year, we increase education spending by \$1.5 billion).

And we do all of this without raising taxes, just by being realistic about the size of the surpluses over the next few years, and committing to re-invest this money in public programs. (For more, download the *Solutions Budget* at: www.policyalternatives.ca)

Conclusion

It all comes down to political will, and the responsibility for that lies with us all. We have to build that. And you are in a strong position to do so. Even people in the business sector understand the importance of education as an investment.

People are hungry to know what kind of investments today will build the kind of vibrant society we all want in the future. They are tired of the false promises, like those made by the advocates of tax cuts. And you have a more hopeful answer, one with real promise.

Thank you.