Tuition Fees and University Participation for Youth from Low-Income Families: An Interprovincial Analysis

By Ben Eisen, M.P.P. and Jonathan Wensveen
About the authors

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Executive Summary

Across Canada, student organizations and other activists for low tuition fees often argue that reduced tuition levels are necessary to ensure both a high rate of university participation and greater access to higher education for young people from low-income families. Canadians generally agree that the development of a well-educated workforce is important for the country’s long-term prosperity. Further, there is a consensus that financial obstacles should not prevent young adults from low-income families from furthering their studies. Maintaining very low tuition is an expensive public policy approach, but it may be justified if it contributes significantly to achieving these important social objectives.

This paper examines Statistics Canada data to determine the relationship between tuition fees and university participation rates in Canada. The data show that the Canadian provinces with very low tuition rates do not have consistently higher university participation rates than do provinces with higher tuition levels. This confirms previous analysis by the Montreal Economic Institute. Perhaps more surprisingly, the Statistics Canada data show no positive correlation between low tuition fees and university participation in the specific case of young adults from low-income households. In other words, during the period studied, young adults from low-income households in the provinces with the lowest tuition levels were no more likely to attend university than young adults from similarly low-income households in provinces with much higher tuition rates.

Key Findings Include:

- Across Canada, Statistics Canada data from 2007 show there was no positive relationship between lower-tuition levels and higher rates of university participation. In other words, young adults in low-tuition provinces were not, on average, more likely to attend university than young adults from high-tuition provinces.

- The data similarly showed no correlation between low tuition levels and high rates of university participation in the specific case of young adults from low-income families. In fact, lower tuition provinces tended to have lower participation rates for low-income families than did high-tuition provinces.

- Ontario and Nova Scotia, which had the highest average tuition levels during the time period studied, had the highest rate of university participation for young adults from low-income families. Ontario’s low-income university participation rate was 42.5 per cent and Nova Scotia’s was 42.7 per cent, the highest rate in the country and well above the national average of 36.6 per cent.

- Low-tuition provinces Newfoundland (30.1 per cent) and Quebec (30.6 per cent) had the very lowest rates of university participation for young adults from low-income families.

- Manitoba’s participation rate (36.7 per cent) for young adults from low-income families was close to the national average, and almost identical to neighbouring Saskatchewan’s (37.5 per cent), despite the fact that Saskatchewan’s average tuition was approximately 50 per cent higher than Manitoba’s.
Introduction

As surely as night follows day, government announcements that university tuition fees will be permitted to rise are immediately followed by howls of condemnation from student organizations. Opposition to higher tuition fees is often based on claims that higher tuition levels will lead to a lower rate of participation in universities and other post-secondary educational institutions, and will create a significant barrier to access for students from low-income families.

The Canadian Federation for Students (CFS) is the largest organized student group in Canada, with branches operating in several provinces. A review of the organization’s provincial websites and those of other organizations with similar mandates provides several examples of claims that very low tuition fees are desirable because they boost post-secondary participation rates and/or improve access for students from low-income families.

- British Columbia had substantially higher tuition fees than several other provinces did, including Manitoba, Quebec and Newfoundland. The British Columbia branch of the CFS laments this state of affairs, stating on its website, “Tuition fees and other financial considerations foster an aversion to debt that prevents many students (and parents) from making post-secondary education a priority.”

- Nova Scotia had the highest average tuition levels in Canada. An article published in the University of Cape Breton’s campus newspaper argues, “[High] fees are a substantial barrier to post-secondary education, especially for students from low- and middle-income families and marginalized communities.”
• The former chairman of the Council of Alberta University Students states on the organization’s website that the province’s low rate of post-secondary participation should spur the provincial government to reduce tuition. “With Canada’s lowest post-secondary participation rate we need to be doing more to reduce financial barriers to education rather than hiking the cost.”

• Manitoba’s tuition rates are amongst the lowest in Canada. The Manitoba branch of the CFS argues that these low tuition levels have an important positive effect and should not be raised closer to the Canadian average. Their website states: “Contrary to what a vocal minority of critics argue, lower tuitions fees, grants and fair taxation are effective ways to improve low-income participation in university and college.”

These are just some examples from a long list of quotations that stress the importance of reducing tuition fees in order to boost university participation rates, but they are sufficient to demonstrate the point. Large student organizations consistently argue that lower tuition fees promote participation and access for students from low-income families, while higher tuition depresses tuition rates and restricts access.

This paper uses data from Statistics Canada to assess the validity of these claims. There is considerable variation among the 10 provinces in terms of university tuition levels. Using data from the Youth in Transition Survey conducted during the middle part of the last decade, we compare university participation rates in low-tuition provinces with participation rates in high-tuition provinces to examine whether higher tuition fees correlate with lower university participation rates. Furthermore, we compare participation rates for high school graduates who come from low-income families in high-tuition provinces with participation rates for similarly situated students in low-tuition provinces. Our analysis answers two questions:

• Are university participation rates higher in the low-tuition provinces than in the higher-tuition provinces?

• Are university participation rates for young people from low-income families higher in the low-tuition provinces than in the higher-tuition provinces?

The Statistics Canada data set we analyze demonstrates that the answer to both of these questions is, simply, no. In fact, university participation for high school graduates from low-income families tended to be higher in provinces with higher tuition fees than in provinces with lower tuition fees. Our analysis shows that, when compared to provinces that have much lower tuition fees including Quebec, Newfoundland and Manitoba, higher tuition fees such as those found in Ontario, Nova Scotia and Saskatchewan have not generally resulted in lower levels of university participation or reduced access for low-income students.
Tuition fees and university participation rates across Canada

The development of a well-educated workforce is recognized as essential for Canada’s prosperity, and most people agree that a high level of participation in post-secondary education is good for the country. Student organizations often suggest that this is an important reason to keep tuition rates as low as possible. This argument assumes that although maintaining low tuition may strain government budgets in the short run, it is a prudent investment for the long-term health of the economy because it will contribute to the development of a more educated, more productive workforce by ensuring a high rate of university participation.

The fact that the tuition levels across the 10 provinces vary substantially allows us to examine this argument empirically. Our analysis of university participation rates examines the relationship between participation rates shown in this data set and the average annual undergraduate tuition fees in each province. The fees for each province in 2003 are presented in Chart 1, below.

<table>
<thead>
<tr>
<th>Province</th>
<th>Average Undergraduate Tuition Fees ($)</th>
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<tbody>
<tr>
<td>Nova Scotia</td>
<td>$5,557</td>
</tr>
<tr>
<td>Ontario</td>
<td>$4,923</td>
</tr>
<tr>
<td>Saskatchewan</td>
<td>$4,644</td>
</tr>
<tr>
<td>Alberta</td>
<td>$4,487</td>
</tr>
<tr>
<td>New Brunswick</td>
<td>$4,457</td>
</tr>
<tr>
<td>British Columbia</td>
<td>$4,140</td>
</tr>
<tr>
<td>Prince Edward Island</td>
<td>$4,133</td>
</tr>
<tr>
<td>Manitoba</td>
<td>$3,155</td>
</tr>
<tr>
<td>Newfoundland/Lbdr</td>
<td>$2,506</td>
</tr>
<tr>
<td>Quebec</td>
<td>$1,862</td>
</tr>
</tbody>
</table>

Source: Statistics Canada, 2003 Youth in Transition Survey (YITS)
If very low tuition levels such as those in Newfoundland, Quebec and Manitoba do in fact have a large impact on university participation, we would expect these provinces to have had substantially higher participation rates than provinces such as Ontario and Nova Scotia, where tuition fees were approximately twice as high. However, as Charts 2 and 3 show, university participation rates in low-tuition provinces were not particularly high during this period. Chart 2 shows the university participation rates for high school graduates at age 23 by province.

Chart 2 shows that university participation rates in low-tuition provinces (Newfoundland, Quebec, Manitoba) were not particularly high. Quebec’s participation rate is below the national average, while Newfoundland’s is slightly above. Newfoundland ranks sixth out of the ten provinces in terms of overall university participation for high school graduates. Manitoba’s overall participation rate is well above the national average, but still lower than Nova Scotia and Prince Edward Island where tuitions are markedly higher. In fact, Chart 2 shows that Nova Scotia, the province with the highest average tuition fees, also had the second-highest rate of university participation in Canada. University participation rates for high school graduates at age 23 in Nova Scotia were two percentage points higher than they were in low-tuition province Manitoba and nine percentage points higher than in Newfoundland. Higher-tuition Ontario showed a university participation rate that was seven points higher than Quebec’s, despite that province’s very low tuition levels. Clearly, the low tuition rates
in Manitoba, Newfoundland and Quebec did not lead to significantly higher rates of university participation during this period.\(^9\)

Chart 3 shows the relationship between tuition levels and university participation rates when all ten provinces are considered. Again, the data provide no evidence that very low tuition fees are correlated with high levels of university participation in Canada. In fact, we see a slight positive correlation between higher tuition levels and higher university participation rates. This means that, on average, provinces with higher tuition fees tended to have higher university participation rates than the provinces with lower fees. Of course, this does not mean that higher fees somehow increase participation. It does, however, strongly suggest that other factors aside from differences in tuition rates are the primary drivers of differences in university participation rates across Canada, and it refutes claims that higher tuition fees necessarily lead to depressed participation rates.

To the extent that differences between the provinces in terms of tuition levels is influencing university participation decisions across the country, that impact appears to be small and is swamped by other, more important factors. Arguments that high tuition rates (by Canadian standards) will necessarily lead to low rates of university participation or that rock-bottom tuition fees will ensure high rates of participation receive no support from the evidence presented in this paper.

Source: Statistics Canada, 2007 Youth in Transition Survey (YITS)
Are university participation rates for young people from low-income families higher in the low-tuition provinces than in the higher-tuition provinces?

The evidence in the preceding section suggests that lower tuition fees do not necessarily generate higher rates of university participation and that comparatively high tuition fees do not necessarily depress participation rates below the Canadian average. However, the statistics presented thus far deal with the entire university-age population, across all income levels. Many student advocacy groups continue to argue in favour of reduced tuition fees on the grounds that tuition levels will create a barrier to access for a specific group: young people from low-income families.

Although the preceding analysis suggests that participation rates in general were not unusually low in high-tuition provinces, it is conceivable that higher tuition fees might still discourage participation by students from low-income families.

To assess this hypothesis, we used the same Statistics Canada data set to compare university participation rates in the ten provinces for young adults from low-income families to determine whether high school graduates from such families are more likely to attend university in

Source: Statistics Canada, 2007 Youth in Transition Survey (YITS)
low-tuition provinces than in high-tuition provinces. We define low-income families as those in the bottom quartile (25 per cent) of the family-income distribution. Chart 4 (previous page) presents university participation rates at age 23 for high school graduates from low-income families in the 10 provinces.

- The data show that university participation for 23 year olds from low-income families was lower in Quebec and Newfoundland, the two lowest-tuition provinces, than in any other province.
- Manitoba, the remaining low-tuition province, had a low-income participation rate that was nearly identical with the national average.
- Nova Scotia, with the highest average tuition fees in the country, boasted the second-highest participation rate for young people from low-income families.
- Ontario, with the second-highest tuition fees in the country, had the second-highest participation rate for young people from low-income families.

These findings strongly suggest that higher tuition fees in provinces like Nova Scotia and Ontario did not pose a substantially greater financial barrier to access for low-income students compared with the much lower tuition fees in Quebec and Newfoundland.

Manitoba’s very low tuition fees have not resulted in high rates of university participation for students from low-income families in comparison with the national average or comparable jurisdictions. The low-income participation rate in Manitoba was almost identical to the rate in neighbouring Saskatchewan, where average tuition fees were approximately 50 per cent higher.

Source: Statistics Canada, 2003 and 2007 Youth in Transition Survey (YITS)
In fact, when all ten provinces are examined, the evidence shows that lower tuition rates are not correlated with higher rates of university participation for young adults from low-income families. This fact is demonstrated graphically in Chart 5 (previous page). Chart 5 shows a simple scatter plot that presents the relationship between average university tuition and university participation rates at age 23 for high school graduates from low-income families in each province.

The upward sloping line in Chart 5 shows that participation rates for high school graduates from low-income families actually tend to be higher in provinces with higher tuition fees than in provinces with lower tuition fees. This evidence suggests that, in the Canadian context, jurisdictions that have adopted cut rate tuition policies have not succeeded in raising their low-income participation rates to levels that are noticeably higher than they are in provinces with relatively high tuition fees.
tuition fees.

Additional analysis shows that, when compared to high tuition policies in provinces such as Ontario and Nova Scotia, low-tuition policies in Manitoba, Quebec and Newfoundland have not had the effect of equalizing university participation rates among high school graduates across the family-income distribution. Across the country, high school graduates from high-income families participate in university at higher rates than those from low-income families. However, that gap is smaller in several high-tuition provinces including Ontario, Alberta, British Columbia and Saskatchewan than it is in Quebec, Manitoba and Newfoundland, where tuition is much cheaper.

Chart 6 (previous page) presents the evidence. This chart illustrates university participation rates at age 23 for high school graduates by family-income quartile and province. To measure the gap in participation rates between youth from high- and low-income families in each province, we have divided the participation rate of the former group by the participation rate of the latter group. This measure of equality in university participation is presented next to each province’s set of bars. A higher number shows the existence of a larger gap between the top quartile and the bottom quartile, while a smaller number shows the opposite. Quartile one refers to the lowest-income families and quartile four refers to the highest-income families.

Chart 6 illustrates that, perhaps counter-intuitively, the participation gap between high- and low-income families is generally larger in low-tuition provinces than in high-tuition provinces. In other words, university participation rates tend to be more equal across the family-income distribution in provinces with higher tuition fees than they are in low-tuition provinces.

Specifically, when compared with the national average, the three provinces with the lowest tuition fees, Quebec, Manitoba and Newfoundland, all had substantially larger gaps between participation rates for students from high- and low-income families.

On the other hand, several higher-tuition provinces had smaller participation gaps across the family-income distribution than the rest of the country did. Across Canada, high school graduates from high-income families were approximately 50 per cent more likely to attend university by age 23 than were those from low-income households. In high-tuition Ontario, by comparison, that gap was much smaller, at 34 per cent. This suggests that high tuition fees in provinces like Ontario do not necessarily result in under-representation for students from low-income families in university cohorts. Indeed, the evidence shows that high tuition fees (by Canadian standards) such as those in Ontario and British Columbia can co-exist with equality of access that is significantly greater than the national average and much greater than what exists in provinces such as Quebec, Manitoba and Newfoundland, where tuition levels were much lower.
Discussion and limitations

The preceding analysis uses data from Statistics Canada to show that university participation rates in low-tuition provinces were not significantly higher than they were in high-tuition provinces. Furthermore, we have shown that participation rates for high school graduates from low-income families tended to be substantially higher in provinces with higher tuition fees than they were in provinces with lower tuition fees. We have also shown that the gap between participation rates for people with high-incomes and low-incomes tended to be high by Canadian standards in the provinces with the lowest tuitions.

What conclusions can and cannot be drawn from this data? This evidence does not demonstrate that tuition fees have no impact on university participation rates, either in general or for students from low-income families. Many factors influence university participation, and we examined only the correlation between tuition levels and university participation. To be sure, it is possible that if Manitoba, Quebec and Newfoundland had higher tuition fees, the gap between those provinces and provinces such as Ontario and Nova Scotia in terms of low-income participation, would be even larger.

What we can conclude from this data, however, is this: to the extent that differences in tuition rates across the provinces affect university-participation decisions, that impact is swamped by other, more important factors.

For example, Nova Scotia had the highest tuition fees as well as the second-highest university participation rates in Canada. Low-income university participation rates were also well above the national average despite its high tuition. This may be partially explained by the fact that there are a comparatively large number of universities in Nova Scotia and that almost all of the province’s residents live in close proximity to a university. This may make it possible for a larger number of low-income students to attend university while staying in their family homes—which significantly reduces the cost of pursuing higher education.

Alberta had a low university participation rate for low-income students, but it is illogical to suggest that high tuition fees were responsible, considering that fees were much higher in Nova Scotia and Ontario, where participation rates were higher. A far more plausible explanation is that the labour market has been very strong in Alberta throughout this decade, offering many opportunities for gainful employment for high school graduates. The existence of high-paying jobs that do not require a university degree may entice high school graduates to enter the workforce immediately rather than incur the expense and delay in beginning full-time work that is associated with university attendance.

Local labour market conditions, the proximity of population centres to universities and other policy-related factors aside from tuition such as the availability of scholarships and loans all likely play an important role in shaping university participation rates in each province.

When young adults decide whether to attend university, they must consider a complicated set of factors. Most importantly, they consider the full cost of going to university, which includes the opportunity cost associated with delaying their entry into the workforce.
as well as the additional earnings they are likely to make over the course of a lifetime because of obtaining a university degree. When these opportunity costs are taken into account, it becomes clear that tuition fees—which are heavily subsidized in all 10 provinces—are actually only a small component of the cost associated with attending university. It is therefore unsurprising that differences between the somewhat higher, but still subsidized, tuition fees in provinces like Nova Scotia, and the extremely low tuition fees in provinces like Newfoundland, appear to play a trivial role in determining university participation rates in each province.

Finally, it should be noted that the evidence in this paper does not provide any insight into whether tuition fees in relatively high-tuition provinces can safely be raised much further without discouraging either participation in general or for students low-income families. At a certain point, higher tuition fees will, presumably, discourage university participation, especially among young people from low-income families. Comparative data between Canada and the United States confirm this common-sense intuition. In Canada, where tuition is generally much lower, university participation rates are substantially more equal across the family-income distribution than in the United States.1

What the data does suggest is that within the context of Canada’s low university tuition, the existence of particularly low tuition levels such as those in Quebec, Manitoba and Newfoundland is not associated with high rates of university participation or exemplary levels of university access for low-income families. To the extent that low tuition exerts any sort of effect in these areas, that effect is swamped by much larger forces that influence university participation and low-income access in the provinces. This data therefore suggests claims from student unions and other like-minded groups that higher tuition fees in provinces like Ontario, Nova Scotia and Alberta present a substantially greater barrier to access for low-income youth compared to tuition levels in provinces like Manitoba, Quebec and Newfoundland are not supported by the evidence.
Conclusion

Many student organizations in Canada assume that lower tuition fees will result in higher university participation rates, especially for students from low-income families. The data presented in this report, however, suggest that there is no positive correlation between lower-tuition levels and higher university participation rates for young adults from low-income families. Our comparative analysis of university participation patterns in the 10 provinces suggests that within the Canadian context, lower tuition rates are not associated with particularly high levels of university participation in general or for low-income students in particular.

Although the data presented in this report does not demonstrate that lower tuition is completely insignificant in determining university participation rates in specific provinces, it does demonstrate that the effect of tuition levels on participation rates is comparatively small and that a number of more important factors influence university participation rates and low-income access. The evidence clearly shows that high-tuition (by Canadian standards) does not necessarily lead to low rates of participation for low-income youth, nor does cut rate tuition guarantee high participation rates for young adults from economically disadvantaged families.

Although a well-educated workforce is essential for Canada’s continued prosperity and competitiveness, lowering tuition fees is a costly policy option that plays a relatively minor role in increasing university participation and, therefore, in developing such a workforce. Contrary to the claims made by student organizations and other activists for low tuition fees, the evidence suggests that tuition reductions in higher-tuition provinces would be highly unlikely to result in significant increases in either university participation or access for low-income families. Furthermore, it suggests that tuition increases in the low-tuition provinces would be unlikely to lead to a significant drop in overall participation or in participation rates in the case of young adults from low-income families.

Policy-makers may prefer very low tuition as a strategy for achieving other policy objectives such as maintaining lower levels of student debt upon graduation. However, arguments that very low tuition rates will significantly increase participation or dramatically enhance access for low-income families are not supported by cross-provincial comparisons and should be given little weight by policy-makers in provincial governments.
Endnotes


7. We use 2003 tuition data because the youth surveyed in this analysis were 19 years old in 2003, an age at which many young adults are making decisions about university attendance. No province saw large tuition increases or decreases in the years immediately following that would cause the exact choice of year to be significant for this analysis.

8. Quebec’s post-secondary system has many unique characteristics aside from extremely low-tuition rates, and therefore we should be cautious in interpreting the meaning of direct comparisons between participation rates in the specific case of Quebec to participation rates in other Canadian provinces.

9. We also examined overall university participation rates for “all youth” rather than focusing on high school graduates exclusively, and found nearly identical results—predictably, the same provinces that had high rates of university participation for high school graduates also had higher rates of participation for all youth.

10. This chart was built with the same methodology that was used to compare university participation rates across the family-income distribution in the 10 provinces by Statistics Canada’s Klarka Zeman in her 2007 publication A First Look at Provincial Differences in Educational Pathways from High School to College and University. Ms Zeman’s paper made use of earlier versions of the same data set used in this paper. Her analysis of the early data from the YITS survey also showed the lack of a correlation between low tuition fees and high rates of university participation, noting, “It was not generally the case that provinces with lower university tuition fees were those in which lower-income youth were doing the best in terms of university participation rates.” Available online at http://www.statcan.gc.ca/pub/81-004-x/2007002/9989-eng.htm.

Further Reading

September 2003
**What Can Be Done about the Underfunding of Canadian Universities?**
Rodney Clifton
http://www.fcpp.org/publication.php/631

June 2005
**Post-secondary Spending: Let the Debate Begin**
Rodney Clifton
http://www.fcpp.org/publication.php/1059

September 2010
**Cut-rate Tuition is a Bad Deal for Taxpayers**
Ben Eisen
http://www.fcpp.org/publication.php/3419

February 2010
**The Real Have-nots in Confederation: British Columbia, Alberta and Ontario**
Ben Eisen and Mark Milke
http://www.fcpp.org/publication.php/3196

For more see
www.fcpp.org