

**Brief of the Federation of New Brunswick
Faculty Associations**

Presented to

The House of Commons Standing Committee on Finance

September 10, 1999

**PUBLIC INVESTMENT IN OUR UNIVERSITIES:
AN ECONOMIC AND SOCIAL IMPERATIVE**

Introduction

The Federation is pleased to accept the invitation of the Standing Committee on Finance to contribute to the budget making process by presenting a submission. We were gratified to find in the Twentieth Report of the Standing Committee on Finance, “**Productivity With A Purpose: Improving The Standard Of Living Of Canadians**”, published in June 1999, the recognition that

“... those with higher education enjoy an income premium over those with less education.... The fact that these individuals tend to be employed more often and earn higher rates of pay suggests quite clearly that their productivity is higher than that of those individuals with less education. **Thus they contribute more to the economy.**” [Emphasis added] ¹

The Federation also is encouraged by finding elsewhere in the report, under the heading “The Brain Drain”, the recognition:

“... [Highly-paid workers are] the source of substantial tax revenues. They also tend to rely less heavily on government services. **Thus they are generally net contributors to the fiscal position of governments...** [Emphasis added].” ²

Although the foregoing quotation is taken out of context, for the purpose of our present discussion it will be recognized that it is applicable not only to the high-income

¹ Op.cit., page 19

² Ibid., page 24

individuals who are involved in the “Brain Drain” but more generally to all those at the higher income levels.

The Federation also strongly endorses the Committee’s declaration in the Report that

“... the distribution of income is likely to be more even in an environment in which education is publicly supported... Public support for higher levels of education and ongoing manpower training, as well as tax support for the concept of lifelong learning, therefore contribute to a more even distribution of income and wealth in Canada”.³

Again quoting from the report:

“Education promotes the development of human capital. This capital can have relatively large spill-over effects, ... The existence of a well-educated workforce also effects the investment decisions of firms ...”⁴

Although not clearly stated in the report, we are certain that the committee appreciates that without the efforts of chemists and engineers, there would be no pulp and paper industry. Without electrical engineers there would be no power industry or television. The spill-over reaches far further than suggested above to reach loggers and mill workers and myriad other blue collar workers who depend on technology for their job.

It is apparent, then, that the Committee has a clear understanding of both the economic realities of, and the certainty of dividends flowing from, public investment in higher levels of education. Consequently, in this presentation the Federation will seek to reinforce the Committee’s obvious commitment to ensuring that all Canadians are equally able to avail themselves of the highest levels of education to which they aspire; to draw to its attention the particular difficulties faced by New Brunswickers in attaining

³ Ibid., page 19

⁴ Loc.Cit.

this equality in times of federal fiscal restraint; and to propose means through which the “five primary themes” outlined in the Committee’s July 9, 1999 call for submissions can ensure that such equality of educational opportunity is achieved.

Statistical Background

The Federation is indebted to Human Resources Development Canada – Pan Canada Operations Branch for the valuable demographic information disclosed in its publication “**New Brunswick Review**” edited by M. Samuel LeBreton, Senior Economist.

An article entitled “Employment and Education in the 1990’s” in the Winter 1999 issue opens as follows:

“One topic that resurfaces very often and makes headlines is the importance of education in today’s labour market. Many articles published in this review in recent years have focused on this same subject. In the same vein, this article provides additional data since 1990, which support the hypothesis that an education is the most important factor to ensure a better future in the labour market”.⁵

The article, citing Statistics Canada Sources, goes on to demonstrate that between 1990 and 1997 (the most recent years for which data were available), while the population of New Brunswickers with less than 9 years of education declined by only 20%, the employment level of this group fell by 41%. Similarly, although the population of high school graduates grew by 8.3%, employment opportunities for them grew by only 3.9%.

Post-secondary graduates (i.e. of Community Colleges and trade schools) and university graduates, however, fared well in comparison with their less well-educated counterparts; with growths in population of 29.1% and 44.4%, and in employment opportunities of 24.1% and 37.3%, respectively. (Appendix I)

⁵ New Brunswick Review, HRD(C) Winter, 1999

Between 1990 and 1997, the overall unemployment rate in New Brunswick increased substantially due to economic conditions. Nevertheless, those individuals with the highest levels of education continued to enjoy the lowest rates of unemployment throughout this period. (Appendix II)⁶

Federal Fiscal Restraint

It has been the experience of New Brunswickers — and, as well, that of their counterparts in the other Atlantic Provinces — that federal fiscal restraint puts a heavier burden on their higher education systems than it does in the more populous provinces.

It is generally acknowledged that, since 1993, there has been a net reduction in federal funding for post-secondary education of the order of \$2 Billion.⁷ It is not disputed that this reduction has been distributed equitably. However, it is self-evident that a province such as Ontario, with a population of approximately 12 Million and a significant industrial base, enjoys a sufficiently wide tax-base (with the corresponding potential for achieving significant economies of scale) that it can more easily shoulder its burden of such cuts than can a province with a population of fewer than 750,000 such as New Brunswick. As was mentioned earlier, between 1990 and 1997 there was a 44.4% increase in the number of university graduates in New Brunswick. By far the largest contributor to the cost of operating this province's universities is the Government of Canada – 56% of the total in 1997⁸. The universities have done their best to absorb this load in the face of decreasing federal funding but they have reached the limit of their capacity for absorbing such variation in the size of the student body.

As a result, the Committee's enlightenment concerning the need for increasing participation by Canadians in higher levels of education will be meaningless in the

⁶ There also is evidence to suggest that some of the gap between university graduation and participation in regular employment can be attributed to the growing tendency among university graduates to continue with further studies after receiving their first degree.

⁷ Source: Canadian Association of University Teachers

smaller provinces until these serious concerns have been addressed by the federal government.

The Five Primary Themes

1. The process of budget making.

The Federation applauds the consultation process undertaken by the Finance Committee in the last two years. It stresses, however, that there is no universal, one-size-fits-all solution to the problem of allocating the appropriate amount or distribution of federal funding to each province (for the reasons of tax-base disparity and scale mentioned above). The Federation urges the Committee, therefore, to examine carefully the individual needs of each province before making its recommendations to the Minister on budgetary provisions in the area of social transfers (within which post-secondary education funding falls).

2. Tax Relief and Reform

Canada might improve its tax system in the way suggested by the Committee itself in its Twentieth Report: i.e., by providing "...tax support for the concept of lifelong learning..."⁹

The Committee might, under this rubric, consider recommending that interest payments on student loans be tax deductible for recent graduates. Surely if loans for the purpose of earning an income are tax deductible, student loans should qualify. Textbook costs should equally be a deferrable tax credit. The monthly \$50 living expenses allowance for students is clearly not realistic and should be brought to more reasonable levels. The \$5000 annual maximum on education

⁸ Source: Maritime Provinces Higher Education Commission
⁹ (Cf. Footnote 3)

transfers to spouse or parents also needs reconsideration, particularly for students attending universities out-of-province.

It would not be untoward to remark at this point that the corporations which reap in ever increasing profits the benefits of an educated workforce should shoulder a larger portion of the tax burden to support universities. Tax benefits could clearly be fine tuned to provide relief for those corporations that provide on the job training, but by and large they are getting a free ride.

3. Social infrastructure

As stated earlier, across-the-board policies "...to enhance access to higher education..." cannot be effective in all provinces unless distinctions that render apparent equality inequitable are taken into account.

It is respectfully suggested, therefore, that the Committee recommend the establishment of minimum – but high – national standards for post-secondary education; and that it also conduct urgent and serious research into the early introduction of a federal **Post-Secondary Education Financing Act** which contains provisions which will ensure that these standards are met or exceeded in each province.¹⁰

4. New economy

The committee will be well aware of the globalization of the economy. Capital and human resources flow almost freely across national boundaries, leading to calls for lower taxes and higher wages for knowledge based skills while devaluing manual based skills both in the name of improving competitiveness. In fact, it is clear that the more productive members of society can be retained by attractions

other than low taxes. Quality of life issues, medical care, and family all serve to root our population. It is not so much that our graduates seek to go abroad in search of riches as that they are driven abroad by lack of employment or opportunity. It should be evident that in the knowledge based economy, the purveyors and users of knowledge are the foundation of success. If we, as we must, are to take on the world and compete on a level playing field it is essential that we nurture the search for knowledge and innovation. Universities will play a central role in this quest.

The growing importance of the Internet is of great significance. In order for Canada to remain competitive, in a world where text, graphics and information can be delivered electronically in mere microseconds, provision must be made by government for the promotion of Information Technology learning, and for the subsidization – **where it is needed** – of the acquisition of cutting-edge electronic hardware and software. As E-commerce expands, Canada will have to invest in transportation and communication knowledge to fully partake in this revolution. Smarter and better ways than Canpar or UPS will need to be found to transport goods bought or sold on the internet. Wide-band access will not only provide information, but also entertainment and access to the world and the global market place. Being connected will distinguish the haves from the have-nots. Lest we accept the creation of a new underclass, a great deal of care will be needed to ensure that our populace is not educated merely for the needs of the day, but adaptable for the ever more rapidly evolving technological and commercial-political paradigms. A broad universal post-secondary education is the most viable means to assure a populace able to partake in and profit from this exciting but uncertain future.

¹⁰ The Canadian Association of University Teachers (“CAUT”) has been proposing such legislation since the early 1980’s. The Federation believes that the time now has arrived where the CAUT proposals should be given the most earnest consideration of the federal government

5. Productivity

Again, the Committee has partly answered its own question “...What can the government do to enhance productivity?” – as it relates, at least, to the area of post-secondary education. The Committee is respectfully referred to the three short excerpts from its Twentieth Report quoted in the introduction to this presentation. In addition, the Committee will be well aware that the vast majority of research and innovation is carried out in the nation’s universities. In the face of massive federal cuts to education funding, the universities in New Brunswick have been subject to the relatively benign cuts of 2% for three successive years, clear evidence of provincial commitment to higher education. (The cuts are labeled relatively benign because, although they are considerably less than the cuts imposed in Alberta, for example, we started from a much more modest baseline so that even though our colleagues in Alberta lost 30% in one year, they are still in a better financial position than the universities in the Atlantic region.) To cope with these cuts, universities have allowed, and in some cases encouraged, attrition of faculty, technicians and other staff to trim the salary budgets. The somewhat perverse effect of producing savings in this way has been the smothering of productivity of overworked faculty. As a brief anecdote to illustrate the problem, I¹¹ will describe the plight of one of my colleagues, who performs cutting-edge research in fibre-optics. She has major CFI funding with NorTel and NBTel as industrial partners and works to overcome bandwidth problems in fibre-optic communications and the development of “smart” (distributed stress and temperature sensing) structures. She is hobbled by a crippling teaching load because my department has been reduced to only half its normal teaching complement. [Another pair of colleagues who established and operate the Ocean Mapping group that located the Swissair jet last year are being lured to New Hampshire, I am told, not by wages or taxes, but by being invited to a better research environment where they can spend all their time at research instead of

¹¹ Jack Vanderlinde, Dept of Physics, U.N.B.

shouldering excessive teaching loads and administrative burdens.] I am certain that this is not an isolated case, instead, such tales can be found in virtually every department of every university in the Atlantic region.

University libraries are in danger of becoming mere archives. Budgets have been so drastically cut that essential research journals can no longer be purchased in either electronic or printed form, again posing a major threat to productivity for innovation thrives on information. A major infusion of funds is absolutely required if we are to maintain our place in the information world.

For this reason, it is vital that the federal government re-engage in funding secondary education, not only at the level of funding research, but also at level of the basic support for the university's teaching mission.

Conclusion

It is appreciated that the Finance Committee listened carefully and heard the submissions of the various interested parties from whose interventions its Twentieth Report was prepared. It is also appreciated that the Twentieth Report, where it deals with the relationship between "productivity" and education — particularly post-secondary education — represents a perceptive start.

The primary objective of this presentation has been to confirm to the Committee that it is "on the right track", and to encourage it to advise the Minister of Finance to formulate his forthcoming Budget in a way which meaningfully recognizes the imperatives which the Committee has identified by restoring federal support for basic operating funds for universities.

Respectfully submitted September 1999 by:

A handwritten signature in cursive script that reads "Jack Vanderlinde". The signature is fluid and elegant, with the first letters of each word being capitalized and prominent.

Dr. Jack Vanderlinde

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