Over the past few years, say Noel Baldwin and Andrew Parkin from the Canada Millennium Scholarship Foundation, Canadian governments have moved away from the era of the health care review into the era of post-secondary education review, with a newly found appetite for proposals on how to enhance access to and improve the quality of higher education. The authors analyze the reasons behind this wave of interest among policy-makers and outline what a sound approach to modernization might be. They argue that it should be guided by four principles: it should reach out to students before they have decided to enrol in post-secondary education; provide them the right mix of loans, bursaries and tax credits when they get there; address the full range of obstacles that students face; and be delivered by flexible and accountable mechanisms.

Over the past few years, Canada has quietly moved from the era of the health care review to the era of the review of post-secondary education. Having digested (or set aside) the recommendations of the Romanow and Kirby commissions, federal and provincial governments have developed an appetite for proposals on how to enhance access to and improve the quality of higher education. Ontario was first off the mark, with a post-secondary review chaired by Bob Rae that reported in 2005. It has since been followed by reviews in BC, Alberta, Saskatchewan, New Brunswick, and Newfoundland and Labrador. The federal government has followed suit, launching reviews in 2006 and 2007 of the two main instruments through which it supports undergraduate university and college students, namely the Canada Student Loans Program and the Canada Millennium Scholarship Foundation.

Commissions in provinces such as Ontario and New Brunswick have called for specific and significant new investments in student financial assistance, which Ontario at least moved quickly to implement. Others, such as the Campus 20/20 report in BC, have called for rapid gains to be made in the post-secondary participation of children from low-income families and Aboriginal youth. At the federal level, the background against which the reviews are being conducted is the government’s wish to “modernize” the system of student financial assistance. This intention was stated in the 2006 autumn economic update, and reiterated in Budget 2007, which spoke of the government’s objective to “modernize and simplify the administration and delivery of student aid in order to make supports more effective, transparent and predictable.”

This wave of interest among policy-makers in access to post-secondary education is being driven by a number of factors. The first is the widespread understanding that Canada’s continued prosperity in an ever more competitive
and integrated global economy rests on its ability to maintain an advantage in terms of the skills, flexibility and innovativeness of its labour force. The new jobs the economy is creating, and the existing jobs being vacated as baby boomers start to retire, require candidates with a post-secondary education to fill them. While Canada has performed well in terms of access to post-secondary education—just over half of 25-to-34-year-olds have a college diploma or university degree—it cannot afford to rest on its laurels. The US already produces more university graduates than does Canada, and other Organisation for Economic Co-operation and Development (OECD) countries are gaining ground. In this context, Canada needs to be sure that it has the right policies in place to encourage an increasing number of young adults to gain a post-secondary credential.

A second factor is related to the first, but stresses equality of opportunity for individuals more than nationwide economic competitiveness. Post-secondary education has become an increasingly important determinant of economic advancement and social well-being. Since 1980, the earnings of those with a post-secondary education have grown, while the wages of those with a high school diploma or less have not. It is in this context that the prevailing inequity in access preoccupies policy-makers. One-half of students from low-income families do not continue their studies past high school, compared with one-quarter of those from high-income families. By age 20, non-Aboriginal youth are three times more likely than Aboriginal students to be pursuing or have already completed post-secondary studies. Since 1980, the earnings of those with a post-secondary education have grown, while the wages of those with a high school diploma or less have not. It is in this context that the prevailing inequity in access preoccupies policy-makers. One-half of students from low-income families do not continue their studies past high school, compared with one-quarter of those from high-income families. By age 20, non-Aboriginal youth are three times more likely than Aboriginal students to be pursuing or have already completed post-secondary studies.

A third factor driving the discussion about access to higher education is the availability of new research. As little as five years ago, policy research on the subject in Canada was still in its infancy; much of the research that had been conducted was confined to relatively rarified academic circles. The publication since 2002 of three editions of The Price of Knowledge by the Canada Millennium Scholarship Foundation and the availability since 2002 of data from Statistics Canada’s longitudinal Youth in Transition Survey have helped to change this. We now know much more about why students do or do not continue their studies after high school than we used to, and this knowledge has begun to inform policy discussions at both the provincial and federal levels. Here is a partial list of key research findings that have emerged in recent years:

- Lack of adequate information and lack of preparation before the end of high school constitute important barriers to access. While financial considerations are among the main factors deterring some from undertaking post-secondary studies, lack of interest in further studies and lack of information about the costs and benefits of a higher education cannot be overlooked. We know that high school students continue to look to their families and friends for information about college and university, but that they do not always get the answers they need. Few parents, for instance, talk to their adolescent children about the costs of a post-secondary education and the availability of student financial aid. As always, the students who need this information the most are usually the least likely to get it.
- Providing students who need financial assistance with bursaries in addition to student loans contributes to their success. Students who receive bursaries borrow less and accumulate less debt. Students with less debt are more likely to stay in school long enough to complete a program of studies and earn...
the intended diploma or degree.

- Need-based bursaries historically have not been effectively directed to students from the lowest-income families. In the Canadian system, bursaries have been awarded to students with the largest loans. Students from low-income families, however, often receive less loan aid than others.

As it is now, students must first decide to borrow (which means getting over any aversion they may have to taking on debt) before finding out if they are eligible for a bursary. This could be turned on its head, with students facing financial difficulties applying first for a bursary and only subsequently needing to decide whether to take on a loan as well. Offering students from low-income families nonrepayable aid first may be a better way of encouraging them to embark on post-secondary studies.

because they strive to keep their
net education costs low: they are
less likely to move away from
home to study, more likely to
enrol in lower-cost college pro-
grams and more likely to work
while in school to earn income.
The system essentially penalizes
them for this behaviour by provid-
ing them with repayable loans but
not nonrepayable bursaries.

- Most of the recent growth in gov-
ernment transfers to students has
been in areas that have little
impact on access. For the past
decade, governments of all levels
and political stripes have favoured
tax credits as the means of provid-
ing more financial support to stu-
dents and their families. At the
federal level, expenditures on the
tuition and in-study tax credits
have ballooned from just over $400
million in 1994 to more than $1.8
billion in 2004 (see table 1). For
their part, provinces have recently
developed an appetite for measures
such as post-graduation tax rebates.
These measures may ease the tax
burden for some families but dis-
proportionately benefit students
who do not need financial assis-
tance: they are not targeted to stu-
dents from lower-income families,
and low-income students or par-
ents often lack the taxable income
against which the credits can be
claimed. In any event, tax credits
provide support only months after
tuition, books and rent must be
paid for. While such tax measures
may have made sense as a means to
complement the need-based sys-
tem of student aid, they now cost
more to finance than do student
loans and bursaries. A better bal-
ance needs to be struck.

- Financial and so-called “non-finan-
cial” barriers interact, compounding
the challenges for young people
who are already underrepresented
in post-secondary education. As
mentioned, finances are only one of
several obstacles that students face
in accessing and successfully com-
pleting college and university pro-
grams. Students who struggle
academically or have little informa-
tion about or interest in further
studies may never get to the point
of assessing whether they have the
means to pay the cost. What’s more,
students likely to be confronted by
one type of barrier are also likely to
be confronted by the others: for a
variety of reasons, students from
lower-income families may receive
less encouragement to strive for a
university degree, face greater aca-
demic challenges and have fewer
financial resources at their
disposal. This means that
access to post-secondary edu-
cation cannot be promoted
through one policy tool alone: it needs to be
addressed through a compre-
hsive set of policies
designed to provide a range
of supports to students who
are at risk of turning away
from or dropping out of col-
lege or university.

Finally, a fourth factor responsible
for pushing access issues up the
political agenda is the pending expiry
of the Canada Millennium Scholarship
Foundation. The foundation was creat-
ed by Parliament with a mandate to dis-
tribute all of its $2.5 billion fund (plus
interest) to students in 10 annual instal-
ments from 1999-2000 to 2008-09.
Each year, it provides $335 million in
need-based bursaries to 125,000 college
and university students across the
country, as well as $12 million in
undergraduate merit scholarships. The
bursaries reach two in five high-need

Table 1. Public Expenditures on Student Financial Assistance by Type and Jurisdiction in 2003-04 (in Millions of Dollars)

<table>
<thead>
<tr>
<th></th>
<th>Federal Government</th>
<th>Provincial Governments</th>
<th>Canada Millennium Scholarship Foundation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net loan costs¹</td>
<td>630</td>
<td>378</td>
<td>0</td>
</tr>
<tr>
<td>Grants and loan remission</td>
<td>104</td>
<td>788</td>
<td>285</td>
</tr>
<tr>
<td>Tax expenditures</td>
<td>1,882</td>
<td>547</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>2,616</td>
<td>1,713</td>
<td>285</td>
</tr>
</tbody>
</table>

¹ Because loans from previous years are being repaid at the same time as new loans are being issued, the cost of providing loans is equivalent to about 35% of the value of loans distributed. Further, net loan costs do not include expenditures on loan remission, whereby governments pay down a portion of a student’s loan at the end of an academic year or at graduation.
student borrowers, and serve to reduce their debt by 30 percent.

The program is one of the main factors responsible for the levelling off of the average debt of graduating students — while average debt levels doubled in the 1990s, they have not increased since 2000 (in 2006, average debt for those who borrowed was $24,000). In certain provinces, the Millennium Program has even led to a drop in average student debt. While the foundation is a federal entity, its bursaries are delivered as part of the overall package of aid that students access through provincial student loan programs. This means that it is the provinces that will have the unenviable task of telling their clients in 2009 that the bursaries are no longer available. For this reason, the provinces have asked Ottawa for a decision in 2008 about whether the foundation will be replaced or renewed, which in turn has sparked the federal review of the foundation.

For all these reasons, then, the stage has been set for a discussion about how governments support post-secondary students and what changes need to be made to student assistance programs. Inevitably, however, it is much easier to gain consensus about the need for student financial assistance policies to be modernized than it is to agree on precisely what “modernization” means and what new policies governments should put in place. The federal government has indicated that its own answer will be offered in its 2008 budget.

Ideally, the government’s current deliberations will be informed by what has been learned over the last decade both through research and through experience, including the experience gained by the Canada Millennium Scholarship Foundation. Taking both this research and experience into account, we would like to outline what a sound approach to modernization might be. We argue that the effort to modernize student aid should be guided by four principles.

A modernized system of student financial assistance needs to reach out to students before they have decided whether to embark on post-secondary studies and provide them with information they can use in planning their futures. No one would be expected — or even permitted — to buy a house or a car without knowing exactly how much debt they will be contracting and the terms under which it will have to be paid off. Yet we expect young people to choose to devote several years to education without telling them until after they have signed up how much financial assistance they will receive, how much money of their own they will have to find and how much debt they will end up with. Even when the offer of aid is made, it is made one year at a time; students have to reapply in every successive year, and are offered no guarantees. This is fine if the goal of student financial aid is to minimize expenditure, but less acceptable if the goal is to facilitate access.

Providing students with earlier commitments of funding and greater certainty would require significant changes to the existing student aid system. It may be possible to get there more quickly, however, by working through the tax system.

Revenue Canada can identify parents with teenage children in various income categories, and already communicates with them annually with a tax statement that confirms, among other things, their allowable RRSP contributions. There is no reason why it could not also confirm to lower-income parents that their children will be guaranteed a minimum level of financial assistance should they choose to enrol in post-secondary education in the years to come. This minimum level could easily be topped up through the financial aid system at a later date, but would serve the dual purpose of providing some certainty and of encouraging families to talk about the prospect of post-secondary education and the means of paying for it.

A modernized system of student aid needs to direct assistance to where it is needed and provide the right mix of loans and bursaries. This means, for instance, that students from low-income families should be offered bursaries and not just loans — a change that has already begun to be made with the introduction of access bursaries to low-income students (by the Millennium Scholarship Foundation, and the federal and Ontario governments) and, in some
provinces, Aboriginal and rural students. These access bursaries could be expanded — in most cases they are available only in the first year of studies — but they could also be separated from the loan component of student aid (as is the case in the US). As it is now, students must first decide to borrow (which means getting over any aversion they may have to taking on debt) before finding out if they are eligible for a bursary. This situation could be turned on its head, with students facing financial difficulties applying first for a bursary and only subsequently needing to decide whether to take on a loan as well. Offering students from low-income families nonrepayable aid first may be a better way of encouraging them to embark on post-secondary studies.

Providing the right mix of aid also means that bursaries should be generous enough to ensure that borrowing does not become so high that students drop out before completing their studies. Of course, it is not easy to know how much debt is “too much,” but at the very least, the funding for bursaries that is currently in the system cannot be redirected or phased out. The need to target aid appropriately also means that a moratorium should be placed on new tax credits for students. There is nothing wrong with lowering tax rates, but stacking one education tax credit on top of another is a poor way to get money to students struggling to pay the bills while in school.

A modernized system of student aid needs to be complemented by a comprehensive package of support for students that addresses the full range of barriers they are likely to confront. On the one hand, an approach that provides more financial aid but does not help students overcome academic and other barriers will have only a partial impact on improving access. Simply put, financial aid benefits only students who have already decided to enrol and have been admitted by an institution; it cannot help individuals who neither apply nor gain acceptance. On the other hand, many students who make it to post-secondary education will need a variety of support services from academic coaching to peer mentorship and career guidance in order to succeed. This will be especially true as the participation of those from underrepresented groups — students whose parents did not attend college or university, low-income students and Aboriginal students —
increases. While financial assistance is distinct from other forms of student support, an effective access strategy must understand that the same students often require these different supports and that a comprehensive approach to policy-making will be more effective.

A modernized system of student aid needs to be delivered in a way that is flexible, accountable and transparent. A flexible federal program is one that varies in its details across jurisdictions so that it can take into account the needs and priorities of students in different provinces and territories, not to mention the variation in the existing provincial and territorial programs which it must complement. Accountability and transparency means not only that the funds should be easily traced to the student recipients, rather than disappearing into the mists of federal-provincial transfers, but also that the programs should be regularly evaluated and the results made available to the public.

It is important to note that the above list does not include an attempt to simplify the system by reducing the number of agencies involved in delivering assistance to students, something which is occasionally suggested by observers struck by the mystifying array of programs currently on offer. In the first instance, an attempt to simplify the system in this way is bound to fail: even if the federal government were to decide to offload its programs to the provinces, for instance, students would still be left to navigate among the loans, bursaries and scholarships offered by provinces, schools, banks and community groups— not to mention the money they can earn from summer or part-time employment or borrow from family members. Just as important, however, is the fact that the confusion for students arises less from the fact that several actors are involved in the world of student aid and more from the fact that students cannot easily anticipate in advance of undertaking their studies how much aid they will get. Federal and provincial programs are actually relatively well integrated, with one point of access for students. Neither program, however, can tell a high school student planning their future — thinking about whether to start work, stay at home and study at college, or leave home to attend university — how much aid they will receive in their first or subsequent years of study. Aid amounts are calculated only once students have made their choices and can report both their program costs and their expected earnings in the summer following high school graduation. It is for this reason that any attempt to rationalize the number of actors in the system while leaving the modus operandi of government student aid intact will seem no more simplified to its clients than it does today.

If simplification of the system is one of the goals, there may be better ways to achieve it. Many of those involved in student aid have focused on the need to simplify the process through which a student's financial need (and thus the amount of aid for which they are eligible) is assessed. Loan application forms are notoriously long and complicated, and the amount of variables that are taken into account makes it that much harder for anyone to anticipate how much aid they might receive. Others have talked about devolving the administration and delivery of federal and provincial programs to post-secondary institutions, so that students would have to deal with only one agency for all issues related to admission, costs and financial support. These and other ideas merit consideration; our view, however, is that they

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**FIGURE 1. AVERAGE DEBT AMONG BA STUDENTS GRADUATING WITH DEBT (2006 DOLLARS)**

<table>
<thead>
<tr>
<th>Year</th>
<th>British Columbia</th>
<th>Western Canada</th>
<th>Ontario</th>
<th>Quebec</th>
<th>Atlantic</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>$15,000</td>
<td>$15,000</td>
<td>$15,000</td>
<td>$15,000</td>
<td>$15,000</td>
</tr>
<tr>
<td>2003</td>
<td>$20,000</td>
<td>$20,000</td>
<td>$20,000</td>
<td>$20,000</td>
<td>$20,000</td>
</tr>
<tr>
<td>2006</td>
<td>$25,000</td>
<td>$25,000</td>
<td>$25,000</td>
<td>$25,000</td>
<td>$25,000</td>
</tr>
</tbody>
</table>

should be approached with the four general principles we outlined above firmly in mind.

What we have proposed with these four principles is admittedly only the beginnings of a vision of a modernized system of student financial assistance. Even without further elaboration, however, there are already two significant obstacles to its implementation.

The first is that a considerable part of what is required to modernize the system of student financial assistance goes well beyond the parameters of existing programs. Student aid programs currently deliver loans, bursaries and loan repayment assistance to students who are enrolled in or have graduated from post-secondary education. They have no way of reaching students before they have enrolled or supporting them in ways that go beyond finances once they get there. Adding these dimensions to the issue multiplies the challenges of developing effective policy. More to the point, however, it means that efforts to improve financial aid by making adjustments within the existing programs, rather than going beyond them, will have only limited success.

The second problem is that student financial assistance is delivered (at least outside Quebec) by both levels of government, which inevitably complicates the task of reform. Reforms initiated by individual provinces have to work around the federal program, and reforms initiated by the Canada Student Loans Program have to either be imposed on the provinces or await the long process of building consensus among all jurisdictions.

Neither of these problems are insurmountable, although they both suggest that significant progress may take longer than policy-makers might wish. Those wishing to make progress sooner rather than later, however, might wish to reflect on the role played by the Canada Millennium Scholarship Foundation. As an independent agency, for instance, the foundation has neither the statutory obligation nor the public expectation that it deliver exactly the same program in each jurisdiction. For this reason, it has sought out opportunities to work with provinces to improve the system on a jurisdiction-by-jurisdiction basis. The results of these partnerships have included a new curriculum tool about planning for post-secondary education for use in BC high schools, new bursaries for Aboriginal students in Saskatchewan and Manitoba, joint loan reduction programs that pool together and magnify the impact of federal and provincial resources in several provinces and an experimental program to test the effectiveness of promises of financial aid to students as early as grade nine in New Brunswick.

It is through several of these initiatives that the foundation has also tried to address the other obstacle to change, namely the need for student support policies to extend beyond the instrument of student financial assistance. The foundation, for instance, is assisting the University of Victoria to test the effectiveness of academic and peer support programs for its Aboriginal students, and has partnered with Manitoba and New Brunswick to develop a better guidance program for high school students. While these initiatives are modest in scope, they are a step in the right direction, and serve to move the agenda forward at a faster pace than that set when governments are the only actors.

Foundations such as the Canada Millennium Scholarship Foundation are intended to act as innovators and they have played that role quite well. They cannot replace government programs but are a tool that can complement them in important ways. They can work quickly and flexibly with provinces, they can conduct research that asks questions that governments are not always comfortable asking, and they can partner with volunteers and community organizations to broaden the scope and impact of policy initiatives. All of these attributes are relevant to the task of modernizing student financial assistance.

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Noel Baldwin is a policy and research officer at the Canada Millennium Scholarship Foundation; Andrew Parkin is the foundation’s associate executive director. The views expressed in this article are those of the authors and do not necessarily reflect the positions or policies of the Canada Millennium Scholarship Foundation.