

Government of Quebec consultations on the future of higher education

**Recommendations of the Board of Trade of Metropolitan Montreal as part
of the second round of consultations for the policy project on university
funding**



March 2014

Preamble

The Board of Trade of Metropolitan Montreal is made up of some 7,000 members. Its mission is to represent the interests of the business community of Greater Montréal and to provide individuals, merchants and businesses of all sizes with a range of specialized services to help them achieve their full potential in terms of innovation, productivity and competitiveness. The Board of Trade is Quebec's leading private economic development organization.

Background

Following the Higher Education Summit, in April 2013 the Government of Quebec initiated consultations on the following five policy projects: developing framework legislation for universities, putting in place the CNU (a council of universities), CEGEP training, university funding and improving financial aid for higher education.

On June 10, 2013, the president and CEO of the Board of Trade of Metropolitan Montreal, Michel Leblanc, met with the chairs of the university funding policy project, Hélène P. Tremblay and Pierre Roy, during the first round of consultations on this policy project, to share the Board of Trade's recommendations. On March 4, 2014, after the interim report on the policy project was tabled, Michel Leblanc again met with the chairs of the policy project as part of the second round of consultations to share the business community's comments and recommendations for developing the final report on the policy project on university funding. This brief reiterates the Board of Trade's recommendations for the university funding policy.

Introduction

Among the five policy projects instituted after the Higher Education Summit, the policy project on university funding is of particular importance. The Board of Trade would like to reiterate from the outset that a high-quality, high-performance university network is essential to supporting the city's economic and social development, particularly given the current context of an aging population and low productivity. Appropriate performance-based funding is crucial to ensuring that universities can offer high-quality teaching and research.

Greater Montréal is graced with a network of universities that is essential to supporting its knowledge economy and influence.

- Within its territory, it has nine diverse, well-regarded universities that employ more than 36,000 people and have more than 184,000 students, 65% of all university students in Quebec. These universities are incubators for skilled labour.
- Greater Montréal competes with other cities to attract and retain talent and investment. The presence of world-class universities is decisive in improving the area's competitiveness and growth.

As such, as indicated in the first brief on the university funding policy, the Board of Trade believes that the government needs to strengthen universities by providing them access to funding that will allow them to compete with other major international schools.

The government's university funding policy must correct the structural underfunding of universities, while reinforcing simple and effective reporting. This requires that the method of funding be reviewed to make it more stable, predictable, agile and performance based. This also requires more significant contributions from students, particularly given the current precarious state of public finances.

The Board of Trade has read the interim report of the *Chantier sur la politique de financement des universités* (policy project on university funding policy). While this report presented some promising avenues, the business community is disappointed that it did not raise the issue of underfunding — and therefore the amount of the operating subsidy — or that of tuition. This brief addresses both issues.

Furthermore, rather than provide technical and specific recommendations about the funding system for universities, which is not the Board of Trade's area of expertise, we will offer a few basic principles and orientations that should guide the university funding policy.

I. The government must first permanently solve the problem of university underfunding

Our universities suffer from chronic underfunding. Estimates of the underfunding vary, but we will use the figure of \$850 million established for 2009-2010.¹ The extent of underfunding has definitely increased since.

This underfunding could lead to a decline in the quality of teaching combined with more limited ability to attract and retain prominent professors and researchers and the more widespread use of lecturers rather than regular professors. Inevitably, if the underfunding persists, it will erode our economy's potential for innovation and damage the reputation of our universities in Canada and around the world.

We have noted that the government's decision to improve university funding by increasing annual recurrent funding to universities from the public coffers, limiting the increase in tuition to the growth rate for disposable household income. But this decision — which places a greater burden on public finances and does not send the right price signal to help students make informed choices — is not a permanent solution to the problem of university underfunding and maintenance deficits.

A periodic study on the state of funding of Quebec universities compared with that in other Canadian provinces is therefore required. This will allow us to better assess our competitive position and do what is required to adjust our course as needed.

The uncertainty of recent years, fuelled by the state of public finances, needs to be replaced by a firm commitment from the government to establish structural funding measures that will help increase the competitiveness of universities, well beyond 2018-2019 with respect to compensation for the increase in tuition. Predictable, stable funding is essential for careful, prudent management of universities based on long-term commitments.

The Board of Trade asks the government to permanently settle the issue of university underfunding and establish structural funding measures, well beyond 2018-2019 with respect to compensation for the increase in tuition.

¹ CREPUQ. January 2013. *Le niveau des ressources de fonctionnement des universités québécoises : comparaison aux autres universités canadiennes 2003-2004 à 2009-2010.*

II. The university funding policy must respect the diversity of universities and stimulate their performance

A. The funding policy's mission and orientations

Access

Ensuring greater access is essential given the demographic crunch and the growing importance of university education in a knowledge-based economy. But it bears repeating that the best way to increase the number of students is through a concerted, enhanced effort to value both technical and academic degrees. Awareness-raising campaigns must be conducted among students – beginning in early childhood – about the importance and long-term return of a college diploma or university degree.

Of course, increasing access to enrolment is not enough. We also need to better align university training with job market needs. This is essential so that students and companies derive greater benefit from universities in Quebec and Montréal.

Furthermore, while guaranteeing greater access – particularly for underrepresented groups, such as First Nations and underprivileged students – is laudable and necessary, the solutions lie more in financial aid for studies, which is the subject of a separate policy project.

Finally, ensuring greater access to universities should not result in increasing the number of platforms and programs. This would inevitably create diseconomies of scale and waste public resources. We need to improve collaboration between universities to promote greater consistency in university education across Quebec and create synergy. Avenues such as online courses should be relied upon more to improve access without needlessly increasing the number of platforms.

Quality

The quality of university teaching and research is absolutely essential to attracting students and reinforcing our capacity for innovation. It is therefore important to achieve a better balance between promoting teaching and research, by further promoting teaching. To do so, we recommend instituting quantitative and qualitative indicators that are tied more to university performance and job market needs. Of course, targets should be based on each university's objectives, realities and environment. Indicators, such as the graduation rate (particularly for sectors in high demand), the number of degrees granted, the employment rate among graduates and research or student evaluations on the quality of teaching, should be considered.

International visibility

Montréal competes with other cities around the world to attract and retain prominent talent, professors and researchers. The international visibility of our universities contributes not only to our city's economic development, but also to the growth and performance of the universities themselves. This is why, in a competitive environment, the reputation of universities is an important factor in recruiting foreign students and professors. A solid reputation is also more likely to encourage philanthropy among business people.

For the city's economy, the presence of prestigious, international-calibre universities is a convincing argument for Montréal companies trying to attract foreign professionals and their families. In this respect, McGill University's impact is worthy of note, in particular with its favourable position in international rankings. The reputation and influence of universities foster the development of industrial clusters and facilitate knowledge transfer within our economy, thereby creating the conditions for innovation and creativity. As such, a world-class university network is essential to the city's economic future.

The reputation and influence of universities should therefore be a priority to ensure their growth and performance. We therefore need to encourage collaborations between researchers and universities around the world and promote our internationally renowned professors and research. Of course, every university has its own reality, clientele, environment and challenges. Some focus more on accessibility, whereas others focus on international influence. For the business community, this diversity in our university network must be taken into account.

The funding policy must guarantee access, the quality of teaching and research and the local and international influence of our universities.

B. Guiding principles for the university funding policy

Recognize the diversity of our university network

One of the main assets of our university network is its diversity. Each university is different in terms of size, geographic reality and clientele. This diversity is reflected in the issues and challenges they face. The university funding policy must acknowledge this diversity and grant funding accordingly.

Encourage university performance

University funding needs to do more to encourage performance. The current system, based on the number of students registered, does not encourage performance or excellence. On the contrary, it creates unnecessary competition to attract the maximum number of students and to increase the number of platforms. The university funding policy must strive to improve university performance and better align education with the needs of business.

Grant stable, predictable, long-term funding

Stable, predictable, long-term funding is essential to allowing universities to effectively manage their resources. The funding policy needs to let universities know ahead of time the funding they will be granted. Funding must be stable, simple and reflect each university's funding needs.

Respect the autonomy of universities

In a competitive environment, universities are in the best position to determine and recruit the resources they need to ensure their influence and competitiveness. They must therefore have the freedom to control recruiting and hiring conditions for professors and researchers and to establish their educational offer. The university funding policy therefore needs to respect the autonomy of our universities.

Reinforce and streamline the reporting process

Increasing the autonomy of our universities should go hand in hand with strengthening university performance evaluations and reporting. As a society, we have reached a consensus on the need for universities to report on their use of public funds and, consequently, to be subject to an external evaluation of the quality of their services. The funding policy must ensure that reporting is simple and effective.

The university funding policy must recognize the diversity of our university network, encourage university performance, ensure stable, predictable funding and respect autonomy while reinforcing and streamlining the reporting process.

III. For a funding formula that strengthens universities

A. Make the funding formula simpler and more efficient

As noted above, the current funding formula based on student enrolment (FTES²) does little or nothing to encourage performance and does not take into account less conventional ways of studying, such as part time. In fact, this approach to funding can result in undue competition among universities to attract students and an increase in the number of platforms.

Furthermore, the current funding formula is too cumbersome and complex. It is based on 560 CLARDER codes and 23 funding families. And while the current funding grid takes into account the cost of disciplines, it has not been reviewed since 2002-2003. Costs have no doubt risen since then. This grid therefore needs to be reviewed as soon as possible. The cost of disciplines should also be reviewed periodically.

With respect to the CLARDER codes system, a progress report – drafted following recommendations made by the CLARDER advisory committee – indicates that it needs to be simplified. We recommend that the number of CLARDER codes be significantly reduced and that the system move toward a program-based funding model, which better fosters performance.

With respect to the teaching support grant, we recommend keeping it as is, i.e., based on full funding and de-funding of student enrolment. The government must also acknowledge maintenance deficits and invest in university infrastructures.

² Full-time equivalent student

The government needs to simplify and review the university funding formula. The weighting grid should be reviewed periodically to reflect the real cost of education, and the CLARDER codes system should be simplified and gradually move to a program-based funding model.

B. Adjust tuition according to field of study

The government needs to improve university funding, in part by having students contribute more to the cost of their education. We therefore ask the government to adjust tuition based on field of study and discipline so that it better reflects the variable costs and return of a university education. This approach would have the student — the main beneficiary of a university education — pay tuition that represents a greater share of overall university funding, more in proportion with the benefit the student's receives from a university education. Of course, this approach has to be implemented in a way that preserves the values of our university system, i.e., accessibility, equity, efficiency and excellence.

The government needs to adjust tuition by field of study and discipline to reflect the variable cost and return of a university education.

C. Lift the ceiling on tuition for students from outside Quebec

As early as 2008, tuition for foreign students was deregulated in six undergraduate discipline families. We encourage the government to continue in this vein. We also support its intent to lift the ceiling on tuition for students from outside Quebec, and we ask that tuition be varied according to field of study and discipline. At the same time, the government must review its preferential treatment of certain francophone students, even if this means introducing conditional exemption measures that require students to spend a few years living and working in Quebec.

However, the government must let universities decide on their recruiting strategy and encourage them to make efforts in this area by optimally sharing the lump sum required from foreign students in addition to tuition.

The government needs to lift the ceiling on tuition for students from outside Quebec and vary tuition according to field of study and discipline.

D. Offer universities flexibility in establishing mandatory institutional fees

Beyond cost-of-living indexing, the government needs to offer universities flexibility in establishing mandatory institutional fees based on their costs and realities and on the field of education.

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Conclusion

The performance of Montréal's universities is essential to the city's economic and social success. To help them continue to play an important role in the city's economic development, the government needs to give them the funding they need to be competitive.

The final report on the policy project for university funding needs to show how the government will settle the matter of university underfunding once and for all and review its funding formula to make it simpler, more efficient and reflective of the diversity and autonomy of our universities. University funding must be more stable and predictable in the long term, while generating larger contributions from students. This is absolutely essential to improving the performance of the university network.