

Income Contingent Loan Repayment Plans (ICLRPs)

The basic premise of these loan repayment plans is that upon graduation, a student reaps the benefits of his or her education in the form of higher than average earnings. Loan repayment is then contingent upon one's level of income after graduation.

Two corollary proposals are usually made when someone suggests that the government adopt such a system: that tuition fees be raised to more accurately reflect the cost of higher education, and that universities be therefore allowed to determine their own tuition fees.

The Arguments in Favor:

The fundamental philosophic approach of those recommending income contingent loan repayment plans (ICLRPs) is that the prime beneficiaries of post secondary education are those directly receiving it, and it is upon this assumption that all pro-ICLRP arguments are based.

An ICLR plan would allow flexibility for the borrower to repay the loan, a flexibility which is sensitive to the borrowers' economic status. Because of this, higher education would be more accessible.

An ICLR plan would help finance a chronically underfunded post secondary system through higher tuition fee levels. Universities would thus be at liberty, given the current economic situation of the government, to recoup funding from the only source left: tuition fees.

ICLRPs could be "self financing" requiring little or no financial support from the government after the initial prerequisite for their implementation.

Fallacious Assumptions Underlying ICLR Proposals:

A higher level of income is guaranteed to graduates of post secondary institutions. Students do not necessarily choose to attend an institution of higher education for long range economic benefits, and students do not

necessarily realize higher than average earnings after graduation.

Debt is not a barrier to post secondary education. In 1988/89 the average Canada Student Loan Program debt load for a financial year was between \$5,000 and \$15,000.

Students are the prime and sole beneficiaries of post secondary education. Banting and Best received a post secondary education, but diabetics have certainly realized the broader benefit. An educated citizenry produces immeasurable benefits for society.

Recouping student debts through taxation will reduce the default rate on student loans. Student loan default rates are currently between 2 and 8%, about the same rate as defaults on commercial private loans.

The Other Side of the Coin:

• *Society Benefits From Post Secondary Education*

Post secondary education adds to the development of scientific and technical knowledge; increases the total income of society through research and development breakthroughs; promotes and transmits literary, aesthetic and cultural values; creates a politically aware and informed electorate; adds to the sum of human knowledge; produces doctors, nurses, dentists, teachers, lawyers, and other professionals; and effects broad cultural advancement.

The benefits society realizes from the higher education of individual indicate that it is society which receives the greatest overall returns from post secondary education.

Universities and Colleges are Public Institutions

The immensely higher debt load students could be expected to shoulder as the costs of their education (higher tuition fees, a linkage of their loan to inflation or accrued interest from the time of negotiation, and additional interest premium) adds to the barrier already created by the spectre of current cost levels. Even

higher costs will decrease the universality of a post secondary education by reducing its accessibility, deterring students from entering the system, thus moving universities and colleges further out of the public sphere.

ICLRPs will not produce increased universal access because of the enormity of the debt barrier students can expect to face. Under an ICLR plan, students bear the exclusive cost of their education: a user fee system.

A debt barrier is a debt barrier, whether it is one that you must face now or in four years. It is impossible to calculate the number of potential students who have never entered the system and were disenfranchised due to the inhibiting effects of prospective debt load.

Allowing universities and colleges the right to determine their own levels of tuition fees decentralizes the post secondary system and takes it further away from the definition of higher education as a public and government-controlled system.

Socio-economic Biases

Post secondary education is not accessible as it currently exists. Students face socio-economic barriers due to class, color of skin, sex, marital status, sexual orientation, etc., all of which have been shown to reflect in earnings.

An individual is more likely to attend a post secondary institution if his or her parents have university degrees, if they have higher than average earnings, and/or if they are "professionally employed".

Because issues of classism, sexism, and racism exist now as barriers to higher education, the implementation of an ICLR will not ameliorate such problems. Women, for example, will continue to earn considerably less for every dollar men earn, and the cost of women's education will therefore remain higher in the long term.

Summation:

ICLRPs would be a reasonable alternative to the current situation were there a guarantee from the government that it would not mean deregulation of tuition fees. It seems however that the government is not quite ready to give students this guarantee and until such a time when there is the potential for accessibility to increase and for tuition fees

to remain at their current levels ICLRPs are not the answer.

Governments need to take a long hard look at the current system and to propose changes to it rather than make attempts at creating a new bureaucracy that students will have to deal with for years to come. The current system could be revamped to improve accessibility to students and save money for the government.

Why is the Government making this change?

Ultimately, as with most government changes, the motive is to reduce the deficit. A better and more interesting question might be: How does the government justify this change? There are several reasons the government will use that students as well as the general public need to be made aware of. First, despite what some may say, there is not a lot of room on the revenue side (tax collection) to find additional dollars. Further tax increases, either to the individual or the corporations would have devastating effects on the economy at a time when it is on a much needed upswing. Halting this upswing, would be totally foolish for lack of a better word. In order to reduce the deficit, something which is a must, the money must be found in expenditures and economic growth. This is the motive behind the entire social policy review. It is an attempt to cut nearly 8 billion from our annual deficit which exceeds 40 billion. What they are proposing to do is take the 2.3 billion which did go to Universities through the EPF program and put it as a guarantee at the bank against 8 billion dollars in student loan money. This would make more money available to more people. By their estimation, this will make post secondary education accessible to more people since these loans will allow

anyone to "get" the money they need to fund their education at any university in the country.

Second, it should be noted that, under the present tax system, the EPF money will slowly dwindle until it is gone about ten years from now. This is the result of promised freezes and the changing value of money. The government contends that it makes sense to put the 2.3 billion to good use now while we still have it to use rather than wait until it disappears and we are left with nothing. This is a legitimate, if not noble approach on their part, however, there are some very serious side effects of this idea and there may be some other ways of achieving the same end.

These new loans would be paid on an income contingent basis which, in the eyes of the government, makes this proposal feasible and justified. They seem to ignore the fact that income contingent loans have several long term effects on student debt and tuition that are of particular concern. See the section on Income Contingent Loan Repayment Plans for the details concerning these effects.

These proposed changes to the manner in which education is delivered in our country represent the most significant change since the introduction of the Canada Student Loan Program nearly thirty years ago.

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