

Geoff Johnson: Student-debt load is a ticking time bomb

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According to the Ministry Education-supported Student Transition Project, about 30,000 B.C. high school grads enrol in post-secondary institutions each year.

Of that number, 17 per cent eventually earn a bachelor's degree and 21 per cent earn certificates or diplomas of one kind or another.

But post-secondary education, especially a university education, doesn't come cheap and doesn't always fulfil its promises.

University tuition and other costs, including books and living expenses, for a Canadian four-year university degree can average more than \$60,000, according to BMO's Wealth Institute report.

That is partly because tuition fees have more than tripled since the beginning of the 1990s, when undergraduate tuition fees in Canada averaged \$1,464. They've risen to an average of \$5,581. That's for students seeking an undergraduate (bachelor) degree in education or social sciences.

"I think that for most people, if you tell them that tuition has increased two or three times the rate of inflation, they will be surprised at that," said BMO's Caroline Dabu.

Over the past five years, the average annual inflation rate has been 1.6 per cent, while tuition inflation was 3.9 per cent, the bank said. That translates into increasing student debt for kids looking to educate themselves into a career.

The Canadian University Survey Consortium surveyed more than 18,000 graduating university students from 36 Canadian universities for its 2015 annual report. Debt-ridden students owed an average of \$26,819 — no job yet but a significant debt to pay off.

While student-debt numbers in Canada are kept in a haphazard way, Statistics Canada reported in 2012 that \$28.3 billion was owed in student loans.

And the problem has broader implications for the economy than just student debt. Other surveys conducted by business journals such as *The Atlantic* and *Kiplinger* suggest that young men and women struggling under the burden of student debt are postponing marriage, childbearing and home purchases. Student debt also limits the percentage of young people who start a business or try to do something entrepreneurial.

Mortgage lenders, for example, look at all debt obligations, and student debt is included in that.

There is some light at the end of the student-debt tunnel resulting from an announcement by the federal government. As of Nov. 1, 2016, no single Canadian has to repay a Canada Student Loan until she or he is earning at least \$25,000 per year.

This comes as good news for the approximately three-quarters of a million Canadians, according to StatCan, who have taken out student loans from the federal government.

In addition, "borrowers who are having difficulty making their monthly Canada Student Loan payments can apply for help through the Repayment Assistance Plan," according to a statement by Employment and Social Development Canada.

In 2016, Ottawa also beefed up the amount it has available for student grants that don't have to be repaid, by more

than \$1.5 billion over the next five years. In practice, that means an increase of as much as 50 per cent for certain grants.

Even so, as a recent CIBC survey suggests, 51 per cent of Canadian students will have to borrow money from one of the loan or grant options (the CIBC online Guide to Student Loans is a good place to start looking for options) to pay for tuition, living expenses and books.

But here's the ultimate kick in the pants for Canadians willing to assume substantial debt in hopes of improving their career options and opportunities: A study from the Parliamentary Budget Office suggests university grads in particular have been having an increasingly hard time finding work relating to their qualifications, and many have had to accept work well below what their degrees qualify them for. College graduates, on the other hand, are doing better for themselves.

The office's Labour Market Assessment 2015 found the share of university graduates ages 25 to 34 who are overqualified for their jobs hit 40 per cent in 2014 and shows no signs of reversing.

The office cited research that shows the "vast majority" of grads who are underemployed came from three fields of study: business management and public administration; social and behavioural sciences and law; and humanities.

Several experts have weighed in on what many are calling the most important social issue of our time. Francis Fong, TD Bank economist and author of the report *The Plight of Younger Workers*, predicts that unless the key players in Canada — universities, employers and government — work together, the problem of indebted and overqualified unemployment is a "ticking time bomb" for Canada's economy.

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