

## Quebec Government Consultations on the Future of Higher Education

Recommendations from the Board of Trade of Metropolitan Montreal as part of consultations on plans to create a National Council of Universities



May 2013

**Preamble**

The Board of Trade of Metropolitan Montreal has approximately 7,000 members. Its mission is to represent the interests of the business community of the Montréal metropolitan region and offer an integrated range of specialized services to individuals, merchants and businesses of all sizes, so as to support them in the achievement of their full potential in innovation, production and competitiveness. The Board of Trade is the leading private organization in Quebec dedicated to economic development.

**Context**

In April 2013, at the end of the Summit on Higher Education, the Quebec Government launched consultations on the five following subjects: development of a framework law for universities, establishment of a future National Council of Universities (CNU), college education offer, the funding formula for universities, and improvement of financial assistance to students. On May 14, the President and CEO of the Board of Trade of Metropolitan Montreal met with the chair of the CNU working group, Claude Corbo, to present the Board of Trade's recommendations.

This brief from the Board of Trade deals specifically with the plans to create a National Council of Universities.

## **I. The essential role of our universities in the economic growth of metropolitan Montréal and our collective prosperity**

### **A. Montréal: a university metropolis**

Montréal is undeniably a university metropolis. The metropolitan area includes 9 renowned universities, which employ over 36,000 people and have over 184,000 students, 65% of all Quebec university students. It thus ranks second in North America for the number of university students per capita. In addition, metropolitan Montréal has the largest pool of graduates in Canada.

These universities contribute significantly to the economic vitality and the social and cultural influence of metropolitan Montréal, which is considered to be the number one city in Canada for the funding allocated to university research and the 10<sup>th</sup> leading university city in the world<sup>1</sup>.

Our universities must be able to accomplish their mission educating the Quebec population and developing and disseminating knowledge, so that they continue to represent a strong sector of our economy and extend their influence in the world. They must focus on accessibility, efficiency and excellence, while ensuring they are attractive and competitive in the global environment.

### **B. Universities: an important source of added value and job creation**

Our universities play a leading role in disseminating knowledge, increasing productivity and creating wealth. This is a key factor, which has allowed the successful transition from a manufacturing economy to a knowledge economy. According to a study published by the Mouvement des caisses Desjardins<sup>2</sup>, the economic spinoffs generated by universities are estimated at about \$12 billion in Quebec (for 2006) and their impact on productivity at about \$7 billion. The universities contribute not only to wealth creation but to the improvement of our standard of living. In this sense, they favour the emergence of high value-added industries and quality job creation, and improve workers' employability. Metropolitan Montréal ranks 7<sup>th</sup> in North America for concentration of high value-added jobs.

Education is an investment both for society and for students themselves. Thus, according to a CIRANO study, the private rate of return of a Bachelor's degree is 15.7% for men and 20.1% for women, while the social return is 11.8% for men and 12.9% for women<sup>3</sup>. The questions regarding the performance of our university network thus concern all economic players, whether the government, students or businesses.

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<sup>1</sup> 2012. *QS BEST STUDENT CITY RANKINGS*.

<sup>2</sup> ÉTUDES ÉCONOMIQUES DESJARDINS. November 2008. *La prospérité future passe inévitablement par les universités*.

<sup>3</sup> CIRANO (Pouya Ebrahimi, François Vaillancourt). November 2010. *Le rendement privé et social de l'éducation universitaire au Québec*.

### **C. Universities: a key factor in metropolitan Montréal's attractiveness and competitiveness**

We should remember that in an increasingly integrated world, featuring mobility of people and goods, economic growth increasingly depends on innovation and creativity. In other words, human capital and the development of knowledge are at the core of economic development strategies.

Montréal is in competition with other metropolises to attract and retain talent and renowned professors and researchers. According to a study by the Board of Trade<sup>4</sup>, the quality and availability of human capital are key factors for the attraction and retention of foreign investments and head offices. The presence of nine quality university institutions serves as a convincing argument when metropolitan Montréal companies try to attract foreign talent and their families. In this regard, it is important to mention the special impact of McGill University, particularly due to its very favourable position in international rankings.

Likewise, the presence of a quality university network favours the creation of industrial clusters and facilitates knowledge transfer. Our universities thus create conditions favourable to innovation and attract both creative industries and talent. For the economic future of metropolitan Montréal, a world-class university network is therefore indispensable.

## **II. The economic challenges facing Quebec and its metropolis**

### **A. The relative decline in the number of potential workers**

Population aging in Quebec and its metropolis is more rapid and acute than in the rest of Canada. Metropolitan Montréal's companies therefore will have greater and greater difficulty meeting their labour needs and ensuring their development. According to Emploi-Québec's estimates, nearly 316,400 jobs will have to be filled in the Montréal CMA from 2012 to 2016, 68% of which will result from departures for retirement. The Board of Trade insists Government that it is necessary for the Government to increase the availability of skilled labour, particularly by increasing the number of university and technical graduates.

### **B. Our companies' historical low productivity**

The challenge of productivity is added to the challenge of the aging population. Since 1981, Quebec has seen one of the lowest average annual growth rates in labour productivity. In 2011, Quebec fluctuated between 16<sup>th</sup> and 17<sup>th</sup> place in the ranking of OECD countries<sup>5</sup>.

This low labour productivity has resulted in a reduction of our collective wealth, and thus our standard of living. In addition, the Montréal CMA is near the bottom of the list among North American metropolises in terms of per capital GDP in 2010 (32<sup>nd</sup> out of 33 metropolises). The Board of Trade is calling on the Government to pay special attention to our lagging productivity, an economic lever for which training and education are key determinants.

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<sup>4</sup> BTMM. June 2012. *Competitiveness of the Greater Montréal Business Environment*.

<sup>5</sup> CENTRE DE LA PRODUCTIVITÉ ET DE LA PROSPÉRITÉ DU QUÉBEC. 2012. *Productivité et prospérité au Québec – Bilan 2012*.

### **C. A mismatch between university and college education and our companies' needs**

In the context of globalization, constant technological changes and knowledge-based economies, the job profile has changed. Our companies increasingly need a skilled and educated workforce. Yet several indicators reveal a mismatch between training and companies' needs:

- A high overqualification rate, attesting to suboptimal utilization of human capital. In the Montréal CMA, 32% of workers were overqualified in 2011<sup>6</sup>;
- A lag in technical and vocational training. Enrollments are well below their 2000-2001 level;
- Low adult participation in job-related training, which positions Quebec far behind the other Canadian provinces.

Moreover, during the Board of Trade's Strategic Forum on industrial clusters, held on May 6, 2013, the metropolitan clusters testified to their growing concerns regarding the alignment between university and technical training and their sectoral needs.

Increasing the number of graduates, particularly in the sectors with a strong demand for jobs, and improving the interactions of colleges and universities with companies, will help improve the training-employment match within the metropolis and the employability of graduates. In addition, the Government must ensure that information on the market is disseminated well, so that students are more familiar with the job possibilities in each training field and thus are led to make informed choices. This does not mean establishing rigid planning of training, but encouraging universities and colleges to remain agile and proactive in aligning with the needs of the market and society.

### **III. The challenges of metropolitan Montréal's university network**

To meet the challenges enumerated above, metropolitan Montréal's universities must train and attract more students, respond better to our companies' needs, produce cutting-edge research, and benefit from the funding necessary for their development.

#### **A. University education losing steam**

If we analyze more closely, we must recognize that Montréal's status as a university metropolis is weakening. This situation is extremely worrying.

First of all, Quebec's graduation rate is lagging. The most recent data<sup>7</sup> indicates that only 16.5% of Quebecers age 15 and over have a university degree, compared to 20.5% in Ontario and 19.3% in British Columbia.

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<sup>6</sup> CIRANO. 2013. *Origines et sources de la surqualification dans la région métropolitaine de Montréal.*

<sup>7</sup> CENTRE SUR LA PRODUCTIVITÉ ET DE LA PROSPÉRITÉ. 2012. *Prospérité et productivité au Québec – Bilan 2012.*

Secondly, metropolitan Montréal seems to be attracting relatively fewer students. From 1999 to 2009, the average annual growth rate of total university students within the Montréal CMA grew by only 2.1%, compared to 5%<sup>8</sup> in the Toronto CMA and 5.8% in the Vancouver CMA. Montréal's ability to attract foreign university students is cause for even greater concern; during the same period, their number grew by 6.7% in the Montreal CMA, compared to 11% and 15.3% in the Toronto and Vancouver CMAs respectively.

Concerning subsidized research, we also note lower growth compared to the other metropolitan areas (3.5% growth for the Montréal CMA compared to 4.8% in Toronto and 8.5% in Vancouver).

Finally, the high overqualification and low vocational training rates in metropolitan Montréal reveal the need to strengthen collaboration and concerted action among university institutions, civil society and businesses, and improve the dissemination of information on employability in different training fields to respond better to the market's needs.

## **B. Non-optimal funding of our universities**

Needless to say, successful and world-class universities require adequate funding, both to ensure their excellence and their efficiency and to allow accessibility and fairness in education. Yet our universities suffer from chronic underfunding. The estimates of this underfunding vary, but we retain the estimate of \$850 million in 2009-2010<sup>9</sup>. No matter what the precise amount may be, we consider that there is a lack of investment in our universities' state-of-the-art infrastructure, reflecting the investment deficits in the province's other infrastructures.

Although it is difficult for the institutions to admit it publicly, this underfunding is also causing a relative deterioration in the quality of teaching, created by a reduced capacity to attract and retain renowned professors and researchers, and by a more generalized use of course lecturers to replace full professors. Inevitably, if this underfunding were to continue, it would result in an erosion of the potential for innovation in our economy and a decline in the influence of our universities in Canada and North America.

The spectre of this eventual weakening of our universities and its disastrous consequences for the future of Quebec and its metropolis explain the Board of Trade's sustained involvement in the debate on university funding. Therefore, considering that the Government had already increased its contribution, and in review of the magnitude of the accumulated public debt, the Board of Trade recommended<sup>10</sup> uncapping tuitions, modulated according to the field of study and accompanied by an improvement of the loans and bursaries system.

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<sup>8</sup> STATISTICS CANADA, POSTSECONDARY STUDENT INFORMATION SYSTEM (PSIS). 2012. Compilation by Montréal International.

<sup>9</sup> CREPUQ. January 2013. *Le niveau des ressources de fonctionnement des universités québécoises : comparaison aux autres universités canadiennes 2003-2004 à 2009-2010*.

<sup>10</sup> See *Pact for the Competitive Funding of Our Universities* (February 2010), the prebudgetary recommendations to the Quebec Government (2010-2011), etc.

Obviously, we have taken note of the Government's decision not to increase tuitions significantly in the near future. The Government's choice to increase recurring annual university funding from public funds and to limit the tuition increase to the level of indexation according to the growth rate of family disposable income is a lesser evil, to the extent that it will provide universities with the necessary means to prevent weakening. Nonetheless, this decision makes the burden on our public finances even heavier.

We reiterate that it would be fairer and more equitable to modulate tuitions according to the field of study, an adjustment that would not be incompatible with the government proposal. Such a proposal would allow the primary beneficiaries of the return on investment in training, the students themselves, to increase their contribution while preserving the values of our university system – accessibility, fairness, excellence and efficiency.

Furthermore, if these measures ultimately make up for a large proportion of the chronic underfunding that has persisted for several years, it is important periodically to reexamine the state of funding of Quebec universities compared to other provinces, in order to preserve our competitive position.

#### **IV. Creation of a National Council of Universities (NCU)**

The Government has stated that it wishes to establish a National Council of Universities. The Board of Trade agrees that if a National Council of Universities is created, it should support Quebec's universities, including those in Montréal. As such, its ultimate goal should be to give our universities the tools to become more competitive and more successful, both nationally and internationally, while remaining accessible. At the same time, it is important to ensure that the creation of such a body will not make our university network more complex and unwieldy.

##### **A. Support and strengthen our university network without making regulations more cumbersome**

In the context of constantly changing economies and international competition, the universities need extensive autonomy so that they can respond to the challenges they encounter. Uniformity is harmful for our universities and, by extension, for the economic development of the Montréal area. Some Quebec universities, including several in Montréal, compete directly with international institutions that have flexible programs and very generous income sources or funding formulas. On the other hand, other universities in Quebec operate in much more isolated settings and focus more on accessibility issues. Any approach that seeks to impose a standardized, egalitarian vision of the *University* on all universities in Quebec would be ignoring this undeniable reality. Quebec universities need to become increasingly differentiated on the international scene and to offer a wide variety of training, research and programs to attract and retain talent from Quebec and from all over the world.

In light of this, the Board of Trade believes that the university network across Quebec and in Montréal requires balanced, clear and flexible regulations to be able to rise to the challenges before it. To this end, the NCU should serve as an advisor, guide and reference, rather than a regulator, to avoid restricting the universities' independence and agility. The future NCU should have the mandate to support and strengthen our university network without making its regulation more cumbersome.

If we want to review the governance of our universities, it is critical to discuss the framework law and to review the role of the existing authorities if they do not meet current expectations. This is,

in fact, worthy of a committee of its own, since the government should first clarify the role and mandate of the existing authorities before evaluating the need to create a new institution.

It may be recalled that a similar institution, the Conseil des universités, was created in 1968 to provide recommendations to the government on how to meet the needs of higher education in Quebec. That body was abolished in 1993 due to budget cutbacks. This issue should be remembered in Quebec's current budget situation.

## **B. The future NCU should be independent and should serve as a reference**

When we look at the mandate of existing authorities in the university network, it is clear that Quebec and Montréal would benefit from a new organization with the responsibility to compile data and relevant indicators related to higher education and to track best practices worldwide. The recent debate on university funding revealed the need for a credible independent organization dedicated to the study of questions about the challenges facing higher education. Several organizations have published studies and assessments of the underfunding of Quebec universities, but all these studies have been rejected by the stakeholders, who view them as being subjective or partisan. The result was a long, complex debate in which information and statistics were passed around without ever advancing the discussions. The Board of Trade feels that grounding debates on higher education in fair, comprehensive figures and statistics from a neutral, independent body is crucial for our society. The NCU should serve as a common source for all relevant statistics on higher education.

Its mission should also include monitoring local and international best practices, in order to publish studies on the development and ranking of the university system on these two levels. The publication of such statistics and studies would enhance transparency about the performance of our university network and improve our understanding of the issues and challenges facing our institutions.

Finally, to play a meaningful role in evaluating the performance of our universities, the NCU should have the means to compile relevant indicators. These indicators would be a strategic tool, supporting university administrators in their management decisions, assisting students in their program choices and helping governments make funding decisions. The NCU should define the relevant indicators based on the strategic orientations of each university without actually making recommendations (to maintain its neutrality). This exercise would improve accountability, which must be simple and effective in order to be relevant and useful.

## **C. Structure and composition of the NCU**

To guarantee the credibility and independence of the NCU, the Board of Trade believes it is absolutely essential for the vast majority of the members of the board of directors to be external to and independent of the university network. The organization's first mandate will be to publish specific, reliable and credible indicators for higher education. The NCU members must therefore come from varied socio-economic backgrounds and have a variety of relevant competencies (civil society, cultural community, business community, scientific community, etc.). It is the administrators' expertise and independence from the universities (and from their own organizations) that will ensure the quality and acceptability of the results provided by the NCU. The board members should also be appointed individually; under no circumstances should they serve as representatives of unions, employers' or students' organizations or other groups. Finally, it



would be appropriate to consider the appointment of board members from outside Quebec, to benefit from the best practices developed elsewhere.

## **Conclusion**

Our universities' performance is an essential condition for the economic and social success of metropolitan Montréal. To continue to play a key role in the economic development of the metropolis, the Government must make sure to grant the universities the funding necessary for their competitiveness, recognize the diversity of the university network and strengthen its autonomy and its accountability system. Unless all these conditions are met, the entire future of our knowledge society will be compromised.

In light of these considerations, the Board of Trade would like to emphasize the importance of making the future National Council of Universities responsible for compiling data and relevant indicators for higher education and monitoring best practices worldwide, in order to evaluate the performance of our universities. This organization's neutrality and independence will be a key success factor to ensure the credibility of the data and indicators and, by extension, to maximize its contribution to the development of our universities.