

## 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 develop a framework law for Quebec 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 National Council of Universities, college education offer, the funding formula for universities, and improvement of financial assistance to students. On May 9, the President and CEO of the Board of Trade of Metropolitan Montreal met the chairs of the working group regarding the framework law, Lise Bissonnette and John R. Porter, to present the Board of Trade's recommendations.

This brief of the Board of Trade pertains specifically to the development of a framework law for universities.

## **I. The essential role of our universities in the economic growth of metropolitan Montréal and our 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 5.8% 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 Montréal 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. Framework law for Quebec universities**

Considering the weakening of Montréal's status as a university metropolis and the challenges of the university network, the framework law must have the objective of strengthening our universities' performance and excellence, both locally and internationally.

##### **A. A framework law that encourages the agility of our universities and reaffirms their diversity and autonomy**

Within the context of constantly evolving economies and international competition, the universities must benefit from great autonomy so that they can respond to the challenges they encounter. Thus, any government decision that seeks interuniversity uniformity harms our universities and thereby harms the economic development of metropolitan Montréal. In fact, any approach that would seek to impose a uniform and egalitarian vision of *the University* on all Quebec universities would neglect an unavoidable reality: certain universities, several of which are concentrated in metropolitan Montréal, are placed in direct competition with institutions located in other jurisdictions that benefit from very generous revenue sources and formulas. Other universities, on the contrary, operate in much more isolated contexts.

Quebec universities thus will be called on to become increasingly differentiated on the international scene, and to offer a variety of training, research and programs that can attract and retain talent from Quebec and from all over the world.

In such a context, the Board of Trade requests that the framework law respect the following principles:

- The framework law must celebrate and encourage the agility of our universities

The local and global economic landscape is in perpetual evolution. Our universities must adapt constantly to new innovations, technologies, methods and realities. For this purpose, the framework law must grant them the freedom to adapt their educational offering rapidly and allow them to exercise their freedom of choice in investing in the equipment they consider necessary. In addition, the framework law must permit and encourage

maintenance of close permanent contacts between the universities and the business community to ensure that the training programs meet industry's general needs.

- Recognize the diversity of the university network

One of the main advantages of our university network is its diversity. Our universities vary in size and have different geographical and linguistic realities. Each has its own reality, clientele and challenges. For example, the Université du Québec network was created with the specific aim of favouring accessibility in the regions, while other universities focus more on their international influence. The framework law must recognize this diversity as a source of wealth and not as a weakness, and thus allow the universities to set their strategic development plans based on their own challenges and objectives.

- Strengthen the autonomy of our universities

In a competitive environment, the universities are in the most advantageous position to determine and recruit the best resources in order to ensure their influence and competitiveness. They must also have the freedom to have full control over the conditions for hiring and recruiting professors and researchers and to determine their educational offering. They must be able to establish their own strategic planning based on their objectives and reality so that they can adopt the means to achieve them. The framework law must not have the effect of unduly limiting university autonomy in budgeting, research choices, management of resources, recruiting students and professors and establishing the educational offering.

- Improve the accountability process to favour the network's efficiency and excellence

Increasing our universities' autonomy should go hand in hand with strengthening the performance evaluation and accountability of our university institutions. A consensus has been established in society on the necessity for our universities to account for their use of public funds and therefore to undergo an external evaluation of the quality of their services. However, they are already subject to a regulatory and accountability system that is complex and burdensome.

The framework law must set guidelines for this process so that it is simple, efficient and relevant. It must insist on the necessity for defining the indicators clearly and limiting them so that they do not further overburden the administrative accountability processes. On this subject, the Board of Trade believes that the performance criteria must also include an indicator of professional integration into the job market, and that the indicators chosen must allow international comparison.

## **B. Strengthen and solidly establish the role of the university network's key stakeholders**

Ensuring the sound governance of our university system inevitably depends on strengthening the roles and responsibilities of the university network's key stakeholders. We consider it essential that the framework law recognize and reaffirm the following elements:

- The universities' boards play a key role in their governance

The boards of directors must define the strategic orientations of the university institutions and ensure their sound management. They play a crucial role in the performance and quality of

university institutions. The Board of Trade considers that the framework law should require that a significant majority of the board members must be external to and independent of the university institution they administer. These boards should bring together people with varied competencies relevant to the universities' mission, including individuals from the business community. The framework law should also specify that the board members are appointed as individuals and that they may not act in any case as representatives of employer, union, student or other organizations. Finally, it would be appropriate to consider the appointment of board members from outside Quebec, to benefit from the best practices developed elsewhere.

- An eventual National Council of Universities (NCU) should play a monitoring role

The Government has indicated that it wishes to establish a National Council of Universities. The Board of Trade considers that our university network is already highly regulated and opposes that the NCU have authority over the universities. However, Quebec would benefit from an organization that would be responsible for collecting the relevant data and indicators concerning higher education and would monitor best practices around the world. This organization's neutrality and independence will be a key success factor to ensure the credibility of the data and indicators.

The Board of Trade will announce its recommendations on this eventual National Council of Universities in a separate report, which will be submitted to the chair of this working group.

## **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 insists on the necessity that the framework law for higher education will recognize the diversity, agility and autonomy of our university network, and the role of the existing decision-making bodies. The framework law should also confirm the values of accessibility, efficiency and excellence of university training and research, both nationally and internationally. Any decision that aims at interuniversity uniformity and overgovernance would jeopardize our university network and thereby our prosperity.