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CENTRE DE RECHERCHE  
SUR L'ENFANCE ET LA FAMILLE

## THE FAMILIES LEFT BEHIND:

### INEQUITIES IN POST-SECONDARY EDUCATION SAVINGS PROGRAMS IN CANADA

*Les familles délaissées : Iniquités des programmes d'épargne-études postsecondaires au Canada*

UN RÉSUMÉ EXÉCUTIF EN FRANÇAIS EST DISPONIBLE À LA FIN DU DOCUMENT

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## INTRODUCTION

There is great interest in post-secondary education for good reasons. Evidence suggests that participation in post-secondary education (PSE) has significant effects on labour market outcomes, job satisfaction, health and quality of life (Donnelly, Welch & Young, 1999; Ferguson & Wang, 2014; Lefebvre, 2004). Increasing access to, and participation in, PSE among young people from low-income families is vital for reducing economic inequality and promoting social justice (Oreopoulos & Petronijevic, 2013). However, estimates from a national survey suggest that young people from low-income families are more than 50% less likely than their peers to attend PSE (Finnie, Wismer, & Mueller, 2015).

The cost of PSE in Canada continues to rise and this has implications for inequality. On average, undergraduate tuition and ancillary fees have tripled since the early 1990s. However, there are large provincial differences due to distinct policy regimes. Since 1993-1994, there has been a cost increase of 35% in Newfoundland and Labrador, where tuition fees have been frozen since 2003-2004. In contrast, in Quebec and Ontario, where tuition fees rise annually, there have been cost increases of 140% and 248%, respectively (Shaker & Macdonald, 2015). In contrast, the cost of living in Canada has increased by just 40.9% over the same period (Statistics Canada, n.d.).<sup>1</sup> Escalating tuition and levels of student debt are barriers to PSE for many low and middle-income Canadians.

The Canadian Education Savings Program (CESP) is a federally-funded and delivered matched savings program intended to help families save for their children's PSE. In 2013-2014, federal expenditures on the CESP totalled \$1.1 billion (Office of the Parliamentary Budget Officer, 2016). The main feature of the CESP is the Registered Education Savings Plan (RESP), a tax-deferred savings account in which income grows tax free until withdrawn to pay for trade school, CEGEP, college or university (Employment and Social Development Canada, 2013). In addition, through the Canada Education Savings Grant (CESG), families' contributions

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<sup>1</sup> Over the same period, the cost of living increased by 42.3% in Newfoundland and Labrador, 37% in Quebec and 42.7% in Ontario (Statistics Canada, n.d.)

are matched at a rate dependent on household income. Moreover, for families with very low income (determined through eligibility for the National Child Benefit), the government offers the Canada Learning Bond (CLB), a grant of up to \$2000 accumulated over multiple years that is not contingent on parental contributions.

When families are able to save via the CESP we can expect positive outcomes. For example, PSE savings may have positive effects on socio-emotional development in young children, and can increase the likelihood that a young person will attend and persist in PSE (Elliot, Song & Nam, 2013a; Elliot, Song & Nam, 2013b). However, low- and middle-income families face significant financial and informational barriers to accessing and benefiting from PSE savings programs. In the case of the CESP, barriers include: a lack of awareness of the program; the complexity of saving and investment options; lack of documentation (such as a child's Social Insurance Number) required for participation; discomfort with financial institutions; and inadequate knowledge of the program among employees of financial institutions, resulting in poor service, among others (HRSDC, 2010; Omega Foundation, 2013). In contrast, it seems that higher-income families are better prepared to make use of and benefit from the CESP (Parkin, 2016). The primary purpose of this study is to better understand which socio-economic and demographic characteristics are associated with 1) savings for PSE, and 2) participating in the CESP.



## DATA AND ANALYSIS

Data were drawn from the nationally representative 2009 Canadian Financial Capability Survey (CFCS; N = 15,519). The purpose of the CFCS was to gain insight into the financial knowledge, preferences and behaviours of people living in Canada. One individual from each randomly selected household responded to questions about themselves and other members of their household. For this study, the sample was restricted to include only those respondents who indicated that they were financially responsible for person/persons under the age of 18, which can be seen as a proxy for respondents with children under the age of 18 (n = 4637).

Demographic and socio-economic variables examined included marital status, number of children under age 18 in household, income, education, place of birth, age and province of residence. To examine the likelihood of savings for PSE, a yes/no question was asked: "are you currently saving or have you already saved to support the cost of your children's postsecondary education?". Participants were then asked a second yes/no question regarding their participation in the Registered Education Savings Plan: "do you or anyone in your family currently have any Registered Education Savings Plans (RESPs)?" We implemented a series of descriptive, bivariate and multivariate analysis (logistic regression) to address the study aims.

Table 1: Results of logistic regression models predicting saving for PSE and use of the RESP				
	Saving for PSE (n=3174 <sup>a</sup> )		Participating in the RESP(n=2118 <sup>a</sup> )	
	OR	CI (95%)	OR	CI (95%)
Marital status				
Married/common law				
Single	0.92	[0.72 – 1.18]	0.76	[0.58 – 1.00]
Other	0.84	[0.68 – 1.03]	0.78*	[0.63 – 0.96]
Number of persons under age 18 in household				
None	0.84	[0.67 – 1.03]	0.78*	[0.62 – 0.98]
One				
Two	1.10	[0.94 – 1.29]	1.36***	[1.17 – 1.56]
Three	0.77*	[0.62 – 0.95]	1.08	[0.87 – 1.34]
Four or more	0.47***	[0.33 – 0.68]	0.59*	[0.40 – 0.89]
Income quintiles (household level)				
Less than \$32,001 (0-20%)				
\$32,001 - \$54,999 (21 to 40%)	1.40**	[1.13 – 1.74]	1.33*	[1.04 – 1.70]
\$55,000 - \$79,999 (41 to 60%)	2.03***	[1.62 – 2.55]	1.64***	[1.28 – 2.08]
\$80,000 - \$119,999 (61-80%)	2.93***	[2.31 – 3.72]	2.65***	[2.06 – 3.39]
\$120,000 and over (81 to 100%)	3.91***	[3.01 -5.09]	2.96***	[2.29 – 3.83]
Highest level of schooling attained				
Less than high school				
High school graduate	1.51**	[1.17 – 1.95]	1.54**	[1.13 – 2.09]
Some PSE	1.99***	[1.57 – 2.51]	2.69***	[2.02 – 3.57]
University degree	2.78***	[2.15 – 3.60]	4.58***	[3.41 – 6.15]
Place of birth				
Born in Canada				
Born outside of Canada	0.98	[0.84 – 1.15]	1.09	[0.94 – 1.28]
Age of respondent				
18 to 24				
25-34	0.84	[0.57 – 1.25]	0.89	[0.59 – 1.37]
35-44	0.91	[0.62 – 1.34]	1.05	[0.69 – 1.61]
45-54	0.96	[0.65 – 1.43]	0.91	[0.59 – 1.39]
55 and over	1.28	[0.76 – 2.18]	0.88	[0.51 – 1.50]
Grouped province of residence				
Atlantic Canada	1.03	[0.83 – 1.27]	0.86	[0.70 – 1.05]
Quebec	0.59***	[0.49 – 0.71]	0.57***	[0.47 – 0.69]
Ontario				
Manitoba, Saskatchewan, Alberta	0.96	[0.80 – 1.16]	0.86	[0.72 – 1.02]
British Columbia	0.76	[0.58 – 0.98]	0.85*	[0.66 – 1.09]

Note: Reference category bolded.

<sup>a</sup> n = number of respondents who answered question positively

\* $p < 0.05$ , \*\* $p < 0.01$ , \*\*\* $p < 0.001$



## RESULTS

Results of the logistic regression are presented as odds ratios (Table 1).<sup>2</sup> As expected, household income and the level of education of the respondent were significant predictors of saving for PSE and RESP participation<sup>3</sup>. Compared to those without a high school diploma, respondents with a university degree were most likely to save ( $OR=2.78$ ,  $p<0.001$ ) and to participate in the RESP ( $OR=4.58$ ,  $p<0.001$ ). Compared to the lowest income group, those in the highest income group were most likely to save ( $OR=3.91$ ,  $p<0.001$ ) and to participate in the RESP ( $OR=2.96$ ,  $p<0.001$ ). Other significant findings related to household type and province of residence. Compared to households with one child, those with four or more children were least likely to save ( $OR=.47$ ,  $p<0.001$ ), and to participate in the RESP ( $OR=.59$ ,  $p<0.01$ ), while those with two children were most likely to participate in the RESP ( $OR=1.36$ ,  $p<0.001$ ). Using Ontario as the reference category, respondents from Quebec were least likely to save ( $OR=0.59$ ,  $p<0.001$ ) and to participate in the RESP ( $OR=0.57$ ,  $p<0.001$ ).



## DISCUSSION

Our findings suggest that household income and respondents' level of education are positively correlated with both saving for PSE and RESP use. The income gradient is larger for PSE savings than for RESP participation. In other words, the income gap in the odds of saving for PSE is larger than the income gap in the odds of participating in the RESP. This suggests that while families with low and moderate incomes may be less likely than their higher-income counterparts to save for PSE in the first place, many of those that *are* saving are using the RESP to do so. In contrast, the education gradient is larger for RESP participation than for PSE saving, suggesting that while families with low levels of education are saving, they are far less likely than their more educated counterparts to be using the RESP to do so. Other evidence suggests that household wealth and parental level of education (rather than income) are, in fact, the strongest predictors of RESP use (Office of the Parliamentary Budget Officer, 2016). While wealth, income and education are all correlated with one another, future research may investigate the distinct impact of each of these factors on PSE saving.

Federal expenditure on human capital related to PSE has increasingly focused on incentivizing families to save, and rewarding



them for doing so. In 2013-2014, the Canadian government spent roughly the same amount (\$1.1 billion) on the Canada Education Savings Program and Canada Student Loan Program (Office of the Parliamentary Budget Officer, 2016). Given that families must participate in the RESP in order to benefit from government support in the form of the CLB and matching grants, increasing access to this saving vehicle is vital for both practical reasons and to ensure equity. However, disadvantaged families face significant financial and institutional barriers to RESP participation. As mentioned earlier, evidence suggests that individuals with low income and low education have limited financial resources to devote to savings, lack access to appropriate and sufficient information about savings programs,

and face difficulties securing the documentation required for program participation (HRSDC, 2010; Omega Foundation, 2013). Furthermore, they are excluded from, or underserved by, mainstream financial services that deliver the RESP (HRSDC, 2010; Omega Foundation, 2013). These barriers stem from weaknesses in our macro financial, economic and public policy systems. Non-profit and community organizations have attempted to address these barriers by engaging in community outreach around the RESP and additional grants, acting as a link between government, mainstream financial institutions and potential program participants, and developing online platforms to help families overcome practical barriers to participation (Omega Foundation, 2013, "StartSmart," n.d.). While these community-level initiatives suggest some progress on a small scale, broad-

<sup>2</sup> An odds ratio higher than 1 indicates an increased likelihood of saving or use of the RESP as compared to the reference group, whereas an odds ratio lower than 1 indicates a decreased likelihood.

<sup>3</sup> These groups are not mutually exclusive - respondents were first asked whether they were saving for PSE, and then asked whether they were participating in the RESP. However, participating in the RESP was not conditional upon answering the PSE saving question positively.

reaching, design-level changes must be developed and targeted to households with low income and levels of education. For example, automatic enrolment of children eligible for the CLB has been proposed (Berger & Baldwin, 2009).

The underrepresentation of households with low income and low education in RESP participation has persisted for more than a decade (Milligan, 2004). Considering the significant investment of federal funds into the CESP, the findings in this study call into question the program's redistributive power and its ability to increase PSE access among the most economically vulnerable groups in Canada. To improve access to savings programs, interventions at the program and policy levels must address both individual and systemic barriers.



## CONCLUSIONS

Demographic and socio-economic factors are strongly related to PSE saving behaviours. Families with low income and low education were less likely to participate in the Canadian Education Savings Program, suggesting that current policy and delivery mechanisms could be more effective to accommodate the needs and preferences of vulnerable families. Changes for better delivery of the CESP might include automatic enrollment, increased outreach in lower income communities, and increased collaboration between levels of government, CESP providers, community organizations and potential program participants.



## RÉSUMÉ EXÉCUTIF

Il est généralement admis que la poursuite d'études postsecondaires (EPS) a des effets importants sur les résultats obtenus sur le marché du travail, la satisfaction au travail, la santé et la qualité de vie d'une population (Donnelly, Welch et Young, 1999; Ferguson et Wang, 2014; Lefebvre, 2004). Un meilleur accès aux EPS et une poursuite accrue de celles-ci parmi les jeunes provenant de familles à faible revenu sont essentiels pour réduire les inégalités économiques et promouvoir la justice sociale (Oreopoulos et Petronijevic, 2013). Cependant, les jeunes provenant de familles à faible revenu sont à plus de 50 % moins susceptibles que leurs pairs de s'inscrire à des EPS (Berger, Motte et Parkin, 2009).

Le coût des études postsecondaires au Canada continue d'augmenter, et les droits de scolarité et les niveaux de dette en croissance des étudiants constituent des obstacles aux EPS pour de nombreux Canadiens à faible ou à moyen revenu. Le Programme canadien pour l'épargne-études (PCEE) est un régime d'épargne à cotisations de contrepartie dont le financement et la prestation sont assurés par le gouvernement fédéral; il est destiné à aider les familles à épargner pour les EPS de leurs enfants et comprend des subventions ciblant particulièrement les ménages à faible revenu. Le fait de disposer d'économies pour les EPS peut avoir des effets positifs sur le développement socio-affectif des jeunes enfants et peut accroître les chances qu'un jeune poursuive et termine des EPS (Elliot, Song et Nam, 2013a; Elliot, Song et Nam, 2013b). Cependant, les familles à faible ou à moyen revenu font face à d'importants obstacles d'ordre financier et d'accès à l'information qui les empêchent d'accéder aux programmes d'épargne-études en vue des EPS et d'en bénéficier. À l'inverse, il semble que les familles à revenu plus élevé soient mieux préparées à utiliser le PCEE et à en bénéficier (Lewis et Elliot, 2014).

L'objet principal de cette étude est d'analyser le rapport entre les caractéristiques socio-économiques et démographiques, et la probabilité qu'une famille 1) épargne en vue des EPS de leur enfant, et 2) participe au PCEE. Les données ont été tirées de l'Enquête canadienne sur les capacités financières (ECCF; N = 15 519), une enquête représentative sur le plan national. Des analyses à deux et à plusieurs variables (analyse de régression logistique) ont été utilisées dans notre étude.

Les résultats semblent indiquer que le revenu des ménages et le niveau d'éducation des répondants sont des prédicteurs d'épargne pour les EPS et de participation au Régime enregistré d'épargne-études (REEE). Comparativement à ceux dépourvus d'un diplôme de fin d'études secondaires, les répondants titulaires d'un diplôme universitaire sont les plus susceptibles d'épargner ( $RC = 2,78, p < 0,001$ ) et de participer au REEE ( $RC = 4,58, p < 0,001$ ). En comparaison avec ceux qui font partie du groupe à plus faible revenu, les répondants provenant du groupe au revenu le plus élevé sont les plus susceptibles d'épargner ( $RC = 3,91, p < 0,001$ ) et de participer au REEE ( $RC = 2,96, p < 0,001$ ). D'autres résultats significatifs concernaient le type de ménage et la province de résidence des répondants. Comparés aux ménages à un enfant, ceux à quatre enfants ou plus étaient les moins susceptibles d'épargner ( $RC = 0,47, p < 0,001$ ) et de participer au REEE ( $RC = 0,59, p < 0,01$ ), tandis que les ménages à deux enfants étaient les plus susceptibles de participer au REEE ( $RC = 1,36, p < 0,001$ ). Si l'on se sert de l'Ontario comme catégorie de référence, les répondants du Québec étaient les moins susceptibles d'épargner ( $RC = 0,59, p < 0,001$ ) et de participer au REEE ( $RC = 0,57, p < 0,001$ ).

Tel que mentionné, les faits donnent à penser que les personnes ayant un faible revenu et peu de scolarité affrontent de nombreux obstacles à la participation au PCEE découlant de certaines lacunes dans nos systèmes macrofinancier, économique et de politique publique. Étant donné l'investissement important de fonds fédéraux dans le PCEE, les résultats de cette étude remettent en question la capacité du programme d'atteindre son objectif de redistribution et d'améliorer l'accès aux EPS des groupes les plus vulnérables du point de vue économique au Canada. Afin d'améliorer l'accès aux programmes d'épargne, les interventions menées au niveau du programme et de la politique doivent arriver à éliminer à la fois les obstacles individuels et systémiques.

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