

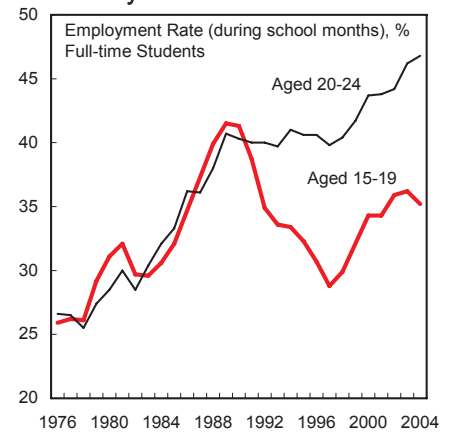
As Canadian students head back to school this fall, many will be balancing the demands of a job with those of a full-time course load. In 2004, a record 46.8% of full-time students aged 20-24 worked during the school year, compared with just 26.6% of their counterparts in 1976. For those aged 15-19, a group which includes both high school and some postsecondary students, 35.2% were working while attending school, below the pre-1990s recession peak of 41.5% but still well above the 25.9% rate of their parents' generation. Adding in 'informal' jobs such as babysitting and tutoring not captured in official labour force statistics would push this ratio even higher.

There are a number of reasons why students are increasingly combining school and work, but the substantial increase in the cost of postsecondary education over the past decade has likely played a role. Average full-time undergraduate tuition fees rose almost three-fold between 1990/91 and 2004/05, from \$1,464 to \$4,172. (Tuition fees vary widely across provinces, ranging from a low of \$1,683 for Quebec residents attending school in the province, to a high of \$5,984 in Nova Scotia.) The largest increases were recorded in the 1990s, with annual tuition hikes averaging almost 10%. Yearly increases have slowed to an average of 5% since the start of this decade, but are still rising at more than double the rate of inflation. College fees, though lower than those for university, have been rising as well.

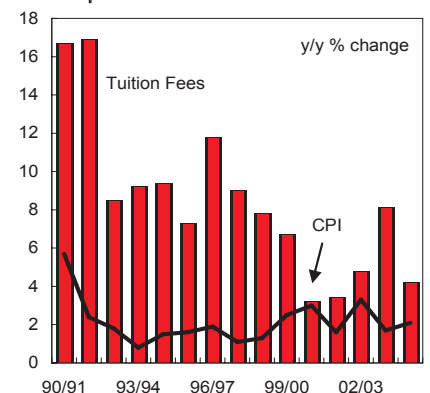
Moreover, tuition fees represent just one portion of the total cost of postsecondary education. Compulsory fees for services such as athletics, health services and student associations have jumped 41% over the past five years, to an average of \$608 in 2004/05. Costs for books and school supplies, and living and accommodation expenses are also rising. According to Statistics Canada's 2002 *Postsecondary Education Participation Survey* (PEPS), the median expenditures of a full-time postsecondary student totalled almost \$10,000 during the school year, with average outlays for university students living away from home topping \$13,000. These costs have no doubt climbed higher since.

However, a student's decision to work during the school year is not made solely out of economic necessity. Labour force participation rates for full-time students have been trending up since at least the mid-1970s, long before the sharp rise in tuition fees. Full-time Quebec students, who face the lowest undergraduate fees in the country, are slightly more likely to work during the school year than the national average.

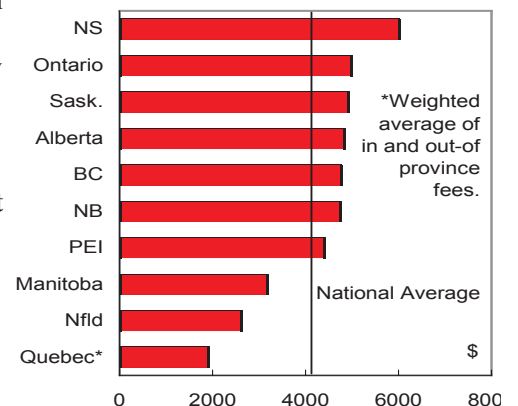
More students working during the school year



Tuition fees continue to outpace inflation



Average undergraduate tuition fees, 2004/05



For many students, the opportunity for greater discretionary income appears to be a driving factor, particularly given their vast array of electronic toys and entertainment options as well as the computer and telecommunication technologies required for educational and leisure purposes. Opportunity is also a motivator, with students in regions with the best employment options most likely to work. In 2004, 44% of full-time students in Alberta, the province with the lowest unemployment rate in the country, worked during the school year. This compares to just 23% students in Newfoundland, the province with the highest jobless rate.

The ability to gain valuable work experience and professional contacts is also an important consideration. Canada's job market is highly competitive, with employers demanding increasingly greater skill requirements. Of the roughly 1.5 million net new jobs created since the beginning of the decade, virtually all required at least a postsecondary diploma while 45% demanded a university degree. Today's graduates must compete with an already highly educated workforce. Work experience may well command a greater premium than in the past, given that an increasing share of the working-age population has a postsecondary degree or diploma.

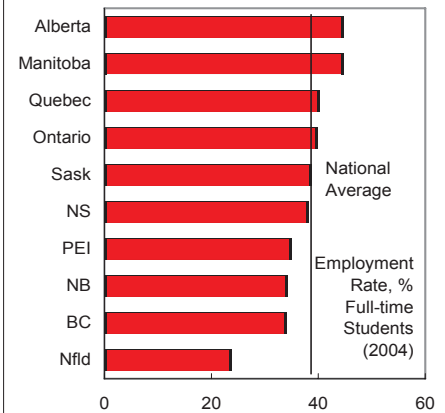
In addition, work experience can help ease the transition from school to the labour market. Statistics Canada estimates that the average time from which most young Canadians are attending school exclusively to which the majority are working without studying is currently about eight years, up from six years two decades ago. More students are taking advanced degrees, or returning to school to upgrade their technical skills. Co-op placements, internships and post-graduation apprenticeships are likely proving particularly valuable.

Investing in Knowledge

Students draw on a number of sources to fund their academic pursuits, but employment earnings have traditionally been a significant component. Based on the PEPS data, savings from employment prior to the school year was the most frequently cited source of funds for full-time postsecondary students, followed by earnings from work during the school year and contributions from parents and other family members. Other important funding sources included grants and scholarships, and investment income such as Registered Education Savings Plans (RESPs) and Canada Savings Bonds (CSBs).

Increasingly, students have been supplementing these traditional funds by borrowing. In terms of the dollar value of funds, government and bank loans constituted the largest single component, at an average of \$5,000 per full-time borrowing student. According to Statistics Canada's most recent *National Graduates Survey* (NGS), bachelor graduates in 2000 with outstanding student loans — close to one half of all graduates — owed an average of \$20,000, while their college counterparts each owed roughly \$13,000. Measured in constant dollars, this was about 30% more than the average outstanding debt of 1995 graduates and 76% more than for the class of 1990. While figures for the 2005 cohort are not yet available,

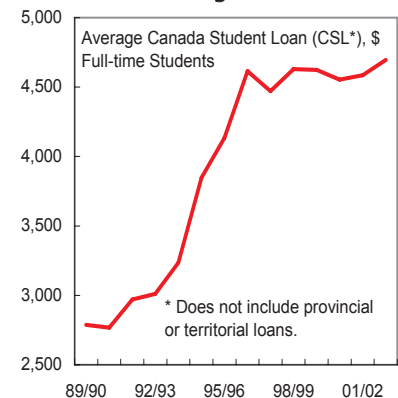
Where the jobs are



Sources of Postsecondary Education Funding, 2002

	% reporting	median value, \$
Empl. prior to school year	77	2,500
Empl. during school year	64	3,000
Contributions from family	58	2,000
Grants/Scholarships	36	1,600
Gov't student loans	26	5,000
Loans from family	16	2,000
Investment income	17	1,500
Bank loans	14	5,000

Amount of average student loans levelling off ...



reported accounts of federal and provincial loan granting agencies suggest that the average graduate debt burden is probably in the range of \$20,000-\$25,000 today.

Governments and the private sector need to ensure that the high and rising cost of postsecondary studies does not discourage access. Having a highly educated, skilled workforce is a necessity in today's increasingly competitive and knowledge-based global economy. Indeed, increasing the proportion of workers with higher education could go a long way in addressing Canada's lacklustre productivity performance. While Canada ranks well among high-income OECD nations in the share of its working-age population with post-secondary credentials, it is in the middle of the pack — and far behind the U.S. lead — when it comes to advanced degrees.

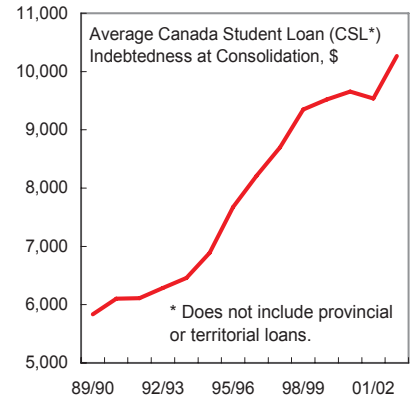
At the same time, it is important to recognize that investments in higher education generate a high individual return, and students should be expected to bear some of the cost. Average earnings of university and college-educated workers are roughly 90% and 30%, respectively, higher than for their high-school educated counterparts. Many of these higher skilled positions may also offer better security and benefits. Unemployment, both in level and average duration, declines with increases in educational attainment.

Labour Market Prospects Brightest in the West

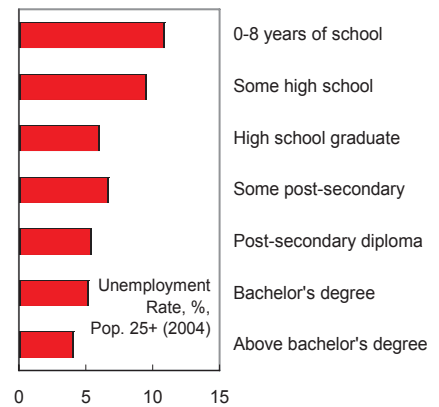
Current employment prospects for students are reasonably good. While the overall pace of hiring in Canada has moderated over the past year as businesses adjust to the competitive pressures of a stronger Canadian dollar, job losses have been largely confined to export-oriented manufacturing industries that employ relatively few students. Employment in many service-based industries such as retail sales and food services that hire a disproportionately large number of youths has continued to expand, supported by low interest rates and strong consumer spending gains. Retail trade and food services account for 43% of all youth employment in Canada, compared with only 14% of jobs held by adults 25 and over.

On a regional basis, Canada's Western provinces will likely retain title to the country's hottest job markets. Fuelled by its booming oil patch, Alberta's unemployment rate fell to 3.6% in July, close to its lowest level in a quarter century and roughly half the national average. Some businesses in the province report offering incentives such as music players and even college scholarships to attract young workers. In British Columbia, a surge in construction and related business services hiring has lifted the province's employment rolls 3.2% so far this year — double the national 1.4% rise — and lowered the jobless rate to 6.2%. Saskatchewan is also enjoying above average job growth. Looking further ahead, massive energy and infrastructure investments promise to generate long-term employment opportunities in these regions.

... but amount of debt still rising



Education increases employment prospects



Distribution of youth employment (2004), %

