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THE HUNTER PRIZE FOR PUBLIC POLICY

Faster to the Future: Kickstarting Economic Growth through Accelerated Degrees

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This study was commissioned by the Centre for Civic Engagement. The CCE is a non-partisan Canadian charity dedicated to conducting original research on public policy issues related to Canadian prosperity, productivity, and national flourishing. The CCE's research informs an active program of policy seminars, events, conferences, and lectures all aimed at providing the policy making community with actionable insights that encourage informed decision making on issues that matter to Canadians.

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Introduction

Productivity is a formula. The amount of goods and services produced over a period of time. Every submission in this contest will focus on how to increase the amount of goods or value produced. But what if we focused on the other side of the equation? Saving time.

Canada's university students are taking too long to graduate. Post-secondary can take as long as elementary schooling. Students are stuck in the classroom instead of the workforce. It delays earnings. It erodes the value of compound interest. And it increases student debt levels. We can reverse our negative economic trends by embracing accelerated, three-year undergraduate degrees.

To do this, provinces will need to institute a simple combination of regulatory changes. Update degree qualifications frameworks. Tie university funding to accelerated degree adoption. And create three-year degrees by reducing or eliminating elective courses.

Simultaneously, provinces can incentivize uptake. They can issue $4,500 annual bonus payments to enrolled students. The only requirement is the students must graduate on time.

Accelerated degrees yield faster results. They grow the labour force. They provide continual benefits for the country, not just a one-time boost. They positively impact every sector of the economy that employs university graduates. They are easy to implement. They cost less than broad-based tax cuts. They will even save governments money. And, of course, they will help reverse declining GDP per-capita.

The Problem

A quarter of the population will soon retire, reducing the size of the labour force and our skilled worker pool. Canada has looked to immigration to solve labour issues, but that solution is facing increased scrutiny and revealing broader problems with housing and health care. Meanwhile, Canadian birth rates are at an all-time low. Canada's growing skills gap will worsen our GDP per-capita. We need more workers, preferably skilled ones.

The more education a person receives the more likely they are to be employed, the higher their starting salary, the better their job security, and the higher their life earnings. One of the best indicators of GDP per-capita growth is in fact a more skilled workforce. But where do we find them?

That future skilled workforce already exists. They are stuck in undergraduate classrooms:

- Of Canada's 164,000 undergraduate students aged 18-24 in the 2018-19 cohort, only 42.9% graduated in four years.
- For Canadian students entering straight out of high school, the average time to complete an undergraduate degree is 4.74 years.
- Nearly 1 in 5 enrolled Canadian college students already has a bachelor's degree or higher from a university – as high as 25.8% in Ontario.
- Of the nearly 190,000 Canadian students who received an undergraduate degree in 2018, 34.2% went back to school.
- Full-time employment among 25-year-olds fell from 75% in 1981 to 60% by 2015.

In fact, the 'undergraduate over-stay' is so common that Statistics Canada considers a reasonable amount of time for degree completion to be 6 years (page 66). More than a quarter of students still failed to reach that milestone, though that statistic likely includes dropouts.

The Impact of Delay:

This delay creates two fundamental problems. The first impact is to that student's earning years. A 6–12-month delay in joining the labour market, or other external factors that delay career starts, creates persistent earnings gaps throughout a career. Researchers determined that delayed career starts can take 10 years for a student to overcome and cut cumulative earnings by 5% during that time. Even simple compounding would mean time lost to schooling instead of earning income decreases savings and reduces earnings. The longer a student takes to graduate, the less their return on investment over their lifetime.

Second, the impact cascades into all aspects of life. Nearly a third of Canadians aged 25-29 live at home, up from 11% in 1981. The average age of marriage in Canada has increased from 25.6 in 1968 to 35.3 in 2019. The median age of a first-time home buyer in Ontario has gone from 36 years to 40 years old in the last decade. Canada's fertility rates fell for 15 straight years to only 1.26 children per woman in 2023. Delayed workforce entry postpones financial security, reduces GDP contribution, and delays important life milestones.

These delays also create problems for governments. Both provincial and federal governments provide direct funding to universities. The average annual provincial funding in Canada is $13,657 per student (page 44) for universities, but fluctuating depending on the province.

Those numbers are before student assistance paid directly to students, which totalled $11.6 billion across Canada in 2023-24 (page 57). About 60% of that assistance came in the form of loans, with the rest in the form of grants. Given there are roughly 1.75 million students enrolled in post-secondary at any given time, governments are contributing an average of $6,000-$7,000 per student on tuition supports annually.

All told, governments are spending around $20,000 per university student every year. Should a student take longer to complete their undergraduate education than four years, the total amount of state funding they have received goes up with no change in outcome, thereby diluting the return on the government's investment. In fact, provinces spend even more when a student prolongs their education because most re-classify students who take longer than four years as independents, meaning they remove parental income from support calculations and increase subsidies dramatically.

The takeaway is this: the longer a student takes to finish undergrad, the worse return for the student and for the government. That means a loss in earnings, productivity, and GDP per-capita growth for the nation.

The Weakening Undergraduate Degree:

To make matters worse, the undergraduate degree is no longer enough to ensure a successful transition to the labour market. 1 in 5 college students in Canada already have an undergraduate degree. More than a third of all Canadian undergraduates go on to complete more schooling after undergrad. In 2020, the median age of graduation with a master's degree in Canada was 27-years-old and for a doctorate it was 33. Students can now spend as long in post-secondary as they did in elementary school.

The most alarming part of this trend is not the rise in graduate schooling, which can significantly boost earnings, but rather the signal that an undergraduate degree is no longer good enough. Undergraduate studies show that a student can manage time, meet deadlines, and has gained skills in a specific field. If these degrees are not enough to gain meaningful employment, evidenced by the rate of post-graduate studies, we should ask ourselves: can students gain those important life skills faster?

The Solution

Existing Government Response:

Several provincial governments have realized that students are choosing college after university for a reason. Students choose college because it is faster and because the programming is targeted toward the labour market.

Several provinces have endorsed funding of micro-credential programs which are essentially rapid re-learning programs aimed at returning workers to the labour force quickly. This fast-track style thinking has yet to be applied to the undergraduate level.

On labour market outcomes, Ontario and Alberta have attempted to re-orient university programming to college style labour market focused outcomes by tying funding to graduation levels through Strategic Mandate Agreements (SMAs). Ontario announced it would increase the amount of funding tied to labour market outcomes for universities from 1.2% in 2018-19 to 60% by 2023-24. Instead, the amount of funding tied to performance in 2023-24 capped out at 10% and some have suggested (page 45) "only tiny sums of money – perhaps 1 or 2% of the base - have ever been added or subtracted from institutional transfers."

SMAs are a cultural change. They are slow and difficult. SMAs require forcing tenured professors to change what they teach and how they teach. Instead, we should focus on an easier goal: changing when they teach.

Accelerated Three-Year Undergraduate Degrees:

If time is our country's most finite resource, how can we maximize it?

The answer can be found throughout most of Europe in places like the U.K., Italy, and Sweden: accelerated degrees. Specifically, three-year undergraduate degrees. Almost all undergraduate degrees could be cut by an entire year of study without removing a single core course offering, opting only to remove elective programming.

For example, at Toronto Metropolitan University, their Undergraduate Policy outlines that an undergraduate degree is 40 one-term degree level courses, however only 60-75% of those credits must be core studies. As much as 40% of an undergraduate degree is reserved for liberal studies or electives. The 16 elective courses a student completes is the equivalent of more than a year and a half of that student's prescribed undergraduate time.

At the University of British Columbia, the 2024/25 Bachelor of Arts (BA) cohort must take 120 credits worth of courses. Only 42 credits must be in the student's field of study. There are 27 compulsory credits in non-core disciplines and as many as 51 elective credits of the student's choice. A student can earn a degree with more elective credits than core course credits. In other words, they could spend less than a year and a half of a four-year program on courses in their field of study. It is no wonder that employers are demanding more and that students are pursuing further education to gain a deeper set of applicable skills.

Provinces should adopt accelerated three-year degrees to speed entry into graduate studies and the workforce.

Implementation Plan

Accreditation:

First, provinces need to provide direction on what qualifies as an accelerated degree. At least one year of timing requirements must be removed and these degrees must contain the same mastery of core content as currently contemplated in the existing four-year degree programming. It is critical that these degrees be on par with a traditional undergraduate degree, meaning the same end degree (i.e., Bachelor of Arts) will be conferred as students will not sign up for programs that are less valuable to employers than traditional options. Similarly, ensuring the same degree is conferred will maintain eligibility for professional and graduate degree programs to enable continued learning for specialized professions.

This can all be captured via ministerial changes to accreditation documents such as the Ontario Qualifications Framework or the Alberta Credential Framework which spell out the timing and course requirements for each overall degree designation. Critically, accelerated degrees would not require changes to the actual core course content, just elective requirements.

Second, provincial governments can delegate the technical work of determining which degrees are eligible to be shortened to their post-secondary agencies - where applicable – or to their civil service and even to universities themselves. Though it may look different in each province, some provinces have post-secondary advisory bodies including the Higher Education Quality Council of Ontario and the Maritime Provinces Higher Education Commission in Atlantic Canada. These bodies, or civil servants in advanced education/post-secondary ministries, can work with universities to provide technical and research support to determine which degrees are eligible and can be implemented quickly. This is important considering incoming students will need time to be made aware of the programs to enroll in them.

Of course, this solution does not work for every degree. More technical degrees with more than three years of core course work, such as engineering, could be exempted from this policy as could honours specializations that already require more than three years of core programming.

Compliance:

Universities in Canada are in a funding crisis. Laurentian University in Ontario has declared insolvency while many have turned to exorbitant international student tuition fees to keep themselves afloat. There is a core problem among universities in Canada. They are keeping inefficient and revenue losing programs open. Accelerated degrees will not only improve Canada's GDP per-capita, but they will force greater fiscal responsibility on Canada's universities.

The elimination of elective program requirements will likely cause a reduction in enrollment in non-demand programming. This may lead to cuts in programs and faculty where enrollment declines. In short, this outcome is an acceleration of the matching of funding to demand that the SMA policy was supposed to achieve.

That said, universities may be reluctant to comply with this direction given the reduction in elective courses and, potentially, stag. Therefore, provinces will need to ensure that universities actually offer accelerated degrees.

Provinces can ensure compliance by tying a university's funding to the inclusion of accelerated degrees. Each province funds universities differently, but they all provide some form of enrollment or historical based annual funding that could be changed at any time.

Making accelerated degrees a condition of that funding would require universities to make the necessary changes to course timetables, without cost increases for provinces or dilution of education quality for students.

Student Bonus Payments:

Canada will not experience the GDP benefits of accelerated degrees if students do not enrol in the new programs or finish them on time. The key to this policy are student bonus payments to incentivize uptake and ensure completion.

These bonus payments would be paid by provincial governments directly to students enrolled in the accelerated programs. Payments should be substantial at $4,500, or approximately 50% of tuition.

The payments must also be tied to on-time graduation. Annual payments would flow through each province's existing student assistance system, such as the Ontario Student Assistance Program, at the end of the academic year once final grades have been submitted to ensure students complete the accelerated undergraduate degrees on time. Provinces like Nova Scotia (page 56) that already rely on forgivable loans as part of their student assistance regime could utilize that tool instead, with the loan only converting if the student passes all of their courses that year. Mid-degree dropouts will not receive full payment, as funds are released after each academic year is completed. The key is that the annual bonus payments are not issued if a student fails to complete the necessary credits on time.

For students, their need for loans or lines of credit - and their corresponding interest payments - would decrease. The average student debt at graduation nationally for a bachelor's degree is just over $32,000 (page 62). With less school to pay for, and bonus payments to offset costs, debt loads among students could be significantly reduced if not halved.

Additionally, students' Registered Education Savings Plans could cover a higher percentage of costs or be saved for future use to fund graduate studies. Students would also see no negative impact to their federal levels of assistance, despite the increase in provincial assistance, because provinces determine program eligibility for federal assistance and could ensure these programs still count.

Costing

The cost of accelerated degrees is entirely dependent on how many students enroll in them. However, the elimination of the fourth year of studies results in a substantial savings for government for every student that completes the program. The total cost of the bonus payments per student is $4,500 per year, for a complete cost of $13,500 over the three-year term of a student's education.

Provinces transfer, on average, $13,657 annually to universities per full-time student. Universities are not consolidated on provincial financial books, like colleges, meaning we can assume these transfers are for operations and not capital. Since accelerated degree students would not be taking a fourth year of study, their final yearly payment would not be needed, offsetting the costs of their bonuses. For every student that enrolls, the costing would be:

	2026-27	2027-28	2028-29	2029-30	NET IMPACT
Provincial Impact per Student ($)	(4,500)	(4,500)	(4,500)	13,657	157

The average provincial amount of tuition support per student is not available. Also, some students qualify for assistance while others do not. Therefore, these estimates are left out of the costing. That said, provinces spent a combined $11.6 billion on tuition loans and grants in 2023-24 for roughly 1.75 million students – or between $6,000-$7,000 each. It is reasonable to assume the savings from no longer having to issue assistance in an undergraduate's fourth year would also be sizeable, though dependent on each student's financial situation.

Provinces that transfer below the provincial average to universities, like Ontario, may see a slight deficit to implement this policy. However, the inverse is true for provinces that transfer more per student. Regardless, once savings from tuition assistance are included, every province should run a sizeable surplus with this policy within four years.

There is a time value to money worth noting. This policy will cost money for the first three years and only begin delivering a fiscal surplus four years in, meaning the costs are borne up front. That said, the bonus payments can be discontinued once three-year degrees are commonplace, thereby eliminating any fiscal cost of this policy while retaining the savings in perpetuity, unique from any other stimulus measure.

If uptake is rapid, Canada will also experience a labour force boost known as a double cohort phenomenon where two classes of students graduate at the same time. Not every degree will be shortened and not every student will opt for this option, meaning the phenomenon may not be as powerful as when the Ontario government removed grade 13 in 2002, but it could still be significant. Existing shortages for nurses, doctors, and teachers that can only partly be mitigated by expansive immigration could instead be mitigated by this double cohort.

Conclusion:

Though accelerated three-year degrees and student bonus payments may be a bold policy change at the provincial level, it is the exact kind of initiative that Canada needs to deliver real change to its lagging productivity and GDP per-capita.

Accelerated degrees can be implemented quickly, provide a continual benefit to the country, benefit any industry that uses undergraduates as a talent pool, and reduce student debt levels. Better yet, accelerated degrees are financially sustainable - especially compared to other economy stimulating ideas – and even save governments money in the long-run.

If we want to fix our productivity issues, we need to realize that Canada's most valuable resource isn't oil, tech, or talent. It's time. Let's stop squandering it.

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