

# The Evolution of Federal Government Financing of Canadian Universities

David A.A. Stager \*

In October 1966 the federal government announced a change in the method by which federal funds would be paid to assist in the financing of post-secondary education in Canada. The principal result of the new arrangements, which went into effect in 1967, was the abolition of direct federal grants to the universities. Instead the federal government agreed to make annual fiscal transfers to the provincial governments in amounts equal to fifty percent of the operating costs of post-secondary education in the respective provincial jurisdictions.<sup>1</sup>

These arrangements were originally to be in effect for a period of five years. But by mutual agreement between the federal government and the governments of the provinces this arrangement has now been extended to 1974. The main purpose of the extension was to provide greater opportunity to review the respective governmental responsibilities in the field of post-secondary education prior to proposing any substantial revision in methods of financing.

At the present time the federal government is considering whether or not it should continue to be involved in financing post-secondary education and, if so, through what means. In such a re-examination, as well as in any similar examination being conducted at the provincial level or within the educational institutions, one cannot easily ignore sixty years of federal participation in post-secondary education in Canada. An analysis of events and legislation over this period indicates that current financing arrangements can be traced through a continuous sequence going back to the

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\* *Dr. David A.A. STAGER is a member of the Department of Political Economy and of the Institute for the Quantitative Analysis of Social and Economic Policy, University of Toronto. He wishes to express his gratitude to Howard Fluxgold for research assistance and to the Council of Ministers of Education and the Ford Foundation grant for the Study of Efficient Allocation of Resources in Higher Education for financial assistance in the preparation of this paper.*

appointment of the Royal Commission on Industrial Training and Technical Education in 1910.

The federal government had founded the Royal Military College in 1874 and had granted 150,000 acres to the University of Manitoba in 1885. Although these cases might have served as precedents, in fact they cannot be regarded as part of the chain of related events leading to general university financing. It was the proposed royal commission on technical education which generated the first and apparently only nationwide debate on the constitutional legitimacy of federal involvement in education.<sup>2</sup> At the time there was no doubt that education was exclusively within provincial jurisdiction; rather, the debate concerned possible distinctions between general and technical education, and whether there were other federal responsibilities which could outweigh the restrictions of section 93 in the British North American Act. The federal government's concern for regulating and encouraging trade and commerce was the primary argument for its examination and financing of technical education. This was expected to improve the quality, quantity and distribution of manufactured goods, and thereby to help maintain Canadian manufacturers' competitiveness in international trade. Also, local educational officials regarded technical education as something distinct from the secondary school programmes and so were reluctant to provide technical training. In 1891, for example, one of the first technical schools, offering evening classes only, was opened in Toronto but by an independent board.

The campaign for federal aid to technical education was led by three groups: The Boards of Trade of the major Canadian centres, the Canadian Manufacturers' Association, and the Trades and Labour Congress of Canada. In 1901, representatives of these groups met with Prime Minister Wilfrid Laurier to seek federal assistance, but Laurier, recalling the "school question", was quite reluctant even to consider federal action in education. Laurier's position led the advocates of federal aid to shift their request gradually from outright federal sponsorship of technical education to a request for a royal commission on the subject. On behalf of the CMA, Liberal member of parliament Hugh Guthrie introduced a bill in the House of Commons in 1908 requesting that a commission of inquiry be appointed to investigate Canadian needs with respect to technical education. Guthrie's motion was "talked out" although it actually received very little attention from a small attendance in the House. He re-introduced the motion later in 1909, noting that the CMA had consulted the provincial premiers who, without exception, replied "consenting to the proposal, or, at all events, offering no objection to the appointment of a commission by this government for the purpose of making an enquiry such as is asked for in this motion."<sup>3</sup>

W.L. Mackenzie King, who had become minister of labour six months previously, supported Guthrie's motion but asked that the debate be adjourned until the government could consider further the constitutional question. King then wrote to the provincial premiers. All provinces agreed to the appointment of a commission, particularly because

King had emphasized that it would be "solely for the purpose of gathering information".

The Royal Commission on Industrial Training and Technical Education was appointed in May, 1970. After visiting centres across Canada, the United States and seven European countries, the Commission reported in 1913. Its recommendations included a Dominion Development Fund of \$3,000,000 annually for ten years, to be divided among the provinces on a provincial population basis. The funds were to be used to provide teachers, schools, equipment, and scholarships, for technical education. Although the Commission's report was strongly endorsed by labour, industrial, and educational interests, the federal government took no immediate action.

During the period of the Commission's investigations, however, the federal government had introduced two Acts in support of agricultural instruction. An Agricultural Aid Act was introduced in 1912 to encourage the application of new knowledge in agriculture and to co-ordinate such activities at the provincial and federal levels.<sup>4</sup> The appropriation was \$500,000 for one year with the understanding that succeeding legislation would extend the programme. In 1913, the Agricultural Instruction Act provided \$10,000,000 to be expended over ten years, and divided among provinces according to their populations.<sup>5</sup> However, it was under this Act that the federal government first made direct contributions to colleges. "Such veterinary colleges as grant degrees and come up to a required standard" received \$20,000 each year on the basis that "from the character of our federal veterinary work, and for the reasons that students to these institutions are drawn from all provinces in Canada, they may be regarded as having a fairly national complexion".<sup>6</sup> The grants to the provinces were intended to encourage instruction in agricultural colleges and schools and to provide travelling instructors in rural areas.

Introduction of the Agricultural Instruction Act may have delayed action on the proposals for federal grants to technical education, especially since there was some disappointment in Ottawa with the effects of the agricultural programme.<sup>7</sup> Other reasons probably were more important: the war of 1914-1918, an indifferent or hostile successor to King as minister of labour and the continuing constitutional uncertainty, were impediments to implementation.

At the end of the 1914-1918 war there was a shortage of school space since school construction had slowed during the war and, with the end of the war, young men were remaining in school. There was also a threat of serious unemployment.<sup>8</sup> The federal government therefore introduced the Technical Education Act in 1919. The Act resembled closely the funding and administration of the Agricultural Instruction Act, except for an important cost-sharing provision. A total of \$10,000,000 was to be expended over ten years with Ottawa paying up to fifty per cent of technical education costs. Funds were allotted to the provinces according to their populations. Technical education was defined broadly as:

"... any form of vocational, technical or industrial education or instruction, approved by agreement between the Minister and the Government of any province as being necessary or desirable to aid in promoting industry and the mechanical trades, and to increase the earning capacity, efficiency and production power of those employed therein." <sup>9</sup>

After a decade of frustrated federal efforts and only isolated successful programmes, Mackenzie King announced in 1929 that his government intended to let the Technical Education Act lapse. (The Agricultural Instruction Act had lapsed in 1923.) King's announcement met considerable protest, especially from Conservative opposition leader Bennett. By 1929, only Ontario had received a complete allotment, as determined by the Act, and only \$7,964,600 of the \$10,000,000 had been distributed. The government therefore acceded to a Technical Education Extension Act which permitted the unexpended portion to be carried forward for another five years. But the depression of the 1930's so severely curtailed provincial expenditures that the Act had to be extended again in 1934 before all provinces could claim their allotments.<sup>10</sup> Nevertheless, no new federal funds were voted for technical education. Provinces which had developed substantial technical programmes — Ontario, Quebec, Alberta and British Columbia — therefore urged the federal government to introduce new federal legislation.

When the Conservatives formed the federal government in 1931, they almost immediately passed a Vocational Educational Act. This would have provided \$750,000 annually for 15 years to assist vocational education — which was to include agricultural instruction as well. There was no requirement of matching expenditures by the provinces.<sup>11</sup> But the weakened financial position of the federal government, especially with commitments to be honoured under the extensions of the preceding Act, led to the Vocational Education Act's never being put into effect. In September, 1931, the deputy minister of labour wrote to the provinces explaining that "the Government is intensely interested in the development of vocational education and regrets exceedingly that the present unemployment situation makes it necessary to postpone the operation of the Act." <sup>12</sup>

In the period from 1931 to 1936 there were frequent provincial requests to revive the Vocational Education Act, but the federal government continued to refuse. Paradoxically, the unemployment originally offered as a reason for this postponement was also the primary reason for the next stage in federal aid to technical education. The Unemployment and Agricultural Assistance Act of 1937 provided for training of persons, of ages 18 to 30, who were unemployed and registered with the Employment Service. The appropriation of \$1,000,000 was for the 1937 fiscal year only, but the Act was extended one year with a further appropriation of \$1,500,000. Under this Act, the provinces signed Dominion-Provincial Youth Training Agreements to provide programmes whereby unemployed young persons could quickly be trained in semi-skilled occupations.<sup>13</sup>

When the Unemployment and Agricultural Assistance Act was reviewed in 1939, the federal government removed the youth training provisions to a separate piece

of legislation, the Youth Training Act. Minister of labour N. McL. Rogers explained that :

"The purpose of this bill is to assure the continuance of the dominion-provincial youth training program ... It is now intended to place this training program on a statutory basis and to provide for its continuance over a period of three years. The annual contribution proposed under the bill is \$1,500,000 during the three year period."<sup>14</sup>

Several training programmes were carried on through federal-provincial agreements under this and other Acts. These several programmes were drawn together under the Vocational Training Co-ordination Act in 1942. Programmes under this Act were continued through the 1950's by renewed agreements with the provinces. In 1960, the Technical and Vocational Training Assistance Act was introduced to provide for more direct federal initiative and a larger federal share in the financing of some programmes.

One of the programmes under the Vocational Training Co-ordination Act of 1942 was the re-establishment training agreement for the provision of training and maintenance allowances to war veterans. This agreement became a part of the Veterans Rehabilitation Act, under which the federal government not only paid allowances and tuition fees but also made a supplementary grant on behalf of each veteran student to the universities. The close association of the universities and federal government, developed through this arrangement, was a major factor leading to the direct federal grants to universities from 1951 to 1966.

The re-establishment training agreement was initially to provide vocational training for veterans "likely to fit him for employment or re-employment or to enable him to obtain better or more suitable employment."<sup>15</sup> The interpretation of eligible vocational training was extended to include university courses. When the university presidents sought a federal grant of \$150 per veteran student in addition to his tuition fees, they argued that the Vocational Training Co-ordination Act "provided the authority whereby grants could be made by the Dominion Government through the Provincial Governments for the assistance of the universities in providing the necessary additional accommodation, equipment, and instruction for ex-service men and women."<sup>16</sup> By the time the supplementary grants were to be paid, the programme had been put under the Veterans Rehabilitation Act. It was, nonetheless, the Vocational Training Co-ordination Act and its antecedents that legislatively had led the federal government to this position.

The veterans programme, and particularly the supplementary grants paid directly to the universities, was of brief importance. The supplementary grants dwindled to an end in 1951, but by 1949 the universities had foreseen the early return to the inadequate and uncertain financial conditions of the 1930's. The National Conference of Canadian Universities directed its finance committee to meet with Prime Minister Louis St. Laurent. The committee's brief argued that continued federal assistance to the universities was justified on the basis of the professional manpower required in the national interest.<sup>17</sup> Essentially, the same brief was presented to the Royal (Massey) Commission on National Development in the Arts, Letters and Sciences which had just been appointed.

Two more NCCU briefs were presented to the Prime Minister in 1950. In 1951, a publicity campaign was launched to send university spokesmen across the country explaining the universities' serious financial condition, to prepare the public for the favourable recommendations that were expected from the Massey Commission in mid-1951.<sup>18</sup> Among other proposals, the Commission recommended a federal grant to the universities on the basis of each province's population. The federal government responded within three weeks with the announcement of such a grant at fifty cents per capita, providing a total of \$7,100,000.<sup>19</sup>

Quebec universities were pressed by Premier Maurice Duplessis to reject the grants. Although they did accept these for one year, 1951-52, it was not until after Duplessis' death in 1960 that the accumulated federal grants were paid to Quebec — and then only into the provincial treasury. The grants were continued at fifty cents per capita until 1955-56, raised to one dollar in 1956-57 following a nationwide campaign, and increased again to \$1.50 by Diefenbaker's Conservative government in 1958-59. A few months after Duplessis died, Quebec was provided with a corporate tax abatement option that returned the equivalent of \$1.50 per capita to the province.<sup>20</sup>

The next increase, from \$1.50 to \$2.00, came in 1962 following another publicity campaign. The final increase, to \$5.00 in 1966, followed the recommendations on the Bladen Commission on the Financing of Higher Education in Canada.<sup>21</sup> Although the commission, which was appointed by the Association of Universities and Colleges of Canada, proposed an annual increase of \$1 in the years following 1966, Prime Minister Lester Pearson announced the end of the per capita grants programme in October, 1966. The Technical and Vocational Training Assistance Act was also terminated at that time with almost all federal funding of post-secondary education now being brought under the Federal-Provincial Fiscal Arrangements Act.

It should be noted that, throughout the sixty-year period of federal involvement in the fields of technical and higher education, the compelling arguments in favour of continued federal participation have not been the constitutional ones. The rationale for the continuing federal presence has not centred on the interpretation of the constitution in matters affecting education but rather on the federal government's undisputed responsibility and concern for manpower policies and economic development. Once the initial agreement was reached between the federal government and the governments of the provinces in 1910 on the appointment of the Royal Commission on Industrial Training and Technical Education, there was little subsequent debate in the House of Commons about the constitutionality of subsequent federal programmes for either technical or higher education. Perhaps there is a lesson in this for those currently engaged in reviewing the continued involvements of the federal government in these areas of education.

## Notes

1. Statement by Prime Minister Lester Pearson concerning the Federal-Provincial Fiscal-Arrangements Act (1967) at the opening of the Federal-Provincial Conference, October 24, 1966.
2. For detailed account of this debate and its consequences, see Robert M. Stamp, "Technical Education, the National Policy, and Federal-Provincial Relations in Canadian Education, 1899-1919," *Canadian Historical Review*, Vol. LII, No. 4 (December 1971), 404-423.
3. Canada, House of Commons, *Debates*, 1909, 1023.
4. Canada, House of Commons, *Debates*, 1912, 2851.
5. Canada, House of Commons, *Debates*, 1913, 2148.
6. *Ibid.*
7. J.A. Maxwell, *Federal Subsidies to the Provincial Governments in Canada* (Cambridge, Mass. : Harvard University Press, 1937) 200-201.
8. J.C. Miller, *National Government and Education in Federated Democracies: Dominion of Canada* (Philadelphia : privately published, 1940), 313.
9. *Statutes of Canada*, 9-10 George V, C. 73, s. 2 (1919).
10. J.A. Maxwell, *op. cit.*, 210.
11. *Statutes of Canada*, 21-22 George V, C. 59 (1931).
12. J.C. Miller, *op. cit.*, 322.
13. *Statutes of Canada*, I George VI, C. 44 (1937).
14. Canada, House of Commons, *Debates*, 1939, 3309.
15. *Veterans Rehabilitation Act*, Consolidation, 1959, 2.
16. "Minutes of the Meeting of the Executive Committee, November 27th 1944", *Proceedings of the National Conference of Canadian Universities*, 1945, 39.
17. "The Financial Problems of Canadian Universities", Finance Committee, National Conference of Canadian Universities, March 1st, 1949, (mimeograph).
18. *Proceedings of the National Conference of Canadian Universities*, 1949 and 1950.
19. *Report of the Royal Commission on National Development in the Arts, Letters and Sciences*, (Ottawa : King's Printer, 1951) 355.
20. Canada, House of Commons, *Debates*, 1960, 2223.
21. *Report of the Commission on the Financing of Higher Education in Canada* (Ottawa : Association of Universities and Colleges of Canada, 1965) 68.