

**CONTINUITY, RETRENCHMENT AND RENEWAL:  
THE POLITICS OF GOVERNMENT-UNIVERSITY RELATIONS IN ONTARIO,  
1985-2002**

by

David Wayne Trick

A thesis submitted in conformity with the requirements  
for the degree of Doctor of Philosophy  
Graduate Department of Political Science  
University of Toronto

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## **ABSTRACT**

### **Continuity, Retrenchment and Renewal:**

### **The Politics of Government-University Relations in Ontario, 1985-2002**

Doctor of Philosophy, 2005

David Wayne Trick

Graduate Department of Political Science

University of Toronto

This thesis examines how ideas and institutions shaped the Ontario government's relationship with the province's universities between 1985 and 2002. Using documentary research and elite interviews, the thesis shows how the relationship was dominated by two government commitments from the postwar era – ensuring access to university for every qualified student and maintaining equality among the universities – commitments that governments from all three political parties in the late 1980s and 1990s accepted, even as they attempted to revise or add to them. Applying the concepts of paradigm shifting (Hall), bounded innovation (Weir) and institutional layering (Thelen), the thesis shows how this dominant paradigm was embedded in institutions established in the 1950s and 1960s, placing boundaries on the range of available policy options and protecting universities from externally-imposed restructuring during a period of fiscal restraint.

Significant policy changes are shown to be consistent with the existence of a dominant paradigm. The Ontario government adopted new research policies by layering them on top of the paradigm in response to pressures from the federal government, which felt no responsibility for the paradigm and had the support of the fragment of the university system with resource-intensive research missions. Tuition and student aid were changed through a series of incremental adjustments, all justified within the paradigm, but eventually provoking debate over whether the paradigm was changing from a public model to a student-financed model. Government decisions to expand selected programs for economic reasons

and to permit the opening of private universities show that, within the paradigm, opportunities existed for actors from outside the policy network to attract political attention and win support.

The thesis reviews four institutionally-based models of policy continuity and change (by Hall; Baumgartner and Jones; Pierson; and Coleman, Skogstad, and Atkinson) and assesses the merits of each in explaining the observations in this case. It argues for a synthesis of these models and suggests its potential for explaining how commitments made during the development of the Canadian welfare state fared during a period of fiscal retrenchment and economic globalization. The resilience of the dominant paradigm suggests the future possibility of achieving gains in access for students who are disadvantaged, renewing financial accessibility programs, and integrating educational quality goals into the paradigm.

## ACKNOWLEDGMENTS

Being a doctoral candidate has been the best twenty-seven years of my life. I began my doctoral studies in 1978 and, after a long detour, began work on this thesis in 2002. I have many debts to acknowledge.

My parents, Dr. Gordon S. Trick and Ella G. Trick, have given our family a love of learning that has sustained us throughout our lives. They have earned the satisfaction of seeing four children attend a total of eleven postsecondary institutions – so far – with a new generation following closely behind.

Ronald Manzer, Carolyn Hughes Tuohy and David A. Wolfe, all of the University of Toronto, and David M. Cameron of Dalhousie University read the thesis in its entirety and provided much sound advice. For each of them to agree to serve on my thesis committee in the midst of their many other duties is further evidence, should any be required, of the longstanding devotion each has shown to scholarship and to public higher education.

Liang-Hsuan Chen, Daniel W. Lang, B. James Mackay, Diana M. Royce, and Helmut Zisser – valued colleagues all – each read chapters and provided important advice on matters of substance and method.

Numerous colleagues opened their file cabinets to uncover long-forgotten documents on my behalf. Ian D. Clark generously made available relevant files from the archives of the Council of Ontario Universities without restriction, as well as providing perceptive advice and encouragement based on his own experience as an outstanding public servant and scholar. J. Stefan Dupré, as the founding chair of the Ontario Council on University Affairs, established the practice of publishing the council's advice to government and governments' responses, creating an invaluable resource for researchers. The remarkable collections of the University of Toronto Libraries have also been essential to this work.

Michael L. Gourley, David L. Lindsay, Kevin G. Lynch, Lorna R. Marsden, Timothy McTiernan, Bonnie M. Patterson and J. Robert S. Prichard generously made themselves available to be interviewed. I have also benefited from many thoughtful conversations with Robert D. Christie, Sean G. Conway, Kevin Costante, Dianne Cunningham, Sheldon Levy, and past and present colleagues from the Ministry of Training,

Colleges and Universities.

The initial stage of my doctoral studies was supported by the Ontario Graduate Scholarships program. Robert A. Gordon and Alastair J. S. Summerlee approved a leave which permitted me to begin preparation of the final manuscript.

David M. Rayside provided much encouragement at the beginning of my doctoral studies and, as associate chair and graduate director of the Department of Political Science, guided me through the process of completing the degree.

Many friends and colleagues provided support and advice at critical moments. I especially thank Donna Duncan, Sheila Embleton, Kismet Goodbaum, Catherine Henderson, Maureen Mancuso, Ashley McCall, Peter Neary, Karen Sadlier-Brown, Peter Sadlier-Brown, Audrey Young, David Young, Robert Young and Elka M. Gesink Walsh.

My greatest debt in this project is to Stephen Clarkson – thesis supervisor, mentor, friend, devoted teacher, and prolific and path-breaking researcher and author. Stephen's career is a model of how a scholar can be engaged in the public life of his country. Over the past three years, his patient prodding and support have assisted me in transforming an accumulation of thoughts and opinions into a more coherent whole. Stephen's confidence that I could bring this project to a worthwhile conclusion was shared by Christina McCall, who was the warmest and most perspicacious of friends. Separately and together, for four decades, Stephen and Christina have demonstrated the value of careful research and lively writing about Canadian politics to hundreds of thousands of readers, of whom I am one. I have thanked Christina, however inadequately, and I thank Stephen now.

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## **PART ONE: INTRODUCTION**

### **1 OVERVIEW AND METHODOLOGY**

This thesis examines how ideas and institutions shaped the Ontario government's relationship with universities between 1985 and 2002. It argues that throughout this period, the agenda for the government-university relationship was dominated by government commitments to ensuring access to university for every qualified student and equality among the universities – commitments from the postwar era that governments from all three political parties in the late 1980s and 1990s accepted, even as they attempted to revise or add to them. As such, the thesis provides a study of how promises made during the development of the Canadian welfare state fared during a period of fiscal retrenchment and economic globalization.

During the 1980s and 1990s, the public policy process in Ontario was subjected to major political and economic change. The election of a Liberal government in 1985 – following back-to-back recessions and a slow economic recovery – created an opportunity to challenge policy assumptions that had developed during the Progressive Conservatives' forty-three years of continuous rule. The combined effects of the decline of the Keynesian state, trade liberalization, the end of the Cold War and globalization placed unprecedented pressures on the province's manufacturing and resource industries. In 1990 the province began its severest economic downturn since the 1930s, coinciding with the election of a New Democratic Party government with social democratic leanings and strong labour support. In 1995 the NDP was in turn replaced by a Progressive Conservative party government committed to a balanced budget and what was widely perceived as a neoconservative agenda.

It is commonly argued that government policy towards universities changed significantly during this period, yet the direction of the change is not easily summarized. Governments seeking to balance budgets launched repeated campaigns to restrain public spending, but when faced with the prospect of a greater number of students applying to attend university, they responded by providing funds to expand the university system and maintain its underlying structure. Governments talked about the need for greater efficiency

in university operations, yet they accepted the political consequences of higher tuition fees rather than overseeing major reductions in universities' total operating funding per student. Governments and universities quietly overlooked the deterioration of university buildings, but they joined together in the late 1990s to celebrate the largest wave of capital construction in a quarter-century. Universities argued that public financial support was inadequate to maintain the quality of their programs, yet a majority of Ontarians told pollsters that universities were doing a good job. Governments made intermittent efforts to expand programs in fields deemed economically important, yet the liberal arts consistently accounted for about half of undergraduate enrolments. The share of young adults attending university continued to climb, even as accelerating tuition fees, restrictions on student aid and expanded student debt threatened accessibility for low-income and debt-averse students. Government funding of universities was sharply reduced twice during the period, yet governments found hundreds of millions of additional public dollars for new programs to support university research.

Political science in Canada has paid relatively little attention to postsecondary education policy in general, and to the case of Ontario in particular. The few efforts to interpret government-university relations in Ontario in the late twentieth century have come from authors trained in a number of disciplines, including education, political science, history, sociology and law. Typically, these interpretations have focussed on one facet of the relationship and so do not provide a basis for conclusions about the relationship as a whole. The evidence available to these authors has varied widely: some have relied heavily on media accounts of government actions, some have made extensive use of publications by governments and non-governmental organizations, and a few accounts have been written by protagonists in the events described who have drawn on their direct experience. Little attention has been given to the process by which government decisions were reached – for example, the nature of the institutions that mediated decision-making, the interaction between actors outside of government and those within government, the effect of changes in government party, or the contribution of new policy ideas.

I want to examine how policy changed during this period, and to situate this



examination within the theoretical literature on how public policy changes – or does not change – over time. The phenomenon of long periods of policy continuity punctuated by short periods of rapid change has been widely observed, and political scientists have advanced several models to explain this pattern. Proponents of each model have shown its value in explaining certain cases, yet there has been little conscious dialogue among the proponents. I want to determine which model, or models, is best able to account for the evolution of government-university relations in Ontario and, by doing so, contribute to establishing a dialogue among theories whose development has proceeded largely independently.

### **The argument in brief**

In the following chapters I weave together two arguments, one theoretical and the other empirical.

The theoretical argument is that no single model of policy continuity and change is adequate to explain the range of observations in this case, in large measure because each model examined here is implicitly or explicitly designed to address only certain types of policy phenomena. Peter A. Hall's model of paradigm shifts<sup>1</sup> has the greatest potential to explain the continuing strength of policy commitments made decades ago, and it is also useful in understanding the rise of a new set of commitments that arose in this period relating to university research policy. But Hall's concept of a paradigm is too large to embrace many of the mid-level policy changes that we will observe, and so I turn to three other approaches to explain these changes. Frank R. Baumgartner and Bryan D. Jones' punctuated equilibrium model<sup>2</sup> provides an important account of how new political actors from outside an established policy network can overturn long-standing policies, and William Coleman, Grace Skogstad and Michael Atkinson provide an equally important explanation of how significant policy change can arise from within a closed policy network.<sup>3</sup> Lastly, I think that Paul

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<sup>1</sup>Hall (1993).

<sup>2</sup>Baumgartner and Jones (1993).

<sup>3</sup>Coleman, Skogstad and Atkinson (1997).

Pierson is correct to argue that governments that adopt retrenchment goals behave differently from other governments – developing policies without the contributions of external actors or established policy networks, and introducing change in a way that deliberately avoids the appearance of a paradigm shift.<sup>4</sup>

I propose a synthesis of these four models that recognizes the complementarity of their intended applications and that, I will argue, can satisfactorily account for the phenomena we will observe. Such a synthesis is useful in clarifying arguments about the magnitude of policy change, the importance of new ideas in underpinning new policies, the respective roles of new political actors and long-standing participants in a policy network, and the distinctive features of retrenchment that distinguished Canadian politics in the 1990s from politics in the 1950s and 1960s.

My empirical argument is that, in spite of the political, economic and fiscal pressures of the late 1980s and 1990s, most elements of government policy towards universities saw little change during this period. Governments expanded the size of the system to meet the number of students applying to it (a number which grew in some parts of the period and was static in others); governments changed their funding and tuition policies so that total operating funding per student was roughly constant throughout the period, with two temporary dips in the mid-1990s; governments provided capital funding to expand the system when anticipated student demand so required; and, with occasional exceptions, governments respected the autonomy of each university to manage its internal affairs and the prerogative of each university to set its own mission in a competitive environment. (I will shortly turn to the areas of greatest policy change during the period under study – university research, tuition, student aid, and some aspects of system planning.)

This continuity took place in an environment filled with pressures for change. Economically, the province faced pressure to improve productivity in both the private and public sectors in order to maintain living standards in the face of international competition, and governments looked to universities and other publicly-supported institutions to contribute to this improvement. Fiscally, governments sought ways to restrain expenditure

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<sup>4</sup>Pierson (1994) .

growth in publicly-supported institutions in order to curb public sector deficits and – in the late 1990s – reverse the tax increases of the late 1980s and early 1990s. Politically, each of the three governments elected during this period was suspicious of university autonomy and attempted to introduce measures to make universities more responsive to the government's perception of the public interest.

I argue that this policy continuity can best be explained by examining the way that institutions in the government-universities relationship have shaped policy-making over time. I start by arguing that Ontario's university policy is founded on a policy paradigm – that is, an interpretive framework of ideas that defines the nature of policy problems, the goals of policy, and the kind of instruments that can be used to attain them – that was established as an articulation of the post-war welfare state and that continued throughout the period under study to set boundaries on the range of public policies that governments could consider. In brief, this paradigm – which I will call the Access and Equality Paradigm – stipulates that governments should provide access to every qualified student who wishes to attend university, and that government policy should provide every university with the means to offer programs of reasonably equal quality. The paradigm was reflected in the public statements and actions of political actors, and it was embedded in the institutions – that is, the formal rules and procedures that structured the relationship between university administrators and political and bureaucratic actors – that were established in the 1950s and 1960s and that continued to dominate the development of university policy-making during the period under study. These institutions included university statutes that proclaimed the formal equality of each university, and an operating grants formula that distributed funding to universities in a way that promoted access and equality. They also included a policy network – that is, the set of actors with a direct or indirect interest in university policy who attempted to influence it – dominated by a ministry which, from its inception, lacked the capacity to challenge universities on issues related to their internal governance and administration, and by an association representing university administrations whose policy capacity was bounded by its consensus-based decision-making rules. These provincial institutions functioned within a federal-provincial framework in which, after 1967, the federal government's role was to provide transfer payments to provinces in support of

university operating grants, to fund research granting councils that provided direct peer-reviewed grants to university researchers, and to operate a student loan program that was broadly harmonized with a provincial system of student loans and grants.

The pressure on the provincial government to restrain public spending and increase efficiency in publicly-supported institutions in the 1980s and 1990s caused government-university relations to move higher on the agendas of political actors. Governments led by each of the three parties intermittently made efforts to increase universities' accountability to government and to establish differences in universities' roles – in particular, to recognize that some universities should be more active in research than others. Elected actors from all three governments placed these objectives on the government agenda, with strong support from central agencies. Yet these efforts bore little fruit. The ministry responsible for managing the government-university relationship had limited expertise on issues relating to efficient university administration that fell outside of the Access and Equality Paradigm, and the ministry's efforts were complicated by regular changes in minister and by the elections of new governments. Governments' decisions from time to time to appoint special-purpose advisory bodies did little to strengthen state capacity to engage with universities about their accountability or their self-assigned missions.

Throughout the period under study, the policy network that oversaw most – though not all – university policy issues was composed of the ministry<sup>5</sup> and the representative body of the university administrations, the Council of Ontario Universities (COU), with the close participation of an advisory body, the Ontario Council on University Affairs (OCUA), until its abolition in 1996. This network might have provided fertile ground for the development of new policies that would respond to changing economic and fiscal circumstances. Yet in practice the network served to reinforce the dominant paradigm. The most productive moments in the relationship among network actors came when students' access to a university education seemed in peril: on these occasions, the ministry and COU were able to

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<sup>5</sup>The ministry responsible for universities has gone by a variety of names since being founded as the Department of University Affairs in 1964. For simplicity, I will normally call it “the ministry responsible for universities” or “the ministry,” unless there is risk of confusion with another ministry or the context requires a more formal name.

develop timely and effective measures to preserve accessibility in response to growing demands. The relative exclusion from the policy network of other stakeholders – notably student organizations (except on issues relating to student aid and tuition), faculty organizations and alumni organizations – simplified the development of policies that reinforced the dominant paradigm, but it also excluded voices that might have helped develop alternative policies.

Developments in the four areas of greatest policy change during the period under study – university research, tuition, student aid, and some aspects of system planning – support my argument that government-university relations in Ontario revolve around a dominant paradigm that was reinforced by long-standing institutions. In the case of research policy, the Ontario government in the late 1990s moved towards a funding strategy that allocated disproportionate amounts of funding to universities that were deemed to have exceptional research strengths. It did so because of pressures from the federal government – which felt no responsibility for the Access and Equality Paradigm, and which itself was under pressure from a small group of universities who were prepared to put their consensus-based association at risk in order to achieve higher research funding. In the name of greater economic competitiveness, Ottawa reduced transfer funding to provinces for postsecondary education in the mid-1990s and established new funding for universities with strong research programs, contingent on those universities finding matching funds from their provincial governments or other sources. Operating outside Ontario's established paradigm, the federal government was able to achieve what provincial governments had attempted in several ways without success: to recognize that universities were unequal in their capacities to undertake research and to fund universities in proportion to these inequalities. The federal requirement that universities find matching funds – which, given the large sums involved, they realistically could only obtain from the provincial government – created the conditions in which Ontario could break with the dominant paradigm and follow Ottawa's lead. In doing so, the federal government in effect imposed a new paradigm that was layered on top of the established Access and Equality Paradigm and that found its own institutional home in the provincial ministry responsible for economic development and in arm's-length provincial agencies.

Two other areas of policy change – tuition and student aid – can each be explained as a series of incremental adjustments in existing policy instruments, all justified within the dominant paradigm, but having the effect over time of provoking debate over whether the paradigm was being subverted. Caught in a squeeze between central agencies seeking to reduce expenditures and university administrations seeking to maintain and increase total funding per student, political actors agreed each year to permit higher tuition fees. These incremental decisions were supplemented by a decision to transfer to university boards the power to set fees in certain programs – a significant change from policies established in the 1960s. Aided by university administrations, political actors defended their decisions as being consistent with the Access and Equality Paradigm, arguing that, while students were paying more, participation rates in postsecondary education continued to increase. Meanwhile, governments took steps beginning in 1993 to protect themselves from the rising costs of student assistance through a series of measures to limit program eligibility and raise the proportion of assistance provided as loans rather than grants. Unlike any of the other policy changes during the period of this study, these changes to student aid were not proposed or supported by any external group and can only be explained by looking at the unique set of incentives and opportunities that governments experience during periods of retrenchment. By 2002, the cumulative effects of these measures raised important questions about whether governments had – deliberately or otherwise – significantly revised the promise of financial accessibility that is a key element of the Access and Equality Paradigm.

The final area in which major policy change can be seen is the decisions of the Progressive Conservative government to expand selected programs for economic reasons and to permit the establishment of private universities. I will argue that this area shows most clearly the ability of actors from outside the policy network to attract political attention and to win support for their goals. Their success demonstrates the importance of making room in our analysis for mid-level policy change – change that is neither a paradigm shift nor a minor program adjustment, but that occupies an important middle ground where elected actors choose to listen to certain representations from outside the normal policy network and to set new policies accordingly. In the case we will examine, the effect of partisan change in government is seen most clearly in these mid-level policies: interest groups that were ignored

by one government were listened to by another, and the latter decided to act on the groups' advice in a way that minimized opposition from established participants in the policy network.

The conclusion will return to the theoretical issue of how to assess the explanatory power of different theories of policy continuity and change. I argue for the merits of the proposed synthesis and suggest its potential for explaining a broad range of cases of interest. I also offer some reflections on how the dominant policy paradigm changed during the period of this study and on its status as of 2002.

### **Organization and methodology**

To explore these issues, Chapter 2 sets out four theories of policy change and continuity and proposes how they might be synthesized. Chapter 3 takes note of some themes and questions that arise in the emerging literature on government-university relations in Ontario in the 1980s and 1990s. Chapters 4 through 8 use the theoretical synthesis as a framework for examining eight key policy areas in government-university relations. Chapter 4 shows how policies in these areas are rooted in a paradigm established in the 1950s and 1960s that was based on the ideas of access and equality and was embedded in institutions that continued to shape policy formation throughout the period 1985 to 2002. Chapter 5 looks at total enrolments in the university system, operating funding per student (including the effects of the operating grants formula), and capital funding; chapter 6, system planning (including degree-granting) and accountability; chapter 7, tuition and student aid; and chapter 8, university research.

For each of these policy areas, I examine the available record to answer empirical questions such as: What policy paradigm was in place as of 1985? How was this paradigm expressed in institutions such as laws and regulations, bureaucratic agencies, policy development and consultation processes, or other recognized "rules of the game"? Who were the established actors in the policy network prior to 1985, and what new actors became influential during the period to 2002? What did governments say were their policy goals during this period, did they carry out measures to implement these goals, and is there evidence that these measures had the intended effect? What did university administrations and other actors say were their policy goals, what actions did they take to achieve the goals,

and with what success? What policies did not change, and how did institutions or actors function to preserve these policies? What influence can be attributed to exogenous factors such as public opinion, economic change or actions by other levels of government?

At the conclusion of each chapter I return to my interest in assessing available theories of policy continuity and change. I consider alternative ways of accounting for the evidence presented in the chapter and test whether the synthesis proposed in chapter 2 is the best approach to explaining the data.

### **An historical institutionalist approach**

The theories of policy continuity and change that we will consider all fall within the historical institutionalist tradition.<sup>6</sup> Several aspects of historical institutionalism have been influential in the research design.

The dominant characteristics of historical institutionalist research are its *focus on meso-level politics* – that is, on the zone between broad social forces and individual political choices – and its interest in showing *how political struggles are shaped over time*. Typically “institution” is defined broadly. For example, Peter A. Hall defines institutions as the formal rules, compliance procedures, and standard operating practices that structure the relationship between individuals in various units of the polity and economy. As such, they have a more formal status than cultural norms but one that does not necessarily derive from legal, as opposed to conventional, standing. Throughout the emphasis is on the relational character of institutions; that is to say, on the way in which they structure the interactions of individuals. In this sense, it is the organizational qualities of institutions that are being emphasized.<sup>7</sup>

The breadth of these interests, encompassing both structure and agency, has made historical institutionalism open to an *eclectic range of research methodologies* and to looking

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<sup>6</sup>I use the word “tradition” because of the methodological diversity within historical institutionalism. For perspectives on whether historical institutionalism is a distinctive school, see Katznelson (1998), Pierson and Skocpol (2002), and Immergut (1998).

<sup>7</sup>Hall (1986), 19.



at the combined effects of distinct phenomena. Ira Katznelson has argued that this breadth makes historical institutionalism especially valuable in analyzing the development of public policy: it allows the researcher to consider the potential importance of individuals, institutions, social contexts and the passage of time.<sup>8</sup> The role of institutions is of central importance, but not to the exclusion of other factors:

[I]nstitutions constrain and refract politics but they are never the sole ‘cause’ of outcomes. Institutional analyses do not deny the broad political forces that animate various theories of politics: class structure in Marxism, group dynamics in pluralism. Instead, they point to the way that institutions structure these battles and, in so doing, influence their outcomes.<sup>9</sup>

By looking at patterns over time – rather than just one-time institutional outputs – the historical institutionalist approach is more likely to spot policy outcomes that are not stable equilibria, outcomes that are affected by unique interactions among institutions, and institutions whose importance may grow or decline over time.<sup>10</sup> These phenomena are well suited to my interest in explaining policy continuity and change.

### **Why study government-university relations?**

Since the Second World War, making arrangements for the provision of university education has become a core function of the modern state. Determining the proportion of the population that should proceed to university education, the boundaries of university education versus other forms of adult instruction, the public obligation for supporting students within the welfare state, and the financial and governance arrangements that best enable public expectations to be met are key decisions in any jurisdiction. With the evolution of a highly industrialized and global economy, these decisions have become closely linked to broader government strategies for economic development and social welfare.

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<sup>8</sup>Katznelson (1998), 196.

<sup>9</sup>Thelen, Steinmo and Longstreth (1992), 3.

<sup>10</sup>Pierson and Skocpol (2002), 706; Thelen (1999), 397.

In the case of Ontario, by the late 1990s, one-quarter of young people were proceeding to university after completing high school. Postsecondary education was the Ontario government's fifth-largest expenditure program (after health, elementary and secondary education, interest on the public debt, and social services). Within the field of postsecondary education, spending on universities was about two-and-one-half times greater than spending on colleges.

Despite the importance of government policy towards universities, government-university relations are relatively unexplored. Political scientists have written extensively about – and offer many courses on – public policy in the areas of finance, health care, social welfare, the environment, international relations and defence. To date political scientists have paid relatively little attention to education in general, and to higher education in particular. Applying the concepts and methods of political science to government-university relations contributes to filling this void in the literature.

### **Scope of policies to be analyzed**

I propose to analyze eight key policy areas over the course of the period. A review of the literature on government-university relations suggests that these eight areas represent substantially all of the important areas included in this relationship. Glen A. Jones' review of the government-university relationship includes the issues of institutional autonomy, system coordination (including the rationing of degree-granting, the level of competition and differentiation that is permitted, and the determination of each university's role), and funding.<sup>11</sup> In organizing their review of issues in U.S. higher education, Robert O. Berdahl, Philip G. Altbach and Patricia J. Gumpert note the role of government in establishing norms for university autonomy and accountability, providing student aid and support for research, providing operating funds, setting rules for affirmative action (often through the courts), aligning universities with a nation's economic and military ambitions, and ensuring that the public need for education in certain professions and occupations is met.<sup>12</sup>

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<sup>11</sup>Jones (1991b), 75-90.

<sup>12</sup>Berdahl, Altbach and Gumpert (1999), 2-5.

The eight policy areas I have adopted comprehend all of these areas with the exception of the relationship between universities and military policy (which is not a provincial government area of activity) and affirmative action policy (although this issue arises tangentially in the discussion of university autonomy). I treat capital funding as a policy area distinct from operating funding because of the distinctive processes involved in its allocation and distribution.

### **Time period**

The time period 1985 to 2002 was chosen because, during these seventeen years, Ontario saw the election of three new governments – headed by Premiers David R. Peterson (1985-90), Bob Rae (1990-95), and Michael D. Harris (1995-2002) and experienced its greatest fiscal and economic distress since the 1930s. One would therefore expect to see during this period the greatest political strain on the postwar policy consensus on university education and the greatest incentive to re-examine existing institutional arrangements and policy ideas.

Issues are followed to the year 2002, the last full year of the Progressive Conservative government. The time period associated with each party is approximately the same. As a prologue to the narrative description of the late 1980s and 1990s, each chapter begins with a review of the development of relevant policies during the postwar period under Premiers Leslie M. Frost (1951-61), John P. Robarts (1961-71) and William G. Davis (1971-85).

### **Sources of information**

This analysis is based primarily on a detailed review of available documents written by major actors in the government-university policy network during this period. These documents include reports, presentations, policy papers and memoranda that were released for public distribution or were widely circulated among the university community. This information is supplemented with financial and enrolment data, journalistic accounts, and secondary literature.

I use public opinion poll results where there is evidence the results were available to actors in the policy network. My purpose in citing these polls is not to provide a study of public opinion, but to suggest how actors' understanding of public opinion shaped their behaviour.

Interviews with direct participants were conducted to fill gaps where no published material is available. Interviews were compared with each other or with other sources to confirm reliability. Interviews were conducted on a not-for-attribution basis, but the names of interviewees appear in the bibliography.

The author was a direct participant in some of the events described.<sup>13</sup> To minimize errors of memory, every effort has been made to verify facts using contemporary documents or interviews with direct participants. All public servants in Ontario take a lifetime oath not to disclose information that comes to their knowledge by reason of being a civil servant, except as legally authorized or required. While this oath bars the disclosure of information from certain documents and discussions, I believe that the descriptions in the following chapters provide a fair and accurate account of events and that the available information is sufficient to justify the conclusions of this thesis.

### **The value of studying a single case**

My focus on a single policy field in a single jurisdiction raises the question of whether the study of a single case can reach conclusions of value. Dietrich Rueschemeyer has argued that tracing the historical progress of a single case always involves making comparisons, and that these can be as rigorous as multi-case or cross-jurisdictional comparisons:

Single historical cases... can do more than generate theoretical ideas. They can test theoretical propositions as well, and they can offer persuasive causal explanations. Skepticism about this claim rests ultimately on the mistaken identification of a single case with a single observation. Good historical analysis that is analytically oriented goes through frequent iterations of confronting explanatory propositions with many data points.... It gains its

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<sup>13</sup>The author served in the Ontario public service as a Ministry of Finance staff liaison with the Premier's Council from 1987 to 1989, as director of demographic and social economic policy in the Ministry of Finance from 1989 to 1991, as assistant deputy minister of finance with responsibility for the provincial budget from 1992 to 1996, and as assistant deputy minister of postsecondary education in the Ministry of Training, Colleges and Universities from 1996 to 2001. I was subsequently the first chief executive officer of a joint venture between the University of Guelph and Humber College.

credibility precisely from the fit between theoretical ideas and their complex implications, on the one hand, and the best empirical evidence, on the other. In this confrontation of theoretical claims with empirical evidence, analytical history enjoys two significant advantages compared to all but the most exceptional quantitative research: it permits a much more direct and frequently repeated interplay between theoretical development and data, and it allows for a closer matching of conceptual intent and empirical evidence.<sup>14</sup>

The argument that single case studies have value because of the comparisons embedded within them is also made by Donald T. Campbell, David Collier and John Gerring.<sup>15</sup>

Collier suggests that renewed interest in case studies may reflect “deep skepticism in some circles about the validity of broad comparison.”<sup>16</sup> This skepticism is not confined to historical institutionalists, but historical institutionalists have been prominent in questioning whether the search for broadly applicable theories of how politics works is a viable aspiration for political science.<sup>17</sup> I do not enter into this debate here, except to note the ongoing challenge faced by historical institutionalists of developing models of causation that can be applied across jurisdictions while at the same time giving fair consideration to agency and to important contextual factors.

### **Contribution of this thesis to the literature**

The theoretical contribution of this thesis is to propose a synthesis that takes advantage of the complementary strengths of four theories of policy continuity and change. This synthesis is tested against a policy area over a seventeen-year period. The thesis demonstrates that the proposed synthesis is better able to explain the pattern of policy continuity and change than would any of the individual theories.

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<sup>14</sup>Rueschemeyer (2003), 318; see also Rueschemeyer et al. (1992), 32-33.

<sup>15</sup>Campbell (1975), Collier (1993) and Gerring (2004).

<sup>16</sup>Collier (1993), 116.

<sup>17</sup>See Pierson (2000), Orren and Skowronek (2002), Ashford (1991), Immergut (1998), Büthe (2002) and Hall (2003).

The empirical contribution of the thesis is to construct the policy history of government-university relations in Ontario through the lens of the literature on historical institutionalism that has developed over the past two decades. In doing so, the thesis brings the existing historical literature on government-university relations in Ontario<sup>18</sup> up to date and demonstrates how the institutions established in the post-war period shaped policy decisions in the 1980s and 1990s.

The thesis engages in current debates about whether the government-university relationship changed during the period 1985 to 2002 and, if so, what effect this change has had on university policy.<sup>19</sup> The comprehensive and integrated approach taken means that the thesis integrates important work that has examined one or a few parts of university policy<sup>20</sup> or one university.<sup>21</sup>

### **Boundaries of the thesis**

In order to keep the research project to a manageable size, a number of boundaries are set.

The thesis is sensitive to the evolving political-economy context within which the provincial government operated during the late 1980s and 1990s, but does not provide a full description of concurrent provincial activities in other policy areas.

Colleges of applied arts and technology (CAATs) are mentioned only where they are directly relevant to the government-university relationship. A separate thesis of comparable length and substantial interest could be written on government-college relations during this period.

The federal government context is discussed where this is essential to the understanding of government-university relations at the provincial level (e.g. transfer

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<sup>18</sup>Notably McNab (1925), Stewart (1970), Fleming (1971), Harris (1976), Axelrod (1982), and Jones (1991a and 1997).

<sup>19</sup>See Axelrod (2002), Cameron (2002), Prichard (2000), Young (2001), Howlett (2002) and Monahan (2004).

<sup>20</sup>For example, Stenton (1992) and Royce (1998).

<sup>21</sup>Most recently, Friedland (2002).

payments, student support, and research funding). There is no attempt to describe or assess the federal policy development process.

Analysis is provided for the Ontario university system as a whole, but there is no attempt to assess the internal politics of individual universities.

Finally, the thesis does not examine the secondary level of government-university relations that takes place between university faculty members and government departments on a wide range of matters having to do with specific policies or technical concerns.<sup>22</sup>

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<sup>22</sup>Jones (1991b).

## 2 HISTORICAL INSTITUTIONALIST APPROACHES TO EXPLAINING POLICY CONTINUITY AND CHANGE

The purpose of this research is to explain why certain policies remained constant while others changed in a specific policy area during a defined time period. This chapter describes and compares four historical institutionalist approaches to explaining policy continuity and change, arguing that each has significant strengths in addressing certain types of policy continuity and change. I suggest a possible synthesis that incorporates the strengths of each. In subsequent chapters I will test the usefulness of this synthesis in explaining eight policy issues, and in the conclusion I will suggest ways that the usefulness of the synthesis can be strengthened.

The first of the four approaches explains policy change by examining friction between established policy equilibria and new ideas. It is most closely associated with Peter A. Hall's work on paradigm shifts, with important contributions from Margaret Weir, Kathleen Thelen and Robert C. Lieberman.<sup>23</sup> The second approach sees policy change as the result of friction between macro-level political actors and the micro-level actors who manage a policy field on a day-to-day basis; this approach is associated with the punctuated equilibrium model of Frank R. Baumgartner and Bryan D. Jones, building on earlier work by M.D. Cohen, J.G. March and J.P. Olsen and by John Kingdon.<sup>24</sup> The third approach proposes that, in certain types of policy networks, significant policy change can be generated from within the network, without the intervention of macro-level political actors; this approach has been put forward by William D. Coleman, Grace Skogstad and Michael Atkinson.<sup>25</sup> The fourth approach posits that for a specific type of policy outcome – namely, the retrenchment of social programs – change may be driven by the state itself, responding to a specific understanding of the public good, without any contribution from members of the affected policy network, and using strategies designed to minimize opposition from program

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<sup>23</sup>Hall (1993), Weir (1992a and 1992b), Thelen (2003) and Lieberman (2002).

<sup>24</sup>Baumgartner and Jones (1992), Cohen, March and Olsen (1972), Kingdon (1984).

<sup>25</sup>Coleman, Skogstad and Atkinson (1997).



beneficiaries; this approach has been developed by Paul Pierson.<sup>26</sup>

The common thread among these four approaches is that they explain policy change by examining how institutions shape the relationship between state and society. While institutionalism has a long history, the starting point for our purposes is Hall's initial work on how institutions explain important differences in policy outputs in countries facing similar circumstances. Hall reviewed five established bodies of literature on how public policy changes and argued that, by failing to give appropriate consideration to the effect of institutions on the relationship between state and society, each of them falls short of offering an adequate explanation. Hall found that two of these bodies of literature – functionalism and cultural theory – are too coarse, failing to explain why similar states adopt different policies or why a single state may adopt a variety of approaches in different policy areas. Two others – public choice theory and group theories such as pluralism and class analysis – accept the preferences of individuals or groups as given and do not explicitly consider how institutions shape preferences or structure group formation. The fifth body of literature – state-centred theories – gives full consideration to the roles of state institutions and political and bureaucratic actors, but does not explain how social forces or preferences are imported into the state or how state actions in one time period are connected to those of previous periods.<sup>27</sup> As an alternative to these five accounts, Hall proposed an institutional approach to state-society relations, arguing that institutions shape policy outcomes in two ways: they affect how much power an actor has over an outcome, and they shape each actor's definition

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<sup>26</sup>Pierson (1994).

<sup>27</sup>Hall's list is not exhaustive. There is not a standard taxonomy of theories of policy continuity and change in the literature. In addition to the theories cited in this chapter, a volume edited by P.A. Sabatier (1999) identifies several other theoretical frameworks in contemporary policy studies in the United States, including the advocacy coalition framework, the stages heuristic, the policy diffusion model, and the funnel of causality approaches used in large-N comparative studies. Skogstad (1999) notes that Sabatier's list is closely aligned with social, economic and political conditions in the United States and that, to be more comprehensive, one should add feminist, constructivist and political economy approaches to policy studies.

of self-interest.<sup>28</sup>

**Friction between established policy equilibria and new ideas (Hall, Weir, Thelen, Lieberman)**

In subsequent work Hall has developed more fully the theory of how new ideas disrupt established policy equilibria. Here I will set out the core elements of Hall’s model and discuss some qualifications that arise from the work of Weir, Thelen and Lieberman.<sup>29</sup>

Hall begins by distinguishing three orders of change in public policy. The first is a change in “instrument settings” – for example, when central banks raise or lower interest rates based on experience and economic projections. This order of change is incremental and may be driven by technical experts with little influence from politicians or interest groups. The second is a change in the instruments or techniques used to attain goals – for example, when a government establishes new budget processes in order to control expenditure growth. This order of change may be driven by officials or politicians and results from dissatisfaction with existing policy. The third is a change in all three components of policy: the instrument settings, the instruments themselves, and the hierarchy of goals that underlie policy. This order of change is accompanied by changes in the discourse used by policymakers and in their analysis of how the society or the economy works.

The first two orders of change can be considered “normal politics” and need not trigger the third. Hall calls the third order of change a paradigm shift:

[P]olicymakers customarily work within a framework of ideas and standards that specifies not only the goals of policy and the kind of instruments that can be used to attain them, but also the very nature of the problems they are meant to be addressing. Like a *Gestalt*, this framework is embedded in the very terminology through which policymakers communicate about their work, and it is influential precisely because so much of it is taken for granted and unamenable to scrutiny as a whole. I am going to call this interpretive

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<sup>28</sup>Hall (1986), 5-17, 19, 277.

<sup>29</sup>Hall (1993), Weir (1992a and 1992b), Thelen (2003), Lieberman (2002).

framework a policy paradigm.<sup>30</sup>

Hall says that policy paradigms are a sociological analogue to Thomas Kuhn's scientific paradigms,<sup>31</sup> with third-order changes being associated with paradigm shifts. New ideas contribute to the process of paradigm shifting, but ultimately political decisions determine the shift: experts change views on how the economy or society works, there is controversy among competing views, there is *ad hoc* policy experimentation that tries to rehabilitate the old paradigm or to test the new one, and ultimately politicians have to decide which view is authoritative.

As an example, Hall shows that the shift from Keynesianism to monetarism in the U.K. in the late 1970s and 1980s was driven by politicians, not bureaucrats. Monetarism was a coherent alternative to Keynesianism, it embraced many long-standing Conservative prescriptions, it appeared to address issues of public concern, and so Margaret Thatcher adopted it and mobilized a winning electoral coalition. Thus policy change can occur through social learning – that is, learning and adapting by an organization or collectivity – that is driven by politicians and the media, despite the opposition of the bureaucracy.

In constructing a model of policy change based on ideas and institutions, Hall builds on the work of Max Weber, who argued that innovative ideas can shape a new “world image” and so can reshape the struggles among interests.<sup>32</sup> But Hall's perspective on how social learning affects policy contrasts with the Weberian view that social learning happens inside a relatively autonomous state as bureaucrats who possess relevant expertise and policy-making techniques learn from existing policies. The difference suggests that politically-imposed paradigm shifts are more likely when an organization resists, or is incapable of, learning and adapting to what is learned.<sup>33</sup>

Hall's model of policy continuity and change centres on the extent to which ideas and

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<sup>30</sup>Hall (1993), 277-284, quotation at 279.

<sup>31</sup>Kuhn (1962).

<sup>32</sup>Weber (1946), 280.

<sup>33</sup>Hall (1993), 280-287.

institutions reinforce each other. Change is most likely where institutions and ideas are in friction with one another, and politicians are the agents who bring institutions into line with new ideas.

Policy paradigms can be seen as one feature of the overall terms of political discourse. They suggest that the policymaking process can be structured by a particular set of ideas, just as it can be structured by a set of institutions. The two often reinforce each other since the routines of policymaking are usually designed to reflect a particular set of ideas about what can and should be done in a sphere of policy. But the ideas embodied in a policy paradigm have a status somewhat independent of institutions that can be used, as in the case of monetarism, to bolster or induce changes in institutional routines....

[In addition to depending on institutional structures,] the autonomy of the state in a given field of policy may also depend on whether there is a coherent policy paradigm present there. Policy makers are likely to be in a stronger position to resist pressure from societal interests when they are armed with a coherent policy paradigm.<sup>34</sup>

Hall does not claim that ideas are the only source of policy change or that all policies are founded on a well-understood paradigm.

Only in some cases, then, will it be appropriate to speak of a fully elaborated policy paradigm. In others, the web of ideas affecting the direction of policy will be looser and subject to more frequent variations. Even here, however, we should not discount altogether the impact that an overarching set of ideas can have on policy.<sup>35</sup>

Douglas Ashford provides an explanation similar to Hall's of how ideas can set boundaries on public policy. He says "[p]olicies are expressions of intent, most often expressions based on certain assumptions about either the restoration of a particular state of

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<sup>34</sup>Hall (1993), 290.

<sup>35</sup>Hall (1993), 291.

affairs or the achievement of a new state of affairs.”<sup>36</sup> For example, if an education ministry believes that its mission is primarily about young people, it will ignore adult training. For this reason intention – in other words, the functions, ideas, analogies and assumed causal connections that exist in policymakers’ heads – may have important explanatory power. Ideas may be the start of policymaking rather than an *ex post* justification. If so, he says, policymakers’ use of ideas may be an example of the relative autonomy of the state from social forces.<sup>37</sup>

***Weir: Path-dependency as an explanation of continuity in a sectoral policy field***

An important question is whether Hall’s model – derived from his research on macroeconomic policy, which is a high-profile issue not dominated by particular interest groups – can be applied to a sectoral policy field such as government-university relations, where the influence of specialized interest groups is more pronounced. Weir’s case study of the development of an active employment policy in the United States is important for our purposes because it shows how an idea-centred model of policy change can be applied to a policy area with active interest groups. In addition to its methodological insights, Weir’s work is of thematic interest to us because it shows how the adoption of a policy paradigm, carried forward by institutionalized interests, may close off subsequent policy options and ensure continuity – a theme that is prominent in the analysis in chapters 4 through 6.

Weir explores the puzzle of why employment policy in the United States has been so constrained and fragmented, despite intermittent efforts to introduce new programs and approaches that would facilitate entry of new workers into the labour market and re-employment of the unemployed. She argues that “the pattern of innovation and failure... can be understood by examining how policy problems became framed in particular ways that limited their further development”<sup>38</sup> – specifically, by the reduction of the unemployment problem to a single number (the unemployment rate), and by the adoption of a perspective

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<sup>36</sup>Ashford (1992), 155-163, quotation at 161.

<sup>37</sup>Alternatively, one can argue that policymakers’ inability to challenge dominant ideas may be a sign of the state’s lack of autonomy.

<sup>38</sup>Weir (1992b), 4.

that unemployment was a macroeconomic problem to be addressed through macroeconomic tools. This perspective militated against the creation of institutions such as government agencies or tripartite councils with a specific mandate to assist the unemployed. Over time, some programs to assist the unemployed were framed as “social” programs – as distinct from “economic” programs – thus marginalizing them, weakening their potential base of political support, and narrowing the possibilities for new policy development even when the nature of unemployment changed after the oil shocks of the 1970s.

Weir’s methodology is historical, tracing the evolution of employment policy from the 1930s to the 1980s, treating “the development of policy as a sequential process in which new initiatives created boundaries that restricted the shape of future innovation.” To make the case that policy legacies had an effect on subsequent policy development, she “explore[s] the creation of institutionally based policy networks, the organization of political competition, and the formation of political alliances for each of these policy areas.”<sup>39</sup> She compares the development of policy through a series of historical periods from the 1930s to 1980s, but does not compare the United States with other jurisdictions.<sup>40</sup>

Like Hall, Weir identifies three orders of change that must be aligned in order to achieve (to use Hall’s term) a paradigm shift. “The influence of ideas on politics is strongest when programmatic ideas, tied to administrative means, are joined with a public philosophy.”<sup>41</sup> Weir’s account adds an important perspective on the lowest order of policy change: Hall appears to take for granted that technical experts will change the “instrument settings” of policy from time to time, but Weir notices that the ability to effect minor policy changes as required is an important indicator of a state’s administrative capacity. Whether

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<sup>39</sup>Weir (1992b), 5.

<sup>40</sup>To demonstrate that better policies were available, Weir briefly cites post-war employment policies in Sweden, West Germany, Britain and France. (Weir 1992b, 8)

<sup>41</sup>Weir (1992b), 169. The concept of a “public philosophy” comes from Samuel Beer, who defined it as “an outlook on public affairs which is accepted within a nation by a wide coalition and which serves to give definition to problems and direction to government policies dealing with them, “thereby setting boundaries on the kinds of policies a government will adopt and potentially providing an explanation for policy continuity. (Beer 1978, 5)

ideas command broad public support, she says, affects the development of state capacity to develop policies and to carry out certain types of administrative tasks:

After the failure of this vision [President Franklin Roosevelt's 1944 Economic Bill of Rights], ideas as public philosophy became increasingly disjointed from the technical policy ideas, and the technical ideas grew more divorced from administration. The growing distance of these two types of ideas and their separation from administration impoverished both.<sup>42</sup>

For ideas to be an effective explanation of policy change, she continues, the connection between the idea and the policy process needs to be specified. She suggests several possibilities: new ideas may enter a policy network through models adopted from a foreign country, the media, political parties, the interactions of government agencies, or because they are perceived to be politically popular. Conversely, new ideas may be blocked by coalitions which may be disadvantaged by them, by a political actor whose electoral cycle does not permit new ideas time to develop, by lack of institutional capacity to implement them, or by the existence of policy networks who are already committed to other ideas.<sup>43</sup>

Weir's work provides a template for investigating path dependency – that is, how the linkage of ideas and institutions over time establishes a dominant policy paradigm and discourages the rise of new paradigms. Weir argues that:

[I]ndividual innovations are part of a 'policy sequence' in which institutional development renders some interpretations of problems more persuasive and some prospective policies more palatable than others. Underlying the concept of a policy sequence is the notion of 'path dependence'. Decisions at one point in time can restrict future possibilities by sending policy off onto particular tracks, along which ideas and interests develop and institutions and strategies adapt.<sup>44</sup>

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<sup>42</sup>Weir (1992b), 169.

<sup>43</sup>Weir (1992a), 196, 197, 205, 210.

<sup>44</sup>Weir 1992a, 192.

This argument rejects determinism, allowing that institutions may narrow the range of policy possibilities without precluding change entirely, and noting that unexpected events may push decisions in unforeseen ways – sometimes in the direction that interests and institutions were already pushing them, and sometimes in new ways that reflect new meanings that events have conferred on a policy problem.<sup>45</sup> An explanation of how policy changes needs to include room for the effect of contingent events.

***Thelen: Layering new institutions on top of old ones***

Kathleen Thelen takes up the problem of explaining how path-dependency arguments can make room for contingency. She introduces the concept of institutional layering – “the partial renegotiation of some elements of a given set of institutions while leaving others in place”<sup>46</sup> – as a way of showing how new institutions can arise endogenously and without fully replacing their predecessors. This concept provides important insights into the variety of ways that new institutions can relate to old ones. It is also of interest since, as we will see in chapter 8, governments and universities in the 1980s and 1990s adopted a new paradigm for university research that appears to have been layered on top of the established paradigm, rather than to have replaced it.

Thelen observes that path-dependency arguments typically define “switch points” when institutions are open to substantial change, followed by long periods in which the institution simply reproduces itself in ways that are institutionally determined. In other words, institutional development appears to move between moments of exogenously-imposed contingency and long periods of determinism. Thelen notes that empirical studies – Weir’s among them – rarely confirm this version of path-dependency theory.

It is hard to think of a single case in which institutions are completely “up for grabs” even in what may look like a critical juncture situation, nor one in which they are unalterably locked in in any meaningful sense subject to these critical junctures. Rather, most empirical studies in this [comparative

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<sup>45</sup>Weir (1992b), 164-165.

<sup>46</sup>Thelen (2003), 225.



historical-institutionalist] tradition paint a picture in which politics (and institutions) evolve in ways that – even if not predictable *ex ante* – nonetheless follow a particular logic that makes sense only against the backdrop of the institutional context in which the ‘next steps’ are inevitably negotiated.<sup>47</sup>

This “backdrop” may include, for example, actors who lost out when an institution was renegotiated but who remain active and seek new opportunities to advance their interest. The existence of such actors suggests that subsequent changes may have an endogenous explanation.

Thelen introduces the concept of “layering” as one example of how new institutions arise without sweeping away the old ones.<sup>48</sup> Within an existing institutional arrangement, a new coalition may arise that succeeds in establishing a new institutional arrangement but lacks the support to replace the old one. As an example, she cites changes to pension policies that layer private plans on top of public ones, potentially reducing the public plans’ future base of support.

[I]t may not be so useful to think of institutional development in terms of a sharp dichotomy between periods of institutional innovation and institutional stasis.... Instead, to understand how institutions evolve, it may be more fruitful to aim for a more fine-grained analysis that seeks to identify what aspects of a specific institutional configuration are or are not renegotiable and under what conditions....

As such, [the concept of layering] provide[s] a way of thinking about institutional reproduction and change that steers a course between deterministic lock-in models, on the one hand, and overly fluid ‘one damn

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<sup>47</sup>Thelen (2003), 220.

<sup>48</sup>Another example is “institutional conversion,” when an existing institution is redirected to a new purpose. Thelen says that these are but two possibilities among many. (2003, 225-226)

thing after another' models, on the other.<sup>49</sup>

Thelen's argument is not specifically idea-centred, but it offers some important insights on how to apply Hall's model of paradigm shifts. Rather than looking for a new paradigm that confronts the old and eventually replaces it – as in the case of monetarism and Keynesianism – we should also be open to the possibility that a new paradigm may simply be layered over top of an old one. In such a case, the researcher's task is to uncover how the new paradigm found its political base and how each paradigm affects the overall trajectory of the other.

***Lieberman: Integrating ideational and institutional explanations for policy change***

Lieberman attempts to reformulate Hall's model to make a clearer place for institutions such as interest groups and political parties. Lieberman's starting point is that Hall's idea-based explanation is really both ideational and institutional: in the case of macroeconomic policy in the U.K., there was indeed social learning of a new idea at a political level, but there was also the institutional reality that the idea made things difficult for Cabinet, the Treasury and the Bank of England. To say that change was caused by new ideas misses half of the story, he says, by omitting the institutional response. Neither institutional-based models nor idea-based models can explain how a policy equilibrium becomes unbalanced.

Lieberman accepts Hall's distinction between "ordinary politics" and "extraordinary change," but he is concerned that, if the causes of extraordinary change are always seen as exogenous, then explanations for extraordinary change are likely to be *ad hoc*. We need a model "to endogenize multiple ordered patterns, whether based on institutions or ideas, in a single type of explanatory framework that can help explain how apparently stable institutional and ideological patterns can change quite dramatically."<sup>50</sup>

Lieberman's explanation for change starts with the assertion that the ideological and institutional currents in place at a given time may not be coherent or functional. Political

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<sup>49</sup>Thelen (2003), 233, 234.

<sup>50</sup>Lieberman (2002), 701.

arrangements fall into place over different times, as a result of compromises that are sometimes incoherent, and the new arrangements seldom sweep away all of the old. Arrangements that were functional when they arose may last long after they become dysfunctional, he says, citing Douglass North.<sup>51</sup> Ideological and institutional factors may exist in equilibrium, but they may also

collide and chafe, creating an ungainly configuration of political circumstances that has no clear resolution, presenting actors with contradictory and multidirectional imperatives and opportunities....

The central hypothesis that emerges from this discussion is that where friction among multiple political orders is more prevalent, the likelihood of significant, extraordinary political change (as opposed to normal variation) will increase.<sup>52</sup>

Friction, Lieberman says, operates by changing the incentives and opportunities facing political actors, creating the potential for political change.

Methodologically, Lieberman's approach requires a careful reconstruction of historical events so that the frictions within a political order can be detected:

Measuring friction, then is a matter of deriving, from the historical record, accounts of these incentives, opportunities and repertoires that arise from multiple sources of political order: institutions; organizational environment such as parties and interest groups; and the ideological and cultural repertoire that underlies political discourse and impinges simultaneously on the same set of actors.<sup>53</sup>

Incentives and opportunities facing political actors that all flow in the same direction are indicators of policy continuity, while friction and contradictions are indicators of change. The important issue, says Lieberman, is not to determine which factor was most important in

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<sup>51</sup>North (1990).

<sup>52</sup>Lieberman (2002), 702-704, quotation at 702-703.

<sup>53</sup>Lieberman (2002), 703. A similar point is made by Albert Yee (1996), 85.

causing change, but how multiple variables joined together in specific historical circumstances.<sup>54</sup> As we noted above, Hall acknowledges that a dominant policy paradigm and an institutional structure may reinforce each other. Lieberman's contribution is to draw out more fully the implications when policy and institutions do not reinforce each other.

Taken together, the work of Hall, Weir and Lieberman provides a useful way of looking at policy continuity and change over a long period of time, showing how dominant ideas can become embedded in policies and institutions in a way that is difficult to dislodge, even when there is significant dissatisfaction with policy outcomes. I will argue below that much of the policy continuity in university access, funding and system planning in Ontario can be attributed to the power of a long-standing paradigm. As Michael Howlett comments:

The notion of fundamental policy change occurring as a result of changes in policy paradigms brings to the fore the notion that public policymaking is not simply a process of conflict resolution, as most economic and political science-based theories allege, but is also very much a process influenced by past experiences and by the development of new ideas.<sup>55</sup>

**Friction between macro-politics and subsystem politics (Kingdon, Baumgartner and Jones)**

Punctuated equilibrium theory provides a different way of looking at sudden policy change in the midst of large-scale and slow-moving social processes. Paul Pierson and Theda Skocpol note that "[m]ost political scientists are strongly predisposed to focus on aspects of causal processes and outcomes that unfold very rapidly. Yet many things in the social world take a long time to happen." There may be "threshold effects; many social processes may have little significance until they attain a critical mass, which may then trigger major change." They cite Baumgartner and Jones' work on punctuated equilibrium theory as

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<sup>54</sup>Lieberman (2002), 704, citing Katznelson (1997), 99. This argument is similar to Pierson's (2000) argument about the persistence of policy equilibria, but it is more open to the possibility of political change rather than ongoing dysfunctional stasis.

<sup>55</sup>Howlett (1995), 200.

an example.<sup>56</sup>

Punctuated equilibrium theory builds on work on political agenda-setting by Cohen, March and Olsen and by Kingdon<sup>57</sup>. In Kingdon's formulation, policy change can be explained by visualizing three streams – a stream of policy problems to be solved, a stream of policy officials and interest groups with policy solutions to offer, and a stream of elected political actors. When problems, solutions and political interests coincide, a window of opportunity exists for moving a problem onto the public agenda and making major policy changes. This model highlights the fact that policies may remain static for long periods and then suddenly gain political prominence.

Baumgartner and Jones (1993) argue that Kingdon's model is most relevant when new policy principles are under consideration and the policymaking process is volatile. Their concern is to extend Kingdon's model so that it can explain long periods of policy continuity as well as periods of sudden change. Their punctuated-equilibrium model shows how policy equilibria become unstable – leading to a process in which long-standing equilibria are suddenly shifted or overturned and are replaced by new equilibria, which may again be long-standing.

Our primary thesis is that the American political system, built as it is on a conservative constitutional base designed to limit radical action, is nevertheless continually swept by policy change, change that alternates between incremental drift and rapid alterations of existing arrangements. During quiet periods of policymaking, negative feedback [from supporters of the policy equilibrium who resist change] dominates; policy innovations seldom capture the imagination of many individuals, so change is slow or rare. During periods of rapid change, positive feedback dominates; each action generates disproportionately large responses, so change accelerates. Critical points occur before the initiation of a positive feedback process; such

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<sup>56</sup>Pierson and Skocpol (2002), 703; see also Pierson (2003), 183.

<sup>57</sup>Cohen, March and Olsen (1972) and Kingdon (1984).

periods are referred to as windows of opportunity. Punctuated equilibrium, rather than stability and immobilism, characterizes the American political system.<sup>58</sup>

Punctuated equilibrium theory rests on a distinction between the macro political system and subsystem politics. Most issues are managed through policy subsystems most of the time, and often there is a long-term policy equilibrium when a prevailing policy understanding dominates both the behaviour of the actors in the subsystem and external media coverage. But from time to time an issue moves higher on the political agenda, usually because new participants have become interested in the issue, and often because they have brought heightened media attention to the issue. The intersection of a policy subsystem and the macro political system creates non-incremental dynamics that move policies forward.

Punctuated equilibrium theory is intertwined with a bounded rationality theory of decision-making.

Punctuated equilibria in politics stem from this requirement of politics: Politicians cannot simultaneously deal with all important issues, but governments must....

[A]lthough reality may be complex, changing, and multifaceted, we cannot smoothly integrate competing concerns and perspectives. We focus usually on one primary aspect of the choice situation at a time.<sup>59</sup>

In other words, policy punctuations do not arise because the preferences of political actors have suddenly changed, but because their attentiveness has suddenly changed.

Punctuated equilibrium theory's account of how windows of opportunity for punctuation occur is both institutional and ideational:

What determines whether an issue will catch fire with positive feedback or

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<sup>58</sup>Baumgartner and Jones (1993), 3-6, 236, quotation at 236.

<sup>59</sup>True, Jones and Baumgartner (1999), 100 and 103. The concept of bounded rationality is from Simon (1957).

not? The interaction of changing images and venues of public policies does.<sup>60</sup> In a federal state such as the United States, with multiple institutions and overlapping jurisdictions, there are multiple veto points, but there are also multiple entry points through which actors can seek to initiate and reinforce change. Actors may succeed in creating a new image of how a policy issue should be viewed, which in turn can mobilize new actors from outside the existing subsystem who have an interest in creating new institutions or overturning old ones.<sup>61</sup>

At its simplest level, punctuated equilibrium theory appears to say that policy punctuations are imposed by the political system on the policy subsystem:

Subsystem politics is the politics of the equilibrium.... Macro politics is the politics of punctuation....<sup>62</sup>

Yet the theory's account of how punctuations happen is actually more subtle than this. Punctuations that arise bottom-up from within the subsystem will be more frequent than those that are imposed top-down from the executive, and these punctuations may arise because dissatisfied actors in the subsystem use strategies to encourage system-level actors to overturn the existing equilibrium. In other words, the sources of change may be endogenous to the subsystem and may have an impact even "when the external circumstances have changed little, if at all." New actors may play an important role in making change happen, but punctuated equilibrium theory tends to see new actors as tools through which dissatisfied participants in the policy subsystem can achieve their goals. This explains why True, Jones and Baumgartner say that "[m]uch, but of course not all, policy change comes about because new participants are attracted to an issue" while at the same time claiming that most punctuations arise bottom-up from within the subsystem. They also allow that punctuations may arise because of exogenous factors that affect actors at the system level, such as "changing levels of public attention, striking and compelling new information, or turnover in

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<sup>60</sup>True, Jones and Baumgartner (1999), 101.

<sup>61</sup>True, Jones and Baumgartner (1999), 99, Baumgartner and Jones (1992), 239.

<sup>62</sup>True, Jones and Baumgartner (1999), 102.

the composition of the decision-making body [such as the legislature].”<sup>63</sup>

Punctuated equilibrium theory does not claim to be able to find a single cause for policy changes. At best it attempts to identify “critical interventions” that cause subsystem issues to move to the macro level where political actors can make punctuation happen.<sup>64</sup> Likewise, the model has little capacity to predict punctuations.

[A] complete model will not be locally predictable, since we cannot predict the timing or the outcomes of the punctuation.... Punctuated equilibrium theory predicts a form of systems-level stability, but it will not help us to make specific predictions for particular policy issues.<sup>65</sup>

This theory of change has many of the same elements of Hall’s theory of paradigm shifts, but there are important differences, for reasons I argue later in this chapter.

#### **Adoption of new ideas within a closed policy network (Coleman, Skogstad and Atkinson)**

An apparent implication of Hall’s paradigm shift model is that significant policy change must have its origins outside the policy network that has day-to-day responsibility for managing a set of policy issues. If true, this should cause us to look exclusively outside the policy network for sources of political changes – such as new political actors, new interest groups, think-tanks and the like – and to see the policy network itself solely as a defender and refiner of established policies.

Coleman, Skogstad and Atkinson correctly recognize the risks in making this assumption *ex ante*, and they develop a model of how certain types of policy networks<sup>66</sup> may

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<sup>63</sup>True, Jones and Baumgartner (1999), 105-106, 239, quotations at 105, 239 and 105.

<sup>64</sup>True, Jones and Baumgartner (1999), 242.

<sup>65</sup>True, Jones and Baumgartner (1999), 111-112.

<sup>66</sup>The terms “policy community” and “policy network” are not consistently defined in the literature. The most commonly-cited definitions are those of Coleman and Skogstad. A policy community is “all actors or potential actors with a direct or indirect interest in a policy area or function who share a common ‘policy focus,’ and who, with varying degrees of influence shape policy outcomes over the long run.” A policy network is “the properties  
(continued...)



develop a paradigm shift from within.

Political institutions – specifically policy networks – and the character of policy feedback, combine to determine whether paradigm shifts are the products of a politicized process of social learning conducted in partisan forums (the Hall model), or of a slower, but equally decisive, process managed within relatively closed policy communities.<sup>67</sup>

They argue that paradigm shifts can be internally generated by a “corporatist” policy network – defined as a network where all interests are represented by a few peak associations with long-standing relationships to one another and to state agencies. They cite certain agricultural policies in Australia, Canada and the United States as examples, and note a similar finding by Howlett about aboriginal policy in Canada.<sup>68</sup> I will summarize their argument as they present it, and then show why the government-university relationship in Ontario – even though it does not strictly meet their definition of a corporatist policy network – fits their description of the type of network where internally-generated change may be possible.

To determine the characteristics of a policy network that might be able to generate significant change from within, Coleman, Skogstad and Atkinson start by citing Pierson’s work on how different policy areas generate different types of policy feedback.<sup>69</sup> Pierson shows that, depending on the policy area, policy feedback may take any of four forms: it may encourage group formation, it may encourage the formation of networks that lock in policies and resist change, it may produce policy effects that are highly visible to a broad public, or it

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<sup>66</sup>(...continued)

that characterize the relationships among the particular set of actors that forms around an issue of importance to the policy community.” (Coleman and Skogstad 1990, 25, 26) Both concepts build on Hugh Hecló’s initial work on issue networks (Hecló 1978), which in turn built on Theodore Lowi’s work on “iron triangles” (Lowi 1969). For simplicity, I will normally use the term “policy network” to refer to both the actors and their relationship.

<sup>67</sup>Coleman, Skogstad and Atkinson (1997), 276.

<sup>68</sup>Coleman, Skogstad and Atkinson (1997), 276-277, and Howlett (1994).

<sup>69</sup>Pierson (1993 and 1994).

may generate policies that are readily traceable by the public to government. They note that macroeconomic policy – the focus of Hall’s work – shows little of the first characteristic and shows much of the other three. Other areas appear to be the reverse, and therefore may be open to paradigm shifts that are generated slowly from within the policy network.

Coleman, Skogstad and Atkinson also note that there are important differences in the policy networks that dominate different policy fields. In particular, they argue that a corporatist policy network lends itself to the kind of communication and deliberation that allows an internally-generated paradigm shift, because the dominant organizations have a deeper communications relationship with their member groups, and each is treated by the state as an equal.

What is required is a distribution of power within institutions that allows actors to understand the consequences of public policies and visualize alternative policy paradigms. Learning of this kind introduces adjustment and planned policy change that eventually constitutes a paradigm shift....<sup>70</sup>

Table 2.1 shows the major features of a corporatist policy network and compares them with a pressure pluralist network.

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<sup>70</sup>Coleman, Skogstad and Atkinson (1997), 274-278, quotation at 274-275.

**Table 2.1: Comparison of pressure pluralist and corporatist policy networks**

|  | <b>pressure pluralism</b>   | <b>corporatist</b>   |
|--|---|--|
| Interest domains: How broadly does each interest group represent the interests in a policy field?  | Interest groups compete, with each group trying to represent as many interests as possible.             | Each interest group has a monopoly in representing the interests of its clients.   |
| Vertical and horizontal integration: How many interest groups represent the interests in a policy field, and how much do they interact among themselves? | Low integration. There are many interest groups, with weak relationships between one group and another. | Interests are represented through a few peak associations. All associations have long-standing relationships.            |
| Does the association have a public status?   | No. The associations are advocates only.  | Yes. An association may get resources from the state, participate directly in policy making, or do some self-regulation. |

SOURCE: Coleman, Skogstad and Atkinson (1997), 276-277.

Coleman, Skogstad and Atkinson argue that the incentives in a corporatist policy network are conducive to internally-generated policy changes:

...[S]ignificant policy change is unlikely to be achieved inside a pluralist policy network, where group self-interest will be dominant. In this type of network, policymaking is reactive rather than anticipatory, and premised on preserving, not challenging the dominant policy paradigm. If significant change is to come, then the more likely sources are political and societal factors outside the sectoral policy network. In contrast, a corporatist network is more likely to create an environment conducive to promoting the long-term collective interest of the sector, rather than the short-term interest of specific groups. In this environment, network participants negotiate policy changes which, over time and with hindsight, can constitute a paradigm shift....

...[T]he pattern of change will differ in at least two ways when corporatist rather than pressure pluralist or state-directed policy networks are in place. First, the formulation and implementation of change will be negotiated and managed, thus remaining under the control of the corporatist network, rather than being imposed from the outside following a partisan political debate. Second, instead of sudden, rather large breaks with past policy...or no change at all, policy change will follow a cumulated negotiated path, which, over

time, can culminate in a paradigm shift.<sup>71</sup>

***Possible exceptions***

The potential for corporatist networks to generate a paradigm shift internally may or may not be realized. Some corporatist networks behave in ways that do not facilitate paradigm shifts. Coleman, Skogstad and Atkinson cite two examples.

A corporatist network may function as a self-interested coalition that only agrees to preserve the status quo. Gerhard Lehbruch speculates that some processes for corporatist management of policy may tend to ignore the interest of non-participating parties or the taxpayer.<sup>72</sup>

In other circumstances, a corporatist network whose decision rules require unanimity may find that a single member can hold back the entire group. Fritz Scharpf notes that the creation of programs through unanimous consent may lead to overspending on jointly-funded programs, unnecessary programs, inflexibility, and lack of democratic oversight. The unanimity rule exposes problem-solving organizations to pressures from members who face strong incentives to bargain with one another, leading to sub-optimal solutions.<sup>73</sup>

These possibilities should make us cautious about concluding that every corporatist policy network can generate major policy changes from within, and they suggest the variety of different behaviours that may be present.

***Application to government-university relations in Ontario***

I believe that Coleman, Skogstad and Atkinson's argument about the potential for internally-generated policy change can be extended to apply to any sort of closed policy network,<sup>74</sup> including the government-university relationship in Ontario, which fits more

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<sup>71</sup>Coleman, Skogstad and Atkinson (1997), 279, 289.

<sup>72</sup>Lehbruch (1984), 64.

<sup>73</sup>Scharpf (1988).

<sup>74</sup>Coleman and Skogstad identify three categories of policy networks – pluralist, closed and state-directed – and six types. “In a closed policy network, state decision-making capacity is concentrated and well coordinated, normally through the offices of a single agency that has  
(continued...)

closely with their definition of a “concertation” policy network – defined as a network where one association represents all major interests in their relationship with the government. Both types of closed network meet their requirement that the participants be capable of learning from past policies and visualizing new ones. The nature of policy feedback in the university sector is more like that in agriculture than in macroeconomic policy: it encourages group formation to protect and advance the interests of universities; it produces policy effects that in many cases are not highly visible to a broad public; and in some areas it involves policies that are not readily traceable by the public to government. The nature of the university policy network in Ontario is more consistent with the corporatist model than the pressure pluralist model: there is one dominant interest group to which all publicly-supported universities belong; the dominant group has the capacity to integrate the views of many of the other interest groups in the sector (such as those of deans of particular faculties and, in some cases, those of student groups and faculty associations); and the dominant group has some quasi-regulatory and planning functions.

As with corporatist networks, Coleman and Skogstad are cautious about the ability of a concertation network to generate change. They acknowledge that the ability of either type of closed network to defend itself from external pressures may present a two-edged sword for governments seeking policy change:

Concertation networks embracing a strong sectoral interest association and specialized, capable and autonomous state agencies can provide a particularly stout defence against changes demanded by other societal interests or state actors. Innovation appears to be much more incremental in these kinds of

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<sup>74</sup>(...continued)

persisted for some time. Organized interests play a prominent role, tending to draw on highly developed associational systems that guarantee a virtual monopoly relationship with the dominant agency.” (Coleman and Skogstad 1990b, 28) There are two types of closed networks. Corporatist networks are multilateral and involve two or more organized interests representing conflicting producer or consumer groups. Concertation refers to a single association representing a sector and participating with a corresponding state agency in the formulation and implementation of policy. The relationship is bilateral, and both parties have the capacity to make a strong contribution. (28-29)

networks....

[A] government bent on a significant change in policy direction is likely to be more successful if faced by a pressure pluralist network rather than a closed network such as concertation or corporatism.<sup>75</sup>

Even with this caution in mind, Coleman, Skogstad and Atkinson's model of internally-generated policy change presents a clear alternative to the paradigm shift model and the punctuated equilibrium model, both of which explain major policy change through the intervention of macro-level political actors into the normal working of a policy subsystem. At the same time, their model requires an inspection of the record to see if internally-generated change actually took place in a given circumstance, recognizing that lack of trust or the distortions created by decision-making rules may lead a policy network to make decisions that are not optimal for its own members, and that resistance to change may pit the members' association against the government of the day.

***Policy networks, state capacity, and the reaggregation of the state***

In addition to this specific model of paradigm shifts, the policy network literature presents some important observations about state capacity<sup>76</sup> and the state's ability to aggregate its own interests that will guide my description and analysis of the case at hand.

First, the policy network literature shows the value of paying attention to the way that state structure and state capacity influence how interests organize themselves, how they present their demands, and how they participate in policymaking. Atkinson frames the question in terms of the balance of resources between the state agency and its client groups:

Where state agencies possess their own resources, other institutions, professional associations, and interest groups are at a relative disadvantage.

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<sup>75</sup>Coleman and Skogstad (1990c) 325, 326.

<sup>76</sup>Coleman and Skogstad define state capacity as “the ability of the state to draw on sufficient institutional resources both to design policies that will realize its policy objectives and to implement these policies” – including skill, resources, and coordination with other government actors. It is a broader concept than state autonomy, which refers to “the degree of independence from societal groups possessed by state actors when they formulate policy objectives.” (Coleman and Skogstad 1990, 15-16)

Instead of being policy-providers, they must accustom themselves to being policy-takers.<sup>77</sup>

We will see that COU – by adopting certain administrative functions that carried with them the requirement to create databases and other stores of information – strengthened its policymaking capacity relative to that of the ministry, which relied on COU for information that it might otherwise have gathered on its own.

Second, the policy network literature demonstrates the value of giving explicit consideration to how the state aggregates its own interests. Studying politics at the sectoral level advances the standard pluralist model by providing a more realistic description of the role of government actors: instead of seeing politicians as responding to interest groups, and bureaucrats as complying with politicians' wishes, the policy network concept endows government actors with distinctive interests and, within an institutional framework, some capacity to put those interests into action.<sup>78</sup> But if each policy sector has its own policy network, and if there is much variation in the types of policy networks found within a single government, then the role of the government as a whole becomes problematic.<sup>79</sup> The expanded role of central agencies in the 1990s in managing government expenditures and in coordinating government communications should make us cautious about thinking that too much policy change can be explained solely by looking at the sectoral level. This expansion of the central agencies may be offset in part by the problem of bounded rationality: overburdened central agencies may look favourably on policy solutions generated within the subsystem provided that they address the interests of the central agencies as well as those of the ministry responsible for the subsystem.

We will see below that, even within a well-defined policy area such as university policy, interventions by central agencies such as the ministry of finance, and by line agencies such as the ministry responsible for science and technology, are crucial to an understanding

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<sup>77</sup>Atkinson (1993), 24; see also Howlett (1995), 64.

<sup>78</sup>Coleman and Skogstad (1990a), vii-viii, Atkinson and Coleman (1996), 193.

<sup>79</sup>Atkinson and Coleman (1996), 201-205, Lindquist (1996), 233, Peters (1998), 23.

of policy evolution. We will also see that it is difficult even for direct participants to know how the actions of separate agencies came together to achieve a particular policy outcome.

I address these problems by explicitly examining the contributions of central agencies and overseers through the budget process, Throne Speeches, party platforms, and the Provincial Auditor. Doing so complicates the bilateral simplicity of the COU-ministry policy network, but is more faithful to institutional circumstances in which policy is shaped.

### **State-driven retrenchment (Pierson)**

Actors from outside government play an important role in the models of continuity and change we have examined so far. In two of these models – punctuated equilibrium and change from within a closed policy network – change takes the form of government efforts to negotiate an accommodation with non-governmental actors, and in Hall’s model of paradigm shifts the presence of non-governmental advocates for change is highly likely (though not strictly essential). Yet the experience of Canadian governments in the 1990s in reducing program expenditures suggests that we should also consider a model of change that is driven by central agencies of government without the support of external advocates – and that in fact is staunchly resisted by most external interest groups.<sup>80</sup> Such a model will be of particular importance as we consider the complex interplay of Ontario government decisions to reduce university grants, increase tuition, reduce grants to students, and tighten eligibility for student assistance.

Paul Pierson has argued that the politics of retrenchment is different from the politics of expansion. The objectives of retrenchment are diffuse – such as lower debt servicing costs, lower taxes, a more efficient public sector, or stronger incentives for private investment and work – and so the direct participation of external interests advocating retrenchment may be minimal. Politicians’ objectives in this environment are to avoid blame (rather than to seek credit for creating new program benefits), and they operate in an environment where program beneficiaries face real losses (rather than hard-to-specify gains).

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<sup>80</sup>To be sure, there are advocacy groups for expenditure reduction and retrenchment – such as groups representing large corporations or taxpayers. But the role of these groups is usually limited to goal-setting. They seldom have the capacity or incentive to engage in detailed redesign of expenditure programs.



Building on Weaver's work on blame-sharing,<sup>81</sup> Pierson argues that politicians need to adopt different strategies if retrenchment is to succeed. Strategies of working with external interests, seeking their support, and claiming credit for new benefits will not succeed, and – by extension – models based on accommodating external interests are unlikely to be satisfactory.

Focussing on welfare state programs in the United Kingdom and United States, Pierson finds that the role of external interests is substantially different in periods of retrenchment, causing governments to adopt different strategies. The creation of the welfare state was driven in part by social movements and labour unions, and governments were able to offer benefits and incentives in return for those groups' support. But during retrenchment, the most important external interests are program beneficiaries, and so government strategies are directed at minimizing their opposition through tactics such as dividing potential opponents and providing partial compensation to losers. Likewise, information strategies are different: rather than claiming credit, governments that retrench programs adopt strategies to reduce the visibility of cuts or to obscure governments' accountability for them.

The institutional context of retrenchment is the program beneficiaries (with whatever basis of political power they may have) and also the programs themselves. Pierson finds that the lock-in effects of program design are far more important in explaining retrenchment than are the institutional differences between parliamentary and presidential systems of government. For example, a program to subsidize the construction of social housing is easier to end than a program of ongoing housing subsidies to the poor, since the former creates theoretical losers while the latter creates real losers. Likewise a recently-established state pension plan is easier to pare back than a long-standing pension plan with a large unfunded liability, since a large number of people nearing retirement have placed their faith in the latter. Pierson finds that the structure of government is less important than program design in facilitating retrenchment: while it is often supposed that Westminster forms of government are better able to impose retrenchment than are division-of-powers forms of government, the institutional concentration of authority in Westminster governments is offset by their reduced

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<sup>81</sup>Weaver (1986).

ability to avoid or shift blame. Pierson also finds the effect of an experienced and expert bureaucracy to be unimportant: expertise is more important when starting programs than when retrenching them, and the nature of retrenchment attracts too much public outcry to be amenable to bureaucrat-driven solutions.<sup>82</sup>

Table 2.2 summarizes Pierson's findings on how the policy feedback from expanding the welfare state differs from that from retrenching it.

**Table 2.2: Pierson's findings on how policy feedback affects retrenchment**

| FEEDBACK TYPE                               | EXPANSION   | RETRENCHMENT  |
|---|---|---|
| Interest group activity                     | Substantial impact (e.g. creating spoils to be distributed to interest groups, niches for program entrepreneurs, selective incentives for supporters) | Substantial impact, but there may be options to neutralize impacts (e.g. dividing program supporters, compensating losers)  |
| Lock-in effects from welfare state programs | Negligible during formative period  | Substantial impact in specific sectors  |
| Policy learning, bureaucratic expertise     | Considerable evidence of both positive and negative effects   | Negligible impact   |
| Information effects                         | Unknown   | Substantial impact. Creation of opportunities for retrenchment advocates to reduce visibility (e.g. by delaying impacts, gradual phase-outs) or obscure responsibility. |

SOURCE: Pierson (1994), 49.

Pierson's model of change is most effective in explaining the process of what he calls "programmatic retrenchment," that is, direct changes to programs that aim to reduce expenditures in the short- and medium-term, focus them on the most needy, and introduce more market-oriented devices. It also suggests that government may engage in "systemic retrenchment," that is, policy changes that seek to increase the likelihood of future retrenchment by weakening future government revenues, weakening public opinion in favour

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<sup>82</sup>Pierson (1994), 37, 50. A volume edited by Leslie A. Pal and R. Kent Weaver found that the politics of imposing losses is affected by a complex array of factors, including the structure of federalism and of interest groups and the relative support of political parties, in addition to the factors cited by Pierson. (Pal and Weaver 2003).

of the welfare state, weakening social groups that support welfare state programs, or changing political institutions in ways that will make it difficult for future governments to restore programs (e.g. by decentralizing responsibilities to municipalities).<sup>83</sup> We will see in chapter 7 that Pierson's account of programmatic retrenchment provides a robust basis for explaining changes over time in tuition and student assistance policy, but that in several ways it overstates the ability of governments to manage retrenchment and understates the opportunities available to retrenchment opponents.

**Choosing among four models of policy continuity and change: a potential synthesis**

These four models address many of the same questions, but the explicit dialogue among their proponents has been quite limited. Table 2.3 summarizes and compares their positions on some key theoretical points.

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<sup>83</sup>James Rice and Michael Prince suggest there is a third type, "paradigmatic retrenchment," in which governments simply walk away from long-standing policy goals such as full employment or universal programs for children and seniors. (Rice and Prince, 2000)

**Table 2.3: A comparison of four models of policy continuity and change**

|   | <b>Friction between new ideas and established policy equilibria and institutions (Hall, Weir, Thelen, Lieberman)</b>  | <b>Friction between macro- and micro-politics (Kingdon, Baumgartner and Jones)</b>   | <b>Adoption of new ideas within a closed policy network (Coleman, Skogstad and Atkinson)</b>   | <b>State-driven retrenchment (Pierson)</b>  |
|---|---|--|--|---|
| Distinction between the politics of continuity and the politics of change | Normal politics (new policy instruments, or adjustments to established instruments)<br><br>versus<br><br>paradigm shift (new interpretive framework about how to define and solve problems) | Micro-politics (stable or incremental policy development)<br><br>versus<br><br>macro-politics (problems, policy solutions and politics are aligned at punctuation points that mark the move from one policy equilibrium to another). | No explicit distinction – the policy network manages both major and minor changes.   | Normal politics (stability or incremental growth in programs)<br><br>versus<br><br>retrenchment (reduction in current and future expenditure, narrowing of goals, creating impediments to future program development) |
| Institutional focus   | Interaction between political actors and government bureaus and agencies  | Interaction between political actors and a policy subsystem (government bureaus and agencies, major clients and interest groups)   | Interaction within a policy network (government bureaus and agencies, major clients and interest groups)                             | Political actors analyze legacy programs for retrenchment opportunities. Little or no consultation with policy network.   |
| Explanation for major policy change                                       | Frictions between paradigms and institutions change the incentives and opportunities for political actors, creating the conditions for major policy change.                                 | Changes occur because political actors' attentiveness has changed. Political actors impose major change when issues demand political attention, in order to move them off the public agenda.   | Changes occur because of dissatisfaction within the policy network, which may be the result of exogenous social or economic changes. | Changes occur because political actors adopt a commitment to reduced spending and a smaller government role.  |

|   | <b>Friction between new ideas and established policy equilibria and institutions (Hall, Weir, Thelen, Lieberman)</b>            | <b>Friction between macro- and micro-politics (Kingdon, Baumgartner and Jones)</b>   | <b>Adoption of new ideas within a closed policy network (Coleman, Skogstad and Atkinson)</b>  | <b>State-driven retrenchment (Pierson)</b>  |
|---|---|--|---|---|
| Role of political actors                          | Political actors give legitimacy to new ideas and impose them on bureaus and agencies.  | Political actors impose policy change on a policy network.   | Political actors approve and validate change after members of the policy network identify the need for change and move to a new policy consensus. | Political actors impose change and adopt strategies to reduce opposition from clients and interest groups.  |
| Role of new entrants in the policy network        | New entrants develop a competing paradigm and urge political actors to adopt it.  | New entrants attract political actors' attention, often at the behest of dissatisfied members of the network.                  | Change happens without new actors entering the network.   | New entrants encourage retrenchment as a goal, but play little role in specific policy changes.   |
| Ability to determine the cause of a policy change | No single factor causes change. Change happens because of the way multiple variables join together in historical circumstances. | No single factor causes change. Critical interventions can be identified that elevate an issue to the level of macro-politics. | Change happens because exogenous events cause participants in the policy network to be dissatisfied with existing policies.                       | Change happens because political actors adopt retrenchment goals. Specific policy changes are heavily affected by the structure of legacy programs. |
| Research methodology                              | Reconstruction of historical events, typically over a decade or more.   | Reconstruction of historical events.   | Reconstruction of historical events.  | Reconstruction of historical events.  |
| Case studies                                      | Monetary policy (U.K.)<br>Employment policy (U.S.)  | Environment policy, nuclear energy, smoking, pesticides etc. (U.S.)  | Agriculture policy (Canada, U.S. and Australia)<br>Aboriginal policy (Canada)   | Pension policy, welfare policy and housing policy (U.S. and U.K.)   |

SOURCE: Compiled by the author.

How should we choose among these four models? The literature gives us little guidance. Baumgartner and Jones do not cite Hall's work on paradigm shifts, nor does Hall cite Baumgartner and Jones in his recent work. Pierson is aware of the work of Hall and of

Baumgartner and Jones, but his interest is to develop a model that is applicable to a specific type of government agenda – one that happens to be of considerable relevance to this case. The same can be said of Coleman, Skogstad and Atkinson with respect to a specific type of policy network.

A comparison of the four models suggests that each may be useful in explaining certain types of policy continuity and change. Rather than seeing them as competitors, I believe it is better to acknowledge that the terrain of public policy is vast, with many types of policies and many types of changes, and that each model is explicitly or implicitly intended to explain specific types of policy change, with minimal overlap among them.<sup>84</sup>

Hall's model of paradigm shifts is intended to explain cases where policy change is rooted in long-term historical processes. Hall wants to explain cases where continuity in high-visibility policy fields gives way to rapid and far-reaching change in policy direction. Weir's adaptation of this model extends its reach by showing its applicability to a sectoral policy field, and also by showing how a dominant paradigm can suppress policy change despite increasing dissatisfaction with policy outcomes. But Hall limits his model to the largest and most consequential policy changes, and he does not deal directly with the "normal politics" that produces changes in policy instruments or that permits bureaucratic experts to adjust the settings of policy instruments. In doing so, he leaves aside a broad swath of political activity: paradigm shifts are by definition infrequent – one would be surprised to find them more than once in a decade or once in a generation in most policy fields – and so most interactions between governments and interests fall in the domain of "normal politics." These can only be explained using other models.

Baumgartner and Jones' version of punctuated equilibrium theory appears to be a

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<sup>84</sup>Carter A. Wilson (2000) raises this same question for a larger number of strands of the public policy literature. He attempts to synthesize them into what he calls a "policy regime model." The only strand that he rejects entirely is the state-centred model that explains change without reference to exogenous actors or forces. He refers to paradigm shifts but, remarkably, does not cite Hall. He equates paradigm shifts with "shifts in [political actors'] attention and changes in policy images," (271) and, based on his examples, his definition of political ideas seems similar to that of Baumgartner and Jones – a definition I believe is inadequate, for reasons given below.

competitor to Hall's model, and as such it suffers from its less explicit focus on how policy legacies affect the range of future policy options that political actors are likely to consider. Weir credits Kingdon's early version of punctuated equilibrium theory for paying attention to the impact of ideas on policy and for acknowledging the variability in how circumstances come together to foster policy change.

But [she continues] because Kingdon's model is ahistorical, it is in many ways too fluid. The problems that result are clearest in his contention that problems, politics, and policy are fundamentally independent. On the contrary, a historical perspective shows that these streams are linked in important ways over time. Policies from an earlier period can affect each of these streams at a later time. The conception of what the problems are and how they should be defined very often depends on previous policies, which establish some groups as authoritative voices in a particular field and make other perspectives less credible. Earlier policies also provide politicians and policymakers with analogies that they use to judge future policy options. Likewise the range of appropriate solutions to a problem can be affected by earlier policies, which direct research along particular lines by making funding and other resource available.<sup>85</sup>

Baumgartner and Jones correct this flaw by noting that major policy changes are usually accompanied by institutional change, and the new institutions may have long-term consequences in defining who is seen as an important voice in the subsystem and what types of decisions are open for revision within the subsystem.<sup>86</sup> This argument brings them closer to Hall and Weir's description of the way that long-standing equilibria become imbedded in institutions and so difficult to change.

The greatest difference between Hall and Baumgartner and Jones is in their descriptions of the role of ideas in policy change. Both assign an important role to ideas, but

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<sup>85</sup>Weir (1992b), 18.

<sup>86</sup>Baumgartner and Jones (2002a), 23.

they are not talking about the same thing. We noted above Hall's definition of a "paradigm" – "a framework of ideas and standards.... influential precisely because so much of it is taken for granted and unamenable to scrutiny as a whole." Hall cites Keynesianism and monetarism as two examples. Baumgartner and Jones prefer the term "policy image" but offer a similar definition: they say a policy image is "the supporting set of ideas that structure how policy makers think about and discuss the policy". As examples, they cite the idea that poverty policy is about helping children, versus the idea that poverty policy is about government handouts; or the idea that nuclear energy policy is about creating a large supply of inexpensive electricity, versus the idea that nuclear energy policy is about managing an environmental problem.<sup>87</sup> These examples make clear that a "policy image" is much less pervasive than a "paradigm," and is in fact the stuff of political campaigns and day-to-day partisan debate. The concept is sufficiently loose that almost any policy change can be seen as carrying with it a change in the policy image.<sup>88</sup>

This comparison suggests to us that Hall's model is a more satisfactory account of how a set of ideas can dominate policy making for a period of decades with little explicit examination. While Baumgartner and Jones look at the influence of "policy images" that are debated every day, Hall treats the problem of how an idea set can remain unchallenged for a long period, with broad public support, an ideological foundation and a wide range of policy applications, and then be challenged and overturned within a few brief years.

The punctuated equilibrium theory might nevertheless be a useful model for explaining the mid-level policy changes that Hall essentially ignores.<sup>89</sup> A model that

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<sup>87</sup>Baumgartner and Jones (2002a), 12, 21, quotation at 12.

<sup>88</sup>Elsewhere Baumgartner and Jones say that "[p]revailing systems of power often have associated with them an underlying idea, theme, or causal story that acts to deter concerted action for change" (Baumgartner and Jones 2002b, 302) – again suggesting that their model does not rely on a very tight definition of "idea".

<sup>89</sup>Hall calls them "changes in policy instruments" – a term that appears to assume that any change that does not overturn the paradigm is a new instrument reinforcing the paradigm. I think this term assumes too much, since it is possible for changes to run at odds with the dominant paradigm without threatening to overturn it. I will therefore simply call changes  
(continued...)



explains mid-level changes is important theoretically (since many policy changes worthy of attention are not large enough to be paradigm shifts), and it may provide explanations for how members of the policy network strategize and interact on a year-to-year basis. Such a model also provides a counterweight to Coleman, Skogstad and Atkinson's account of policy change in closed policy networks: if (as Coleman *et al.* assert) closed networks tend to resist changes other than those they develop themselves, it is important to be aware of new actors from outside the network who occasionally succeed in gaining the attention of political elites and seeing their positions translated into new policies. Neither Hall's model nor Coleman, Skogstad and Atkinson's provides an explicit place for this sort of change.<sup>90</sup>

The remaining two models – Coleman, Skogstad and Atkinson's and Pierson's – have more limited ambitions than the first two, but they illuminate special cases that may be important to us.

Coleman, Skogstad and Atkinson's model is theoretically significant because it raises the possibility that a closed policy network can contribute constructively to the creation of new policies, including a new paradigm when an old one proves dysfunctional. Without such a possibility, we would look exclusively at outside actors for explanations of change, disregarding interactions within the network. Whether this possibility is realized depends on the particular case.<sup>91</sup>

Pierson's model is confined to the special case of retrenchment, but it cannot be

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<sup>89</sup>(...continued)  
that happen within the paradigm “mid-level changes”.

<sup>90</sup>To be sure, network theory does have a place for new actors who successfully lobby political elites; typically this happens in a pressure pluralist policy network. To express my point in terms of network theory: sometimes closed policy networks are not completely closed and are affected by pressure pluralism; any model of policy change needs to take this into account.

<sup>91</sup>We will see in chapters 5 and 6 below that the university policy network in Ontario was able to develop certain innovations within the dominant paradigm, but not outside the paradigm. I will suggest that this finding is attributable to some internal features of the network participants, rather than to any deficiency in Coleman, Skogstad and Atkinson's model.

subsumed under any of the other models. Pierson deals with cases where governments minimize opposition by deliberately avoiding introducing (and giving the appearance of introducing) a new paradigm. Pierson argues that, in deciding on and implementing retrenchment measures, governments do not respond to approaches from outside actors; instead they focus on how design features of legacy programs can be used to retrench programs while minimizing opposition. These two aspects of his model clearly distinguish it from Hall's model and from the punctuated equilibrium model, respectively.

It is perhaps not surprising that models whose formulation was heavily influenced by the experience of governments that were expanding and maintaining programs might need to be supplemented by a model formulated after prolonged periods of retrenchment. Pierson's model encourages us to test the proposition that the politics of retrenchment are different from normal politics and to explore whether governments adopt the retrenchment strategies that he suggests.

Based on this discussion, Table 2.4 proposes a potential synthesis of the four models we have considered. The table sets out the types of policy issues where we might expect each of the models to be useful. The table also demonstrates that there are areas of competition where we cannot say *ex ante* which of the models will best explain a particular case. The adoption of a new paradigm might be explained by the friction between new externally-generated ideas and established institutions, in line with Hall's and Lieberman's work, or it might be explained by efforts within a closed policy network to reach consensus on new policy ideas in the face of environmental changes. Likewise policy continuity within an established paradigm may be explained either by institutional factors that perpetuate the paradigm or by the conscious efforts of those within the policy network to defend established policies, and mid-level change may be explained by either external actors or by actors within the policy network. Only in the case of retrenchment does the synthesis suggest that a single model is uniquely suited to explaining how policy change comes about.

**Table 2.4: Hypothesized synthesis of four models of policy change and continuity**

|   | Type of policy change or continuity to be explained |  |  |                      |
|---|---|--|--|----------------------|
|   | Policy change that introduces a new paradigm        | Policy continuity in an existing paradigm        | Policy change within an existing paradigm (mid-level policy changes) | Program retrenchment |
| Friction between new ideas and established policy equilibria and institutions (Hall, Weir, Thelen, Lieberman) | Applicable  | Applicable                                       |  |                      |
| Friction between macro- and micro-politics (Kingdon, Baumgartner and Jones)                                   |   |  | Applicable   |                      |
| Adoption of new ideas within a closed policy network (Atkinson, Coleman, and Skogstad)                        | Applicable for a specific type of policy network    | Applicable for a specific type of policy network | Applicable for a specific type of policy network                     |                      |
| State-driven retrenchment (Pierson)   |   |  |  | Applicable           |

Specifying the applicability of each of these models creates a basis for testing them in a given case: rather than testing all data against all models, I test the data against the model(s) that seem most likely to be able to explain the data. In chapters 5 through 8 I will test the usefulness of this synthesis in explaining policy continuity and change in government-university relations in Ontario. In each chapter I will endeavour to set out clearly what policies changed and which did not. We will look at the roles of actors from inside and outside the policy network in making change happen, and we will pay attention to the ways that established ideas and institutions structure policy change over time. In the concluding chapter I will evaluate this synthesis and suggest its applicability to a broader range of policy issues.

### **3 INTERPRETATIONS OF GOVERNMENT-UNIVERSITY RELATIONS IN ONTARIO IN THE 1980s AND 1990s**

In this chapter we will look at three dominant strains in the nascent literature on postsecondary education in Ontario in the late 1980s and 1990s. One strain argues that government policy during this period made universities more market-oriented and less able to carry out their traditional role in liberal education. Another claims that the university system was significantly changed by new federal government funding policies in the 1990s that strengthened the research capacity of some universities while consigning others to a less research-intensive role. A third strain is concerned with whether changes to tuition policy and student aid have reduced accessibility for students from lower-income backgrounds. We will then consider in some detail the one significant attempt to link policy outcomes in postsecondary education during this period to the institutional bases of postsecondary education.

While much of the literature has focussed on only one or a few issues in the government-university relationship, it provides some important insights into changes in the relationship that warrant further examination. A common theme in this literature is the value of examining the relationship from an historical perspective that stretches over several decades in order to identify how and why the relationship has changed.

#### **Making universities more responsive to the market**

One strain in the literature on government-university relations in Ontario emphasizes the efforts of the provincial government during the 1990s to make university behaviour more responsive to the immediate needs of the economy at the expense of what are seen to be the fundamental purposes of the university.

#### ***Shifting towards a market-responsive paradigm***

Paul Axelrod provides the most fully developed version of this argument, arguing that a number of Ontario government actions encouraged the growth of market-driven behaviour at the expense of what he calls “liberal education.” Axelrod cites in particular the practice of the Progressive Conservative government of targeting new funding towards programs other than the humanities and social sciences, the introduction of performance-based funding that is linked to graduates’ success in the labour market, and the introduction of federal and

provincial research programs that require researchers to identify commercial sources of funding. He argues that the introduction of private universities in Ontario may lead to a proliferation of market-driven degrees, although he acknowledges that their presence may be more “symbolic” than “realistic” for the immediate future.<sup>92</sup>

Axelrod’s argument situates these new government policies in a broader context of international trends in higher education:

[T]he source of the most serious threat to liberal education [is] recent government policies that privilege certain academic endeavours over others, namely, applied science, high technology, business, selected professions, and mission-oriented research, all at the expense of the social sciences and humanities, the fine arts, and basic scholarly inquiry. This tendency is reinforced by globalization, commercialization, and market forces that now steer the direction of universities as they do other institutions....

So what is different about the present? Essentially this: that governments are increasingly excising the universities’ ability to provide broad and balanced academic programs, and the space for liberal education is shrinking.<sup>93</sup>

Axelrod presents his argument as a question of balance rather than of absolutes. He notes that a university system with high levels of accessibility will inevitably focus more on labour market outcomes than will an elitist system. His concern is that government actions of the late 1990s, if not controlled or reversed, may allow market forces to “consume” cultural institutions such as the university, imposing “a distinctive and palpable uniformity on higher education.”<sup>94</sup>

Robert MacDermid and Greg Albo make a similar argument about Ontario politics as a whole during the 1990s, noting the introduction of “neo-liberal” policies that have disrupted – but have not yet fully replaced – a political consensus established following the

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<sup>92</sup>Axelrod (2002), 96, 97, 102, 110, 112.

<sup>93</sup>Axelrod (2002), 86-87.

<sup>94</sup>Axelrod (2002), 85, 93, 147-148, quotation at 147.

Second World War.

Neo-liberalism in Ontario is a deeply contradictory policy project that runs against the grain of Ontario's historical politics of a deeply stratified but consensus-building one-province toryism. Its economic policies are likely – indeed are intended – to widen social inequalities as they deepen integration with the U.S., the fragile context in which the current Ontario economic recovery must be set. There is every reason to assume that Ontario politics will remain polarized and, out of necessity, more combative and more resourceful.<sup>95</sup>

MacDermid and Albo trace the roots of neoliberalism in Ontario to the 1980s and early 1990s, noting that “[i]n its last months the NDP seemed to move increasingly towards neo-liberal and socially conservative positions,” such as crackdowns on social assistance abuse.

Many of the ideas [in the Progressive Conservative platform of 1995] were not even particularly new to the Ontario state: the two governments before Harris had already adopted proposals of fiscal austerity and deregulation, and a longer lineage could be traced back to the Davis cabinet.<sup>96</sup>

In sum, Axelrod and MacDermid and Albo represent a school of thought that is concerned about the shift towards policies that aim to serve the needs of the market. At the same time they recognize that the shift has been far from complete.

***Using market-type policy instruments to shape university behaviour***

A more limited argument about the role of the market in government-university relations has been made by Stacey Young, who emphasizes the Progressive Conservative government's use of financial incentives in the late 1990s to encourage universities to behave differently. As examples Young cites the Access to Opportunities Program and the Ontario Student Opportunities Trust Fund program, both of which provided matching funds to universities that succeeded in raising donations from non-government sources.

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<sup>95</sup>MacDermid and Albo (2001), 165.

<sup>96</sup>MacDermid and Albo (2001), 187, 189; quotation at 189.

...what is transpiring in Ontario is not a process of ‘privatization’ per se – implying a distancing of government from its broader public sector – but rather the importation of market principles by government in order to induce certain behaviours on the part of universities. In other words, marketized university systems are about government, through a system of financial rewards and penalties, attempting to induce outcomes they perceive will contribute to economic growth, greater productivity and greater accountability in the ways in which the public sector spends its resources.....

The market paradigm simply adds yet another instrument to the state’s already formidable tool box that assists it in regulating and controlling higher education.<sup>97</sup>

Young’s argument was foreshadowed by Glen A. Jones who, writing a few months after the election of the Progressive Conservative government in 1995, predicted that the government might use market instruments as a means of increasing government control over the universities.

Given the new government’s interest in accountability, there is a concern that its policy initiatives may involve the enigmatic approach of increased competition simultaneously with increased regulation.<sup>98</sup>

Edward Monahan has argued that the political effect of these competitive programs was to weaken COU’s ability to adopt cohesive positions that advance the universities’ collective interests:

[During the late 1990s] by the astute use of the financial carrot, the new government was able to obtain a shift in academic program and research balance toward the practical and the entrepreneurial.... There was a corresponding decline in the priority accorded to system issues [within COU]. With sharply increased competition among the universities for funding and for

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<sup>97</sup>Young (2001), 8, 14.

<sup>98</sup>Jones (1997), 157-158.

students, the strong institutions would get stronger and the weak weaker.<sup>99</sup>

Testing whether university policy in Ontario has shifted towards market-driven policies is made difficult by the broad scope of activities that might be embraced by that term<sup>100</sup> and the difficulty of disentangling government policies from the broader pressures of economic globalization and deficit-cutting.<sup>101</sup> As well, all participants in this debate agree that the change is at best a matter of degree, so we should expect to find evidence of continuity as well as change.

Despite these analytical difficulties, the examples cited by Axelrod, Young and Monahan appear to be significant departures from established policy. Some of them have been in place long enough that we now have some evidence about their actual impact. In chapters 5-8 we will consider this evidence and will examine whether these policies are best seen as a (partial) shift to a new paradigm in university policy, or, as Young suggests, as a change in policy instruments.

### **Changes in the role of the federal government in financing university research and student assistance**

A second strain in the literature on the change in government-university relations emphasizes the role of the federal government in changing how university research and (to a lesser extent) student assistance are funded. David M. Cameron documents the declining importance of federal transfers to provinces, the growth of targeted federal spending on

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<sup>99</sup>Monahan (2004) 182, 183.

<sup>100</sup>Recent literature suggests that the following may be seen as indicators of market-driven education or social policy: a reduction in government expenditure as a share of the economy; measures to force productivity improvements in universities; reduced regulation that exposes universities to greater market competition (Imbeau, Landry and Milner 2000, 785-788); the transformation of non-market activities into market activities by pricing and selling them, inducing consumer demand, reorienting the workforce, and underwriting private capital (Leys 2000, 4), measures to expand the university sector in order to strengthen the capacity (or “competitiveness”) of private business (Skogstad 2000, 811; Garrett 1996, 80); and a political agenda to undermine the institutional basis of opponents of change (King and Wood 1999, 372).

<sup>101</sup>Skogstad (2000), 816.



universities, the cooperation of many provinces in creating provincial programs to complement new federal research spending, and the pressures that these new federal and provincial programs have placed on universities that are not accustomed to responding to government priorities. The idea of closer university-government cooperation was picked up by the federal Progressive Conservative government in the 1980s, Cameron argues, as that government borrowed from Ontario's Liberal government the idea of a national network of centres of research excellence. After the federal Liberal government's deficit-cutting budgets of 1994 and 1995,

[u]nconditional federal-provincial transfers were out, direct federal payments for specific purposes were in, along with a more aggressive use of tax expenditures to achieve explicit federal objectives.<sup>102</sup>

Over the remainder of the decade, a series of initiatives demonstrated a new federal policy towards universities, in which many provinces joined:

Canada, through both its federal and provincial governments, in varying degrees but now most emphatically in the case of the federal government, has embraced the idea of the knowledge-based economy, an economy whose future growth and prosperity is fundamentally linked to the country's success in the competitive pursuit of research and innovation.<sup>103</sup>

Cameron argues that these new initiatives have created a crisis for universities, forcing them to decide whether to continue to confront governments that challenge their autonomy or to reshape themselves to better meet these government directions. Elsewhere Cameron has also argued that the change in federal government research policy may be reshaping the system of postsecondary education created in Ontario in the late 1960s:

The question ... arises here as to whether we are headed toward a new kind of binary or two-tiered system, distinguished not so much between colleges and universities, which in any case seemed to be drawing closer together in many

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<sup>102</sup>Cameron (2002), 158.

<sup>103</sup>Cameron (2002), 165.

of the provinces, but between research-intensive universities, heavily dependent on federal funding, and another set of essentially provincial institutions.<sup>104</sup>

Robert Prichard (2000) also argues that new federal approaches to the funding of postsecondary education, especially research funding, are changing the structure of the university system, although his evaluation of the changes is more positive than Cameron's:

The federal role in research support has been expanded while the primary provincial responsibility for postsecondary education has been clarified and exercised. With respect to student financial aid, the federal government has remained actively involved in the field, but, with the exception of the millennium scholarship program, its emphasis has been on tax measures... while primary responsibility for student financial aid remains in the hands of the provinces. Furthermore, all the evidence suggests this new paradigm will become more, not less, pronounced. The current federal government appears committed to further investments in research and innovation and has shown little interest in returning to the prospect of increasing postsecondary transfers.<sup>105</sup>

Richard Van Loon agrees that the role of the federal government has dramatically changed, and he questions Cameron's argument that the change presents a challenge to the ability of universities to chart their own futures:

The Canada Foundation for Innovation, the Canada Research Chairs, the Ontario Research and Development Challenge Fund, and the provision of support for research overhead costs all came about as a result of lobbying *by* universities led by the Association of Universities and Colleges of Canada and, in Ontario, by the Council of Ontario Universities; not, as the [Cameron] article implies, as a result of the government imposing the money and

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<sup>104</sup>Cameron (2001), 7.

<sup>105</sup>Prichard (2000), 26.

obligations on us.<sup>106</sup>

This strain in the literature suggests some interesting questions to be explored. Has the single-tier university system established in Ontario in the 1960s been restructured into a two-tier system based on an institution's ability to attract federal research grants? If so, how was this restructuring – so staunchly resisted by the universities in the 1980s and early 1990s, as we shall see – effected with so little resistance in the late 1990s? We will return to these questions in chapter 8.

### **Reducing access to postsecondary education for low-income students**

A third strain in the literature on government-university relations in Ontario during this period focuses on whether changes to tuition and student aid policies, especially since 1993, have reduced access to education for students from low-income backgrounds.

Linda Quirke and Scott Davies provide a recent review of this literature and contribute some empirical findings based on their analysis of data at one university and some supplementary evidence. They note the challenge of documenting any deterioration in accessibility given the effect of cross-cutting forces, notably the fact that participation rates in postsecondary education continue to rise as more students recognize the value of a degree in the labour force and so are willing to shoulder larger debt loads. They note, too, that lower-income students have been underrepresented at universities even during periods when tuition was relatively low: since the 1960s “researchers have repeatedly found little or no change over time in the relationship between educational attainment and socioeconomic status [prior to admission].” Their analysis of data between 1992 and 1997 at one primarily residential university in Ontario suggests that low-income students represented a smaller share of total enrolments at the end of the period and that low-income students were more likely to cite financial issues as a consideration in their decision to attend university. Quirke and Davies speculate that, over time, higher tuition fees and greater fee differentiation are likely to lead to a highly tiered university system, with large differences in status, similar to

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<sup>106</sup>Van Loon (2002), 423.

the United States model of postsecondary education.<sup>107</sup>

A contrasting view is provided by Sean Junor and Alex Usher, who have assembled a substantial compendium of data on access to postsecondary education in Canada. While acknowledging that the data do not consistently lead in one direction and that claims about causality are difficult, they conclude that

participation in post-secondary education increased slightly during the 1990s as a whole; where participation declined, it does not appear to have done so due to high tuition or high debt. The number of young Canadians citing financial factors as a reason for not attending post-secondary education did not change substantially over the course of the 1990s. Students are graduating with more debt, but access to education, as measured by the incidence and breadth of participation, does not appear to have been materially affected.<sup>108</sup>

This strain of the literature on postsecondary education deals with the fundamentally important task of drawing links between government policy decisions and socioeconomic outcomes. The conclusions of studies such as those cited have major political implications, and in some cases they have provided fuel for political debate.<sup>109</sup> Yet their direct relevance to this research is limited by their lack of attention to political processes. In chapter 7 we will look more carefully at how decisions about tuition fees and student assistance were made and will attempt to explain why they were made and how the institutional context produced certain decisions and not others.

### **Howlett's application of policy network theory to postsecondary education policy**

Howlett has made what appears to be the only published attempt to explain policy outcomes in postsecondary education in Canada in the 1990s by looking at the institutional

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<sup>107</sup>Quirk and Davies (2002), 89-91, 101-103, quotation at 89.

<sup>108</sup>Junor and Usher (2002), 2.

<sup>109</sup>For example, one national student leader called Junor and Usher's work "an alibi for a further deterioration in access to higher education." (Canadian Federation of Students 2002)

settings that produced those decisions, using policy network theory.<sup>110</sup> Because of its relevance, we should examine his argument in some detail.

Saying that the premise of policy network studies is that “the characteristics of network structure affect policy processes and outcomes,” Howlett attempts to test whether policy networks are in fact an explanatory variable or are merely a heuristic device.

If subsystem structure affects policy outcomes then, at a minimum, in inspecting specific policy sectors over some fairly long period of time, one would expect to find some correlation between changes in policy outcomes and changes in subsystem structure.<sup>111</sup>

Howlett develops a hypothesis about how the type of policy outcomes achieved over a relatively long period in a specified area of public policy is related to the type of policy network that exists in that area. To do so, he classifies policy networks into four types:

- closed (that is, there is not a large “discourse community” of knowledgeable people other than the “interest network” of actors who are involved in policy development from day to day, and it is difficult for new ideas to flow from the discourse community to the interest network)
- resistant (the interest network is receptive to new ideas but not to new actors)
- contested (the interest network is receptive to new actors but not to new ideas)
- open (the interest network is receptive to new ideas and to new actors).

Howlett then classifies policy outcomes into four types:

- changes in policy goals (abstract objectives)
- changes in program specifications (concrete objectives)

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<sup>110</sup>Attempts have been made to apply policy network theory to changes in postsecondary education in the 1980s and 1990s in Spain (Sánchez-Ferrer 1997), Sweden (Bauer *et al.* 1999) and Norway (Bleiklie *et al.* 2000). The use of policy network theory in these three studies tends to be heuristic rather than explanatory. Bleiklie *et al.* and Sánchez-Ferrer both found that changes in the policy network were not closely related to changes in policy, while Bauer *et al.* found that government efforts to change the policy network in the 1980s paved the way for policy reforms in the 1990s.

<sup>111</sup>Howlett (2002), 236, 241.

- changes in instrument types (means)
- changes in instrument components (changes in the details of instrument types).

The hypothesized relationship between each type of policy network and the policy outcomes from that type is shown in Table 3.1.

**Table 3.1: Howlett’s hypothesized relationship between policy subsystem configurations and propensity for specific types of changes in policy outputs**

|  |  | Degree of insulation of interest network from discourse community (i.e. is the interest network receptive to new ideas from the discourse community?) |  |
|--|--|---|--|
|  |  | High (not receptive to new ideas)   | Low (receptive to new ideas)   |
| Extent of symmetry between discourse community and interest network (i.e. do the two essentially overlap?) | High (little scope for new actors to enter the interest network) | Closed subsystem<br>– tends to policy changes only in instrumental components   | Resistant subsystem<br>– tends to policy changes only in instrumental components and program specifications                              |
|  | Low (much scope for new actors to enter the interest network)    | Contested subsystem<br>– tends to policy changes only in policy instrument types and instrument components  | Open subsystem<br>– tends to policy changes in instrumental components, policy instrument types, program specifications and policy goals |

SOURCE: Adapted by the author from Howlett 2002, 251.

To conduct a “preliminary test” of this hypothesized relationship, Howlett looks at four policy areas over the period 1990-2000. He categorizes each policy outcome into one of the four types and counts how many of each type are present over the decade. He also counts how many groups and individuals were “encouraged and funded” to present briefs to major parliamentary committees or commissions near the start and end of the decade, measuring the growth in numbers (“symmetry”) and the share of members at the end of the period who were also active at the start of the period (“insulation”).

Looking specifically at the case of “federal-provincial postsecondary education (funding),” Howlett finds that twenty-two groups or individuals testified at the House of Commons Standing Committee on National Finance hearings on federal policy on postsecondary education in March 1987, and 108 at the Senate Special Committee on

Postsecondary Education in 1997. Only eight participants were common to both groups. He concludes that this subsystem became “open” during the decade, and so, according to his hypothesis, we should expect to find all four types of policy outcomes during the decade.

**Table 3.2: Howlett’s account of new policy outcomes in “federal-provincial postsecondary education (funding),” by type of outcome, 1990-2000**

|                        |   |
|------------------------|---|
| Policy goals           | No new policy outcomes. The goal of “accessible and affordable postsecondary education for all Canadians” continued.  |
| Program specifications | 1995 - New statute to allow risk-sharing of Canada Student Loans with banks.<br>1996 - New statute to bar students from using bankruptcy as a way to relieve student loan debts for 2 years after leaving school  |
| Instrument types       | 1993 - Introduction of interest subsidy for full-time students with Canada Student Loans<br>1996 - Introduction of Canada Health and Social Transfer<br>1998 - Introduction of Canada Millennium Scholarships   |
| Instrument components  | 1990 - Established Programs Financing per capita cash payments to provinces frozen<br>1994 - Canada Student Loans weekly loan limits increased from \$110 to \$165<br>1995 - interest relief programs extended to 30 months for students having difficulty repaying their loans<br>1998 - CHST funding increased<br>1998 - interest relief eligibility expanded<br>1998 - statute amended to bar students from using bankruptcy for 10 years after graduation |

SOURCE: Howlett 2002, 256.

Howlett finds that, as hypothesized, all four types of policy outputs can be found in this policy field during the specified period. He reaches this finding in part by adding the first two types of outputs together: no outcomes are classified as changes in policy goals, two are changes in program specifications, three are changes in instrument types and six are changes in instrument components. Howlett carries out a similar analysis for three other policy fields over the decade and concludes that this research provides evidence in favour of his hypothesized relationship between types of policy networks and types of policy outcomes.

Howlett’s work relies on the researcher’s ability to identify and count the members of the policy network at specified times, and to count policy outcomes over a specified period in each of four specified categories. Both of these enterprises are problematic.

Howlett's approach to counting the members of the policy network is to count the number of participants at parliamentary committee hearings. This approach assumes that an individual or group's participation at these hearings is a sign of active membership in a policy network. This assumption is not explicitly examined, and there are reasons to question it. In an executive-centred parliamentary system with strong party discipline, the link between a parliamentary committee and the policy network that may influence decisions taken by the executive needs to be demonstrated. While it is conceivable that the executive asked the committee to assist in policy development and paid close attention to its findings, it is also conceivable that the committee held hearings for other reasons – perhaps because the executive encouraged the committee to hold hearings as a way of delaying executive action, or because one or more members of the committee wanted to hold hearings due to a personal interest – and so the committee's activities may have had little bearing on the executive's decisions.<sup>112</sup>

One would also wish to examine the process by which witnesses were invited to participate. Howlett's approach imbues the inviters (presumably the committee members or committee staff, perhaps based on consultation with others) with a privileged knowledge of who is or should be an active member of the policy network, without showing how this knowledge is gained. Constraints on the process – such as the time available to the committee, or the committee's or participants' willingness to travel – may be important in determining how many witnesses participate. An anomalous development in the case examined by Howlett is that 32 unaffiliated individuals participated in the 1997 hearings and none in the 1987 hearings; one would wish to investigate whether this change reflects a change in the nature of the policy network, or simply a difference in each committee's approach or circumstances.

Howlett's approach of counting policy outcomes and categorizing them is also problematic. He does not examine the changes in federal government policy on university

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<sup>112</sup>According to one of the chairman's staff, the Senate Special Committee on Postsecondary Education was initiated simply because the chairman had a long history of working on health issues and wished to broaden his interest in other social issues. (Communication from B. Stevenson to S. Brown *et al.*, April 24, 1996, COU Arch. D2 R45)



research and innovation during the decade. While this decision may be defended on the grounds that university research does not fall within his category “federal-provincial postsecondary education (funding),” it misses a major area of federal expenditure and – arguably – a major addition to the federal government’s goals for postsecondary education. The policy outcomes that Howlett does count are changes in federal-provincial transfer programs and in federal student assistance programs. The details of these programs change almost every year, raising questions about what outcomes are to be counted. For example, changes to loans for part-time students and changes to limits on students’ ability to earn income from part-time employment while retaining their full student loans are not included on Howlett’s list, even though they are arguably as important as some outcomes that are included.

The four categories of policy outcomes are difficult to define clearly, raising questions about how outcomes should be categorized. Howlett sees changes in “program specifications” as being associated with a policy network that is open to new ideas, while changes in “policy instrument types” or “instrumental components” may be found in a network that is closed to new ideas. But it is debatable whether the decision of the federal government to pay banks to share the risk of student loan defaults is evidence of a “new idea” more so than the decision to establish the Canada Millennium Scholarships Foundation, or whether the decision to deny access to bankruptcy protection for students who have recently left school is evidence of a “new idea” more so than the decision to provide interest subsidies to students with high debts. The ability to categorize these decisions accurately is essential to Howlett’s approach since, if the two decisions just cited were recategorized, his hypothesis would be disproved in this case.

Howlett raises important questions about how to apply the concept of policy networks in a way that has explanatory power. The weaknesses in his model demonstrate the difficulty in defining the “edge” of a policy network: some actors may be widely agreed to be active participants in a policy network, and some may be widely agreed not to be, but there is a grey area whose existence calls into question any methodology based on counting the community’s membership. Likewise, a methodology based on counting and categorizing policy outputs needs to confront the difficulty of assessing what is an output and what are the

criteria by which outputs should be categorized. Howlett notes that primary interviews and a more extensive longitudinal analysis of policy network membership would require to provide a more complete analysis of his model.<sup>113</sup>

In chapters 5-8 I address these methodological issues by presenting a range of evidence, although I do so at the expense of the parsimony that Howlett seeks. I will make judgements about who are the active players in a policy network by looking at the structure of decision-making processes, correspondence among participants, and recollections of those who were involved. I will assess the importance of policy changes by looking at quantitative data – such as how many dollars were spent, or how many students were affected – and also by testing the content of decisions against that of earlier decisions. One of the strengths of a historically-based approach is that judgements about an actor's importance, or about a policy's significance, can be tested against a variety of types of data. Doing so provides a stronger foundation for the kind of cross-sectoral work that Howlett rightly wishes to undertake.

**Conclusion: some common interests in the literature on government-university relations in Ontario in the 1980s and 1990s**

While the literature on postsecondary education in Ontario in the 1980s and 1990s offers a variety of perspectives, some common interests are apparent. The literature typically traces the evolution of public policy over time, looking for changes in the policy foundations that were established prior to the 1990s – often in the 1950s and 1960s. Consideration is given to the context in which government decisions about university policy are made – for example, the growth of public sector debt in the early 1990s, the actions of other levels of government, and the influence of new public ideas such as neoliberalism. The methodologies used are eclectic – typically combining an analysis of public statements and reports by major actors with some supporting statistics on matters such as public finance and the labour market.

At the same time, some important issues are not addressed in this literature – either because they are taken for granted, or because they go beyond the authors' intended purpose.

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<sup>113</sup>Howlett (2002), 252.

Typically the scope of government-university relations is not fully defined and examined, and the rationale for looking at some policy outputs and not others is not explicitly justified. As a result, some of this literature risks assigning great importance to some policy changes while overlooking other decisions of potentially greater consequence. In most of this literature policy processes are not a central concern, and the institutional bases of policy development – in the form of interest groups, government agencies, statutes, regulations and the like – are therefore underexplored. The range of evidence available to the authors varies widely, and in some cases conclusions are drawn based on early and incomplete evidence that now warrant re-examination.

My approach in chapters 4 through 8 attempts to fill some of the gaps in this literature. We will consider a broad range of issues in the government-university relationship, tracing each to its foundations in the postwar period and showing how policy has evolved over time. Particular attention will be given to the institutional bases of policy, showing how they shaped the opportunities and incentives for political actors in each of the three governments elected during our research period. The research will make use of archival documents and recently published statistical data that were not available to earlier authors. In so doing, I want to unite some of the themes from the existing literature into a broader perspective on how government-university relations changed during the late 1980s and 1990s.

## **PART TWO: THE POLITICS OF CONTINUITY**

### **CHAPTER 4: ESTABLISHING THE PARADIGM: 1950s TO EARLY 1970s**

I argue in this chapter that university policy in Ontario is founded on a paradigm that stipulates that *governments should provide access to every qualified student who wishes to attend university*, and that *government policy should give every university the means to offer programs of reasonably equal quality*. This chapter traces the creation of this paradigm – which I call the Access and Equality Paradigm – and the institutions that served to maintain it.

The chapter looks back to the period from the 1950s to the early 1970s when the major institutional actors in the government-university financial relationship developed in a form that, with some changes, persisted through the 1980s and 1990s. Four institutional actors are identified: the central agencies of the Ontario government; the university presidents and their corporate entity, the Council of Ontario Universities; external advisors to the government, including (until 1996) the Ontario Council on University Affairs; and the ministry responsible for universities.

The chapter also traces the creation in the 1960s of three institutions that embodied the Access and Equality Paradigm and served to perpetuate it over the subsequent decades. First, the operating grants formula for universities, introduced in 1967, is shown to give expression to the principle of equal funding per student while also establishing the “rules of the game” by which universities that expand access to students can attract more funding. Second, the statutes creating each university, most of which were passed by the legislature in the 1950s and 1960s, are shown to establish a formal equality among universities in terms of their powers and autonomy from government. Third, the decision of university administrations in 1962 to establish a council to represent themselves to government and to administer certain common affairs – now known as the Council of Ontario Universities – is shown to reinforce the formal equality of the universities and to encourage the adoption of policy positions that are of approximately equal benefit to all members.

### **Institutional formation**

While some important precedents were established in the late 19<sup>th</sup> and early 20<sup>th</sup> centuries, the institutional foundations for government-university relations in Ontario were set in the period from the 1950s to the early 1970s. During this period, the Ontario government developed sophisticated agencies and processes for planning and budgeting; a specific department was established with responsibility for managing the government-university relationship; a process for the government to receive advice from universities was formed, which eventually led to the creation of two bodies – one appointed by government to provide advice to government, and the other an independent advocacy group composed of the university presidents. None of these existed in 1950, all existed by 1974, and all but one persisted through the period of this study.

Their creation coincided with the articulation of the Access and Equality Paradigm that dominated university policy-making throughout the period under study and set boundaries on the range of policies that could be plausibly considered. Political actors articulated a strong commitment to access for qualified students, and from the early 1950s to 1974 they oversaw a five-fold expansion of Ontario's university enrolments. In addition, political actors consciously rejected options to create a university system with two or more tiers based on explicit differences among universities in their missions and per-student costs. During this period the legislature enacted statutes creating ten new universities, conferring on them powers substantially equal to those held by the existing universities. Governments relied heavily on their relationship with COU in order to develop and implement university policy. For their part, the universities established consensus-based decision-making procedures within COU that tended to reinforce the equality of universities and limit COU's ability to advocate policy change outside of this paradigm.

### ***Irregular beginnings***

The Ontario government has made payments of various types to universities since the 19<sup>th</sup> century, but only with the expansion of the public sector after the Second World War did questions of the adequacy of university funding begin to take recognizable form. W.G. Fleming reports that prior to the Second World War,

provincial authorities assumed no real responsibility for education at this

[university] level.... Although government contributions had a long, if irregular, history, they were seen in terms of assistance to worthy causes, something like charity, or as payments for carrying out specific tasks that the university was ready and willing to assume.<sup>114</sup>

A brief attempt to regularize payments to the University of Toronto began in 1906 when the government, following the recommendations of the Royal Commission on the University of Toronto, agreed to provide the university with 50 per cent of provincial revenues from succession duties each year. In 1914 the government capped this payment at \$500,000 annually, in part because of increasing requests for funds from Queen's University and Western University (now the University of Western Ontario).

In 1920 the government appointed a Royal Commission on University Finances and asked it to recommend "a permanent plan of public aid to said universities [Toronto, Western and Queen's, which at the time accounted for 90 per cent of Ontario's university enrolments] as shall bear a just and reasonable relation to the amount of the legislative grants to primary and secondary education."<sup>115</sup> The Royal Commission's report recommended that the government establish a plan of regular operating grants to Western and Queen's and re-establish the arrangement to give Toronto one-half of the revenues from succession duties. The government agreed to provide annual funding to Western and Queen's, at somewhat different amounts than recommended by the Commission. Annual grants rose during the 1920s but were reduced between 1930 and 1940 – from \$300,000 to \$260,000 for Western and from \$400,000 to \$300,000 for Queen's. As for Toronto, the government rejected the recommendation to tie grants to succession duties in favour of annual operating grants that averaged \$1.5 million during the 1920s and 1930s – about one-third of the amount that the Commission's recommendation would have brought.<sup>116</sup>

These haphazard arrangements are evidence of the general indifference of the

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<sup>114</sup>Fleming (1971), IV, 19.

<sup>115</sup>Quoted in Harris (1976), 361.

<sup>116</sup>Harris (1976), 222-223, 361-362.

provincial government to university affairs prior to the Second World War. In fact, from 1917 to 1950, there were only four debates on higher education in the Legislative Assembly and no formal votes.<sup>117</sup>

*Secularity as a condition of public support*

Yet one consistent policy lay behind this incoherence. Beginning in 1868, it was the policy of successive governments to provide public funds only to secular universities.<sup>118</sup> This policy – introduced to bring an end to skirmishes among competing denominational colleges seeking government support – had the effect of defining what was public about Ontario’s university system: a university would be publicly funded only if it was governed by a non-denominational body. Initially the policy meant that only the University of Toronto could receive public funds, but over time – especially as instruction in sciences became an important aspect of postsecondary education, with its concomitant expense – denominational colleges changed their governance or federated with a secular university in order to become eligible for government funds. Queen’s and Western eventually joined Toronto as secular universities, and all three entered into federated arrangements with denominational colleges. The restructuring continued in the immediate postwar years, as religious-based institutions moved to secular governance – including Laurentian, McMaster, Ottawa, Waterloo, Windsor, and finally Wilfrid Laurier.

By defining eligibility for public funds in terms of non-denominational governance, the Ontario legislature took an initial step towards defining the relationship between universities and the society that contributed to their support. It encouraged the publicly-funded universities to serve the community at large rather than the members of a single denomination (although, to be sure, the fraction of the community attending university prior to the Second World War remained very small). The legislature adhered to this policy over the decades, despite local pressures from denominational colleges in financial hardship. In doing so, the legislature had a powerful impact on the structure of the university system,

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<sup>117</sup>Commission on Post-Secondary Education in Ontario (1972), 8.

<sup>118</sup>McKillop (1994), 26-51.

discouraging a proliferation of small colleges as Ontario's population grew.

***Establishing central agencies for planning and budgeting***

The pressures of the immediate postwar years prompted the Ontario government to take modest steps to regularize its funding to universities. Among these pressures were the rapid expansion of the universities to accommodate veterans, the recognition brought on by the war of the importance of universities in an industrial economy, the advent of direct federal grants to universities in 1951-52 following the recommendations of the Royal Commission on National Development in the Arts, Letters and Sciences, requests for funding from new or growing universities that had not been receiving annual grants, and early glimpses of the future effect of the baby boom on university enrolments.

During the immediate postwar years, universities made direct funding requests to the Premier each year, and decisions were handled by the Premier. There was no apparent involvement of the Department of Education (and no department for higher education existed until the creation of the Department of University Affairs in 1964).

In the early 1950s, Premier Leslie Frost appointed R.C. Wallace, the former principal of Queen's University, as his advisor on university matters, with a mandate to bring order to funding requests and to begin the task of planning for future expansion. Following Wallace's death in 1956, responsibility for planning the funding of university growth was assigned to the chief director of education, and subsequently to the Attorney General (who was a former Minister of Education). In light of foreseeable demographic pressures, every university was asked in 1956 to submit a five-year plan. These plans – scaled back by the government when they seemed over-optimistic – were used as a basis for recommending annual grants and projecting funding trends.<sup>119</sup>

***Creating institutions, clarifying roles***

The arrangements for gathering data and providing advice to government on university expansion and funding were formalized in 1958 with the creation of a committee of senior civil servants – the University Committee – from the departments of education, finance and economics. For the first time, data were gathered from each university on such

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<sup>119</sup> Fleming (1971), IV, 22, Axelrod (1982), 84-88.



matters as enrolments, programs and faculty, for the purpose of “mak[ing] it possible to arrive at a more equitable basis for the distribution of grants than had hitherto been possible.”<sup>120</sup>

In April 1961 the University Committee was expanded to include members from outside government and was renamed the Advisory Committee on University Affairs. The membership of this group included the newly appointed chief justice of Ontario (continuing the role he had played as Attorney General) as chair, two business executives, a federal senator, the deputy minister of economics, and the minister of education. This committee continued the task of reviewing university funding requests and making recommendations to the Premier on funding matters, with staff support from the department of education.

The absence of clear roles in this process was noted even by the committee members themselves. The committee reacted to spending proposals from universities, but had neither the mandate nor the technical resources to prepare its own proposals for government action. The minister of education appeared to be on the same footing as civil servants and external advisors in making recommendations to the Premier. For their part, the university presidents were uncomfortable that their budget requests rested with individuals who had no direct experience in university administration, and they feared that, as government funding grew, the newly-reorganized Advisory Committee on University Affairs might become more deeply involved in the internal governance of universities.

#### *The Council of Ontario Universities*

While the government was sorting out its organizational issues, the university presidents moved ahead to establish what became known as the Council of Ontario Universities. COU was founded in 1962 as the Committee of Presidents of Provincially Assisted Universities and Colleges of Ontario, composed of the presidents of all publicly supported universities. President Claude Bissell of the University of Toronto recalled that the presidents were wary allies:

[T]he presidents of the old established universities with clear government affiliations, Toronto, Queen’s, McMaster and Western had met on a few

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<sup>120</sup>Ontario Minister of University Affairs (1967), 8.

occasions – a sort of self-constituted security council... Now there had been a fresh group – heads of recently established institutions, men who were suspicious of the old guard, convinced that the hope of the future lay with their institutions....<sup>121</sup>

The impetus for the creation of a united body of university presidents, said Bissell, was to ensure that the Committee on University Affairs not become a tool of the government.

We realized that the latter goal [of ensuring that the Committee on University Affairs remain independent of government] could be achieved only if universities worked closely together and developed a strong unified voice.<sup>122</sup>

Ian Clark suggests that the university presidents were motivated by a recognition that, were it not for the existence of a voluntary organization that undertakes many public functions, governments might be tempted to impose regulations that interfered with university autonomy.

While the university presidents recognized [in the 1960s] the difficulties inherent in undertaking collective endeavours that could have implications for “system planning” and allocation of resources among member institutions, they saw such efforts as a means of preserving autonomy.... Universities continue to recognize that there is likely to be a link between their institutional autonomy over the longer term and their ability to act in ways that are seen to meet both their institutional and collective responsibilities.<sup>123</sup>

The main institutional features of COU established by 1970 continued throughout the period under study. In practice the council was dominated by the university presidents, although each university was also represented by an “academic colleague” (a member of faculty selected by the university senate or similar body). The council was supported by a large professional staff. It was funded by the universities and was entirely independent of

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<sup>121</sup>Bissell (1974), 112.

<sup>122</sup>Bissell (1974), 115; see also Corry (1981), 208.

<sup>123</sup>Clark (1999).

government. In addition to its advocacy role, COU assumed important administrative functions (such as operating a common application centre and collecting statistics on enrolments, finances and the like) and regulatory functions (notably the administration of quality assessments of graduate programs).

*The Department of University Affairs*

Two years after the university presidents formed their own organization, Premier John Robarts created the Department of University Affairs, with William Davis as its first minister, to provide professional and administrative support in carrying out the government's policies towards universities. This action provided institutional recognition that the government had interests in university matters that were distinct from those of its external advisors or of the universities themselves, and that the government required professional staff in order to protect and advance those interests. Premier Robarts noted in particular the growth in university grants as a share of the provincial budget and the need for an organization to implement government decisions. The university presidents initially opposed the creation of a new department, preferring the status quo. Their reservations, coupled with the fact that almost all of the university statutes predated the Department of University Affairs, meant that the statute creating the department was drafted so as not to detract from any existing university powers. The department's statutory authority was deliberately weak so as not to change the nature of the government-university relationship as established in the 1950s and early 1960s.<sup>124</sup> Subsequent changes to the department's statute gave the department responsibility for colleges, student assistance and other matters, but did not expand its authority over universities.

The bureaucratic entity created in 1964 – responsible for universities and reporting to a minister – has persisted to this day, but it has undergone regular reorganization. With the creation of the colleges of applied arts and technology in 1966, the department was eventually reorganized into a Ministry of Colleges and Universities. In the early 1980s, the ministry shared a minister and deputy minister with the Ministry of Education – creating a single department in all but name. Each of the three governments from 1985 to 2002

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<sup>124</sup>Fleming (1971) IV, 34-35.

experimented with different organizational structures. Appendix 1 shows the evolution of ministerial responsibilities during this period, along with the names of ministers and senior officials active in the government-university policy network.

*The Ontario Council on University Affairs*

At the same time that the Department of University Affairs was created, the advisory committee – renamed the Committee on University Affairs – was continued for the purpose of providing external advice on financial and planning matters. The new Committee on University Affairs had an expanded membership so that – unlike its predecessor – it included people from the academic community as well as from other backgrounds, addressing the university presidents’ concern that advisors should have an intimate knowledge of university affairs.<sup>125</sup>

This body was established on a formal basis in 1974 as the Ontario Council on University Affairs. In its post-1974 incarnation, OCUA had a formal mandate to provide arm’s-length advice to government. The deputy minister ceased to be the secretary to the council, and the council had a small group of professional staff who were independent of the Department of University Affairs. OCUA established formal procedures for accepting references from the government, holding hearings and receiving briefs from universities. It adopted the practice of publishing its research and its advice to government, along with the government responses.<sup>126</sup> As we shall see, OCUA undertook some important roles in the late 1980s and 1990s during which it attracted criticism from both the government and the universities. It was abolished by the Progressive Conservative government in 1996.

***Establishing the Access and Equality Paradigm***

At the same time that these institutions were becoming established, the provincial government was adopting a policy paradigm that would shape the growth of the university system and set boundaries on the range of policy options that were open for consideration in future years. The principle of secularism was maintained, but was no longer adequate to

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<sup>125</sup>Ontario Minister of University Affairs (1967), 9-11.

<sup>126</sup>Monahan (1998), 354.

guide the development of a large system in which the state would play a central role.

The shaping of this paradigm coincided with the building of the postwar welfare state, and – while the two processes were institutionally distinct – the principles of universality and comprehensiveness that formed the basis of the welfare state<sup>127</sup> carried over into the postsecondary education system. Access to a university education – like access to old age pensions, hospital care, and (later) medical care – was to become universal, even though the meaning of universality in this context was subject to many interpretations.

Two elements of this paradigm were key: that there should be a place in university for every qualified student, and that every university should have the means to offer students programs of reasonably equal quality. These elements were put forward by the provincial government, despite reservations from at least some university administrators, and both were embedded in institutions created in the 1960s.

### *A place for every qualified student*

The most fundamental and abiding premise of government-university relations in Ontario since the 1950s has been that the university system should provide a place for every qualified student who wishes to attend. This policy was initially opposed in the 1950s by the university administrations, who saw the projected rise in university applications as an opportunity to set more demanding admissions standards. Within two years their opposition subsided.<sup>128</sup> Premier Frost first articulated the commitment to accessibility in 1958:

I think that no person in this country who has the potential to make good in the university world and the things that lead from the university should be denied that education.<sup>129</sup>

His colleague Treasurer James N. Allan elaborated a year later:

Our objective is to ensure that no student who has the capacity will be deprived of the opportunity of attending university and pursuing his talents to

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<sup>127</sup>Manzer (2003), 135.

<sup>128</sup>Axelrod (1982), 85-86.

<sup>129</sup>Ontario Legislative Assembly debates, February 10, 1958, 70; cited in Axelrod (1982), 32.

the fullest possible extent.<sup>130</sup>

Frost's successor, Premier Robarts, reaffirmed this commitment in 1965:

We must provide whatever opportunities are necessary as a government so that each individual may be assured an opportunity through education to develop his potentialities to the fullest degree and to employ his talents that God has given him to the greatest advantage. We plan to accomplish this through free choice, not through coercion and regimentation of our fellow citizens.<sup>131</sup>

Recognizing the call for a system of colleges to complement the universities, Minister of University Affairs William Davis said that same year:

We probably must now recognize the inevitability of some form of postsecondary education (i.e. beyond Grade 12) for all capable of profiting from it.<sup>132</sup>

Accessibility was justified both as a matter of individual right and as a means of economic development. Indeed, political actors saw little need to distinguish between these two rationales, since the individual's interest in personal development and the government's interest in economic development were seen to coincide. Premier Robarts drew attention to the economic development rationale in his fullest statement on university policy:

I feel that what we are doing and what we are aiming at is clearly within our abilities to accomplish and that, in so doing, we shall add to the productive capacity of our country and our province and we will educate our human

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<sup>130</sup>Ontario Legislative Assembly debates, February 25, 1959, 611; cited in Commission on Post-secondary Education in Ontario (1972), 9.

<sup>131</sup>Ontario Legislative Assembly debates, February 23, 1965, 725; cited in Commission on Post-secondary Education in Ontario (1972), 9-12.

<sup>132</sup>Ontario Legislative Assembly debates, May 21, 1965; reprinted in Ontario Department of Education (1967), 8.

resources to meet the challenges of a developing Canada.<sup>133</sup>

Former Premier Frost cited both rationales in claiming that there had been “almost a revolution” in education in Ontario between 1945 and 1965:

These tremendous changes have been brought about by several factors: the great objective and desire of our people from our very beginnings for equality of opportunity in education; ... the rapid population growth and a greatly increased birth rate; [and] our emergence on the 6<sup>th</sup> of August, 1945, into the nuclear age with its requirement that every person must be equipped with the best type of education possible.<sup>134</sup>

Government policy in the 1960s and after was summarized by the Bovey commission in 1984:

Basic government policy, established two decades ago, has been to ensure that no student who has the requisite capacity will be deprived of the opportunity to find a place in some program of study in some university in Ontario, but not necessarily in the program or university of first choice.<sup>135</sup>

The Bovey commission’s summary touches on an important but never fully articulated aspect of the paradigm, which is the question of geographic access. The creation of nine new universities from the 1950s to mid-1960s – bringing the total to fifteen – significantly expanded the share of the population who were within reasonable commuting distance of a university. Premier Robarts declared in 1963 that no new universities should be considered for fifteen years beyond those then approved or in place.

[T]he [existing and planned] institutions encompass all parts of the province. Their development makes university education readily available to our young people,

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<sup>133</sup>Ontario Legislative Assembly debates, March 21, 1963.

<sup>134</sup>Leslie M. Frost, “Higher education in Ontario 1965,” address to the Empire Club of Toronto, February 11, 1965, DT files.

<sup>135</sup>Commission on the Future Development of the Universities of Ontario (1984), 8.

regardless of their place of residence in Ontario.<sup>136</sup>

As the Bovey Commission pointed out, no government ever promised that every student would find a place at his or her local university. Nevertheless, the number of universities and their geographic distribution suggested a strong but not unlimited commitment to equality of geographic access. In other words, there was an implicit commitment that students in any large or medium-sized community should have a high likelihood of being able to attend a university nearby, and – going beyond students – that residents in any large or medium-sized community should have access to the economic and social benefits of having a university in their community. We will see that this commitment to geographic access continued to drive government-university relations during the period 1985 to 2002 and set boundaries on the range of policy options that could be considered, even in the straitened fiscal circumstances of the 1990s.

*The means to offer programs of reasonably equal quality*

The second premise of the Access and Equality Paradigm is that, regardless of which university a student may attend, every university should have the means to offer programs of reasonably equal quality. In Ontario, the “means” have been defined to include equal funding per student in similar programs, offered by a single tier of universities that were equal in status and equally autonomous to pursue the missions they set for themselves.

The principle that every university should have the means to offer programs of reasonably equal quality was not explicitly debated by political actors in the 1950s and 1960s, but was revealed in their decisions over time. The principle of equality was entrenched as the government moved from a haphazard system of operating grants to a transparent formula for the distribution of grants. Provincial operating grants to universities grew four-fold between 1964-65 and 1967-68 – fuelled by growing enrolments (from 44,852

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<sup>136</sup>Ontario Legislative Assembly debates, March 21, 1963. By the time of Premier Robarts’ statement, almost every community with a plausible claim to a university had been given one. In late 1962 there were still outstanding requests for universities from community groups in North Bay, Sault Ste. Marie and Oshawa (each of which gained a university campus at some point in the subsequent four decades) as well as from Chatham, Belleville, Barrie, Oakville and Burlington. (Stewart 1970, 467)



full-time students to 73,805) and by an agreement that federal funding should be provided through the provinces rather than directly to the universities<sup>137</sup>. At this larger scale of activity, there was broad recognition that funding for universities should be distributed based on an arithmetic formula. To this end, a subcommittee of the Committee on University Affairs, working closely with a subcommittee of the universities' Committee of Presidents and with senior officials of the department of university affairs, recommended a funding formula to the minister in November 1966. Paul Stenton has documented the extremely close cooperation between these two groups – establishing a precedent that, while the formula was formally a policy of government, changes to it were normally the product of close cooperation between the government and the universities.<sup>138</sup>

The formula put into practice the principle that students in similar programs<sup>139</sup> should attract the same amount of funding regardless of which university they attended.<sup>140</sup> In addition, the formula created a vehicle by which governments could provide powerful incentives for universities to expand to accommodate growing numbers of applicants – fulfilling the other key element of the Access and Equity Paradigm.

The authors of the formula argued that all universities would benefit from the existence of a formula, because it would:

buttress university independence by eliminating the government's subjective

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<sup>137</sup>The federal government created its own funding formula for 1966-67, the final year of direct federal grants, using principles similar to those in the formula that Ontario eventually adopted. See Stenton (1992), 92-93.

<sup>138</sup>Stenton (1992).

<sup>139</sup>The caveat about “similar programs” reflects the fact that some programs cost more than others to offer. For example, the formula provides more money for a student in science, with its heavy laboratory requirements, than for a student in arts.

<sup>140</sup>The commitment to equal funding per student was much stronger in university education than in elementary and secondary education, where it was not fully adopted in Ontario until 1997. Manzer (2003, 153, 186 ) shows that provincial governments expanded equalization grants from the 1940s to 1960s to achieve a basic level of funding for all students, but had reservations about mandating complete equality, as this would have detracted from the responsibilities of local school boards.

scrutiny of budget requests;  
 provide greater certainty for planning, reward good management, and allow healthy competition;  
 ensure that donations from private sources and local governments would be incremental to provincial support; [and]  
 encourage the government to turn its attention to questions not resolved by the formula – such as the overall level of public support, long-range planning, the needs of new institutions and special projects.<sup>141</sup>

The formula explicitly excluded universities' own fund-raising from the principle of equality, on the grounds that if fund-raising led to a reduction in a university's grant, the incentive for donors would be diminished. Most fund-raising was for the purpose of capital construction, and so there was no commitment to fully equalize each university's capital assets. Nevertheless, with fund-raising accounting for a very limited portion of university operating spending, and with an ample program of capital grants for both new and old universities, the government can be seen to have been working towards providing approximately equal financial means for every university.

The new formula rested on a foundation of universities which, by statute, had been vested with equal status and equal autonomy to pursue the missions they set for themselves. Equal funding is conceptually distinct from equal status and equal autonomy, but in practice in Ontario these concepts have often worked hand-in-hand to set boundaries on the range of policy options that can be considered. The decisions to give equal status and equal autonomy to each university were made *seriatim*, rather than as an explicit policy for the system as a whole, and they predated the decision to grant equal funding per student to each university. During the 1950s and early 1960s, the legislature enacted statutes creating six new universities (Carleton, Lakehead, Laurentian, Waterloo, Windsor, and York), conferring on them powers substantially equal to those previously conferred by statute on the five older universities (McMaster, Ottawa, Queen's, Toronto and Western). In 1962, the university

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<sup>141</sup>“A formula for operating grants to provincially assisted universities,” November 15, 1966, reprinted in Ontario Minister of University Affairs (1967), 98-99.

presidents advised the government to stop creating new freestanding universities, and instead to accommodate enrolment growth by establishing new three-year universities, each of which would have an academic affiliation with an existing university until at least the 1970s. Such an arrangement might have reduced administrative costs and encouraged universities to manage internally pressures to duplicate programs and research facilities – pressures that, as we will see, became increasingly contentious when it became apparent that the sum of universities’ ambitions, especially at the graduate level, exceeded what governments could fund. Yet the government accepted this advice only with respect to the Scarborough and Erindale (Mississauga) campuses of the University of Toronto, choosing instead to set up freestanding universities at Guelph, Peterborough and St. Catharines, bringing the number of universities to fifteen.<sup>142</sup>

Each university was given the right to offer programs and confer degrees in any field of study and at any level of study (from baccalaureate to doctorate). In other words, there was no statutory limit on the ambitions of any university to offer, over time, a comprehensive range of programs at the graduate and undergraduate levels that mirrored those of the largest universities in the province. Each university was also given equal status in the sense that it was a creature of the legislature (rather than of the government of the day), with internal self-government, reporting to its own board of governors rather than to government or to a quasi-governmental body. Each university was created by a separate statute, and, while the statutes had the important similarities we have noted, they also had significant differences to reflect differences in the historical antecedents of each university and in the sponsors’ views on how the university should be governed (for example, which constituencies should be represented on the board of governors).

Even though the formal equality given to all universities by statute was not deliberately planned, when the opportunity arose to revise it – by establishing an overarching

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<sup>142</sup>Presidents of the Universities of Ontario (1962); Monahan (2004), 22. Several of the new universities were built on the foundations of pre-existing non-university institutions. In addition, Wilfrid Laurier University was created by statute in 1973 – a latecomer due to its lengthy evolution from a religious-based institution. The conferring of university status on Ryerson and Nipissing in the early 1990s is discussed in chapter 6.

“University of Ontario” with executive authority to coordinate the expansion of the university system and prevent unnecessary duplication – the option was explicitly rejected. The recommendation for a University of Ontario was put forward by the Commission to Study the Development of Graduate Programs in Ontario Universities, chaired by J.W.T. Spinks, in 1966. According to the commission:

The most striking characteristic of higher – not only graduate – education in Ontario is the complete absence of a master plan, of an educational policy, and of a coordinating authority for the provincially-supported institutions.... They are free to declare their own objectives and to develop their own programs without regard or reference to their neighbours or to the needs of the Province.... [T]he direction and rate of their development is determined not by rational and unified planning but by their individual ingenuity in securing funds.<sup>143</sup>

The commission put forward a recommendation to create a University of Ontario with authority to approve the expansion plans of individual universities – modelled on what it saw as successful examples at the University of California and the University of London. This apparently intrusive recommendation was defended as a way to ensure that system planning rested with academics rather than with government. Had it been accepted, it would almost certainly have had the effect of creating two or more tiers of universities, with the newer ones being directed to limit their ambitions relative to the older ones. The recommendation was immediately rejected by the government and the university administrations. In its place, the government and universities agreed on a more cooperative and voluntarist approach that did not detract from the formal equality of each university, making use of the Committee on University Affairs.<sup>144</sup>

*Is autonomy part of the paradigm?*

I have argued that one element of the Access and Equality Paradigm is that all

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<sup>143</sup>Commission to Study the Development of Graduate Programs in Ontario Universities (1966), 77.

<sup>144</sup> Royce (1998), 113-117.

universities are equal in their autonomy. This raises the question whether autonomy *per se* is an element of the paradigm. In other words, has the relationship between government and universities over the years been shaped by an exceptionally high regard by government for the power of each university to determine its own goals and programs and the means by which its goals and programs will be pursued?<sup>145</sup> Was this respect part of the government's early planning for the universities, and was it embedded in the institutions established at that time? If so, then this factor alone might be sufficient to explain the high degree of policy continuity that we will observe during the period under study.

I believe that the evidence of government respect for university autonomy is quite mixed, and that it is better to see university autonomy as contested ground – sometimes respected, sometimes encroached upon – rather than to see it as part of the dominant paradigm.

During the 1950s and 1960s, governments demonstrated mixed feelings towards university autonomy. Autonomy was buttressed by the practice of establishing each university through an act of the legislature, with its own process for internal governance, and with authority to grant degrees at all levels and in all programs.<sup>146</sup> This practice appeared to put the universities beyond the reach of government in many matters, assuming that governments did not wish to undertake the highly public process of amending legislation. The decision to introduce an operating grants formula was another important step in strengthening university autonomy, since it removed government from the business of line-by-line reviews of each university's proposed budget and eliminated any rationale for the

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<sup>145</sup>I adopt here Berdahl's (1985, 7) definition of university autonomy. Berdahl distinguishes autonomy from academic freedom, which he defines as the "freedom of the individual scholar in his/her teaching and research to pursue truth wherever it seems to lead without fear of punishment or termination of employment for having offended some political, religious or scholarly orthodoxy." During the period under study, there appear to have been no disputes between the Ontario government and the universities regarding academic freedom.

<sup>146</sup>Many principles of internal self-governance were first established in 1906, when the government of James Whitney accepted the recommendation of the Royal Commission on the University of Toronto to cede direct government control over the university and establish a board of governors. See Friedland (2002), 203-205, and McKillop (1994), 165-166.

ministry to develop expertise on university budget issues (although, as we have seen, the increased size and complexity of the university system meant that there were also practical reasons for government to wish to adopt a new approach).

But governments also established policies that set important limits on the autonomy of each university to determine its own goals and programs. These were largely implemented through the power of the purse. E.E. Stewart noted that increased reliance on government expenditure called into question the status of university autonomy in the 1960s:

It was not until the late 1940s, at the earliest... that the idea of university autonomy became widely accepted in Ontario[,] and it was not until the early 1960s that expressions of support for the concept were openly heard. Whether it could be maintained in the face of increasing government financial support was a major question of 1964 [when Stewart's research period concluded].<sup>147</sup>

For example, during the 1960s it became clear that governments reserved the right to provide lower total operating grants than what the advisory committee on university affairs asked for; to decide whether to provide funding in support of a program that a university chose to offer; to establish special-purpose grants to support government priorities; to determine which proposals for new buildings merited government funding; and to reduce government grants to any university that charged tuition fees higher than those specified by government.<sup>148</sup>

Minister Davis's Gerstein lecture in 1966 was the fullest public articulation of the government's ambivalence about university autonomy. While defending academic freedom and acknowledging the desirability of maintaining a high level of university autonomy, he noted that the obligations of universities to the public extended far beyond simple financial accountability. He raised concerns about universities launching new programs without regard to the availability of funding, universities competing among themselves to attract good students by offering scholarships based on marks, unnecessary duplication of library resources and graduate programs, and unwillingness to cooperate with CAATs.

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<sup>147</sup>Stewart (1970), 540.

<sup>148</sup>Fleming (1971), II, 369-382.

Diplomatically but unmistakably, he made it clear that public support for universities would hinge on the willingness of universities to recognize and meet their public responsibilities.<sup>149</sup>

This evidence demonstrates the determination of governments, dating back to the time when the dominant paradigm was being established, to retain policy tools that would allow them to help shape the goals and programs of the universities. The norm was to exercise these powers in consultation with the universities, whose expertise and advice governments valued. Governments rarely involved themselves in how universities should carry out their objectives (lacking the authority, capacity and perhaps desire to do so), and they proved reluctant to limit universities' goals or to de-fund specific programs when funding became tight. But it seems clear that governments were far more equivocal about university autonomy than they were about expanding accessibility and maintaining the formal equality of all universities. Autonomy continued to be contested ground during the period under study.

*Was an alternative paradigm available?*

This account of the development of the Access and Equality Paradigm suggests some of the options available to government that might have led to a different paradigm. In particular, the equality aspect of the paradigm might have taken several forms other than the one that was actually chosen.

Accessibility to higher education was a priority for governments throughout the industrialized world in the 1950s and 1960s. Apart from the brief hesitation of the university presidents in the mid-1950s, there is no evidence that either governments or universities in Ontario considered any alternative to a substantial expansion of the university system with much higher participation rates than were prevalent in the early 1950s and before. The boundaries of accessibility were not fully defined and left much to be determined, including how high participation rates should eventually be, what the terms of financial accessibility should be, and what measures should be taken to increase access for women and other underrepresented groups.

The inclusion of equality in the paradigm was open to more debate. We have seen

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<sup>149</sup>Quoted in Fleming (1971), IV, 68-71.

that the university presidents in 1962 urged the government to resist creating more freestanding universities and to opt instead for new undergraduate campuses, each under the aegis of an existing university. We have also reviewed the recommendation of the Spinks commission in 1965 for a “University of Ontario” model, with a central authority to plan the expansion of the system and to allocate resources so as to prevent unjustifiable duplication. Such a model was being created in the 1950s and 1960s in many American states, most vigorously in California, which also created a second tier of universities that were precluded from offering most forms of graduate education.<sup>150</sup> Three decades later, Michael Skolnik listed some of the types of universities that were created elsewhere – some in the immediate postwar period or earlier, some later – and that were absent in Ontario:

In comparison with most other jurisdictions, the most striking thing about the Ontario university system is its lack of diversity of institutional types. For example, unlike other countries or provinces, we have no open or distance university, no private university, no liberal arts institution, no institution which is specialized by mission or branch of knowledge or education, nor anything like the university colleges in British Columbia.<sup>151</sup>

It is not my purpose here to determine whether the paradigm established in the 1950s and 1960s was normatively the best of the available possibilities.<sup>152</sup> I simply wish to show

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<sup>150</sup>Kerr (2001), 172-190. California also created a third tier, the community colleges. Each tier had its own governing board.

<sup>151</sup>Skolnik (1996), 2-3.

<sup>152</sup>There is a well-established literature that argues that the competition among universities, rather than central planning, is the best way to ensure that students’ needs are met. Joseph Ben-David developed the theoretical argument that competition among United States universities to attract students encouraged the kinds of specialization and diversity that kept higher education relevant and up-to-date and in line with student needs. Peter M. Blau tested Ben-David’s hypotheses against a sample of 115 United States universities, confirming that decentralization tends to encourage innovation in both teaching and research. Robert Birnbaum argued that universities in competition with one another will be better able than central planners to spot niches of students that are underserved, while Peter Hall claimed that the strengths of the University of California system arose because of competition among the

(continued...)



that the paradigm adopted in Ontario reflected specific choices that political actors consciously made among the options available, and that these were not inevitable and were not universally adopted in other similar jurisdictions. Ontario's paradigm gave all universities – old or new, small or large – the responsibility to provide an equally high quality of education to their students, with equal funding per student regardless of institution, and with no statutory or regulatory guidance that would discourage them from planning for a broad range of programs at all levels of study. As Michael Skolnik observed in 1996:

[In Ontario] we have an exclusively public system of institutions of similar standards and similar aspirations, that is to say, all institutions strive for comparable standards, curriculum breadth, graduate programs, and involvement in research. And on top of that, we have close to the highest university participation rates in the world....

In short, we are trying to maintain what is possibly the most expensive university system *model* in the world.<sup>153</sup>

As Skolnik suggests, the paradigm adopted in the 1950s and 1960s proved remarkably resilient, even as resources became more constrained.

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<sup>152</sup>(...continued)

university campuses for students, despite the errors of central planners. This literature is linked to a broader literature on the problems of central planning, with John Friedmann cautioning that in the absence of agreed political goals, planning tends to become an end in itself, and James C. Scott noting the tendency of planners to overlook the importance of locally-gained knowledge and know-how. However, this literature is based primarily on the United States, and it is open to question whether there has ever been a similar level of competition in Ontario, where barriers to establishing new universities have historically been high. Walter Powell and Paul DiMaggio have argued that certain types of institutions – particularly in not-for-profit fields, and particularly where there are high barriers to entry and exit – tend to imitate one another and become more similar. They say this behaviour goes beyond what could be explained by a simple desire to mimic the successes of others in serving clients efficiently, and is better explained by the desire of institutions to gain social acceptance and, ultimately, political power. See Ben-David (1972), 35-46; Blau (1973); Birnbaum (1983), 171-174; Hall (1980), 152-170; Friedmann (1987); Scott (1998); Powell and DiMaggio (1991).

<sup>153</sup>Skolnik (1996), 3.

### *Institutional reproduction of the paradigm*

The Access and Equality Paradigm was reinforced by the creation in the 1960s of institutions that tended to reproduce the paradigm over time. We will see that, when political actors in the late 1980s and 1990s were called upon to articulate the objectives of postsecondary education policy, they would speak of the virtue of access for all qualified students to universities that all provided a reasonably equal quality of education. These values were mirrored in public opinion polls that were available to political actors throughout the period.

But occasional statements by political actors are not enough to explain the persistence of the Access and Equality Paradigm over time. The importance of institutions in reproducing the paradigm can best be seen when political actors were *not* publicly engaged with postsecondary education policy – in other words, during those long periods away from the limelight when government officials and university officials, separately or together, resolved day-to-day problems, identified emerging issues, and developed strategies for achieving their objectives. This work was heavily bounded by institutions that reflected the paradigm and that proved extremely difficult to change. Three institutions were of particular importance: the operating grants formula, the statutes creating each university, and the policy network that managed government-university relations.

#### *The operating grants formula*

The introduction of a funding formula in 1967 was a landmark in government-university relations in Ontario. With many amendments and some important deviations from the principle of equality, it remained in place throughout the period under study. It embodied the decision of the provincial government in the mid-1960s to reduce its involvement in the internal financial decisions of universities, and at the same time – given the government's reluctance to impose new regulations or legislation on universities – the funding formula proved to be the largest single instrument through which the government carried out its policy towards universities. It supported the commitment of the government to access; it provided a means for the government to impose fiscal restraint on universities; and it permitted the government to encourage universities to respond to new government priorities through the awarding of special-purpose grants. The funding formula functioned as an

institution: it set the “rules of the game” by which universities could attract more funding, and it created incentives for university behaviour.

The lion’s share of funding was distributed based on each university’s enrolments, with adjustments for differences in the mix of program offerings at each university. A much smaller share – about one-tenth of the total by the late 1990s – was distributed to reflect the special needs of Northern universities and universities offering French-language programming, and to fund special priorities set by government. The basic features of the formula have been described as follows:

[P]ublic support for operating purposes would [beginning in 1967] be based on the number of students registered at each institution. In order to reflect the variations in the costs of different programs, the subsidies would be weighted according to costs per student. For example, the support of an agricultural student was deemed to be about twice as expensive, and that of a medical student five times as expensive, as the support of an undergraduate student in the first year of general arts. Moreover, other private or public income that an institution might receive, with the exception of tuition fees, would not be deducted from government subsidies. Finally, extra-formula grants would be instituted to cover the higher operating costs of emerging post-secondary institutions and French-language learning programs.<sup>154</sup>

The formula provided equal revenue per student at every university for students in similar programs. The weighting of programs – expressed by counting each student as a certain number of Basic Income Units (BIUs), depending on his or her program – provided significant revenues for universities with high concentrations of graduate and professional programs. The weights established in the 1967 remain in place, with some program additions and some upward revisions in small programs. Table 4.1 shows the government grant per student in 2001-02 for major programs.

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<sup>154</sup>Commission on Post-secondary Education in Ontario (1972), 139.

**Table 4.1: MTCU operating grant per student for selected programs, 2001-02**

| Basic Income Unit (BIU) weight | Program  | Grant per FTE student (\$) |
|--------------------------------|--|----------------------------|
| 1                              | 1 <sup>st</sup> year and General Arts and Science  | 2,728                      |
| 1.5                            | Upper-year Honours Arts<br>Commerce<br>Fine Arts<br>Law  | 5,285                      |
| 2                              | Upper-year Honours Science<br>Applied Science and Engineering<br>Architecture<br>Education<br>Nursing<br>Pharmacy<br>Master of Business Administration | 7,637                      |
| 3                              | Master of Arts   | 11,748                     |
| 4                              | Master of Science  | 16,862                     |
| 5                              | Medicine<br>Dentistry<br>Veterinary Medicine   | 22,535                     |
| 6                              | Doctoral   | 27,090                     |

Grant assumes three semesters for master's and doctoral students and two semesters for others. There are time limits on funding for master's and doctoral students.

SOURCE: MTCU (1999); "Enrolment expansion funding per FTE," June 2001.

The authors of the formula were aware that the introduction of a formula would not ensure any specific level of funding to the universities. Even in the heyday of university funding growth, they recognized the inevitable tension between the funding ambitions of universities and the willingness of governments to pay:

It is frequently pointed out that universities are spending institutions and that there is no upper limit, within reason, to what they can usefully spend on improved teaching, more extensive research and the facilities which these things involve. These comments are made in order to emphasize that while a formula will ensure equitable distribution of moneys, it will not, in itself,

ensure an adequate level of support.<sup>155</sup>

Rather than setting out the level of funding required to achieve a desired level of quality in teaching and research with a desired level of efficiency in operations, the authors of the funding formula simply argued that, “within reason,” there is “no upper limit” to what universities can “usefully” spend. This left the level of total funding per student to be politically negotiated by governments over time.

We will see that, while the aggregate amount of funding for universities has been a key government decision each year, and while there have been frequent adjustments to the formula, governments have been highly reluctant to revise the formula without the agreement of the universities. The formula began as a joint project of the government and the universities, and the universities watched it closely to ensure their interests were protected.

*University statutes*

A second set of institutions that embody the Access and Equality Paradigm and that impose significant boundaries on policy development in the 1980s and 1990s is the statutes that create each university. We have already seen how these statutes embody the principles of equal status and equal autonomy.

The power of this set of statutes to reproduce and reinforce the Access and Equality Paradigm over subsequent decades derives from several institutional considerations. First, the process of amending legislation imposes costs on government by consuming scarce legislative time and creating opportunities for those opposed to the government’s policies to gain public attention. It is inherently more costly than the process of amending regulations or policy directives. Second, the existence of a large number of similar but by no means identical statutes complicates any project to amend them. Third, the fact that each statute was originally sponsored (either formally or informally) by the university itself has carried the implication that it should not be amended against the university’s wishes.<sup>156</sup>

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<sup>155</sup>“A formula for operating grants to provincially assisted universities,” November 15, 1966, reprinted in Ontario Minister of University Affairs (1967), 98-99.

<sup>156</sup>For example, in 1967 the University of Western Ontario proposed to amend its act to allow  
(continued...)

*Closed structure of the policy network*

A third institution that embodied the Access and Equality Paradigm and that imposed significant boundaries on policy development in the 1980s and 1990s was the closed structure of the policy network responsible for university policy in Ontario. We have seen that, from the early 1950s, governments relied heavily on advisors from the universities in order to shape university policy. By the mid-1960s, the policy network had hardened into a bilateral relationship between the ministry responsible for university affairs and the council representing the university presidents. Between them sat an advisory committee which the government saw as an advisor to government and which the university presidents saw as a buffer between the government and the universities (and often as an advocate for the latter). Groups representing students, parents, faculty, employers or others with a potential interest are essentially invisible in the published accounts of university policy development in the 1950s and 1960s.<sup>157</sup> This closed arrangement remained in place on most university policy issues throughout the 1980s and 1990s. In examining the events of the 1980s and 1990s, we will pay particular attention to the intermittent involvement of actors other than government and COU, and to the effect of that involvement in encouraging policy change. We will also note how government and COU each attempted, at different times, to create new actors who could disrupt established policy equilibria.

An important qualification to this description of the policy network is that neither the government nor the universities should be seen as unitary actors. Even after the creation of

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<sup>156</sup>(...continued)

the administration to appoint a non-student to represent students on the board of governors. Some students persuaded a member of the Legislative Assembly to introduce an amendment allowing the students to choose their own representative. The university presidents objected strongly to the proposed amendment, arguing that it intruded into the university's internal affairs. The government agreed, and the students' amendment did not go forward. (Monahan 2004, 44)

<sup>157</sup>Monahan (2004, 47) says that COU worked side-by-side with the Ontario wing of the Canadian Federation of Students in the 1970s on issues like tuition, student assistance and student housing. But when university revenues deteriorated in the 1980s and COU became an advocate for higher tuition, he says, "contacts became infrequent and more acrimonious."

the Department of University Affairs, central agencies of the government – particularly the offices of the premier and of the treasurer – continued to play a prominent role in university policy, and this remained true in the 1980s and 1990s. The priority of reducing the deficit and balancing the budget in the 1990s increased the prominence of the Ministry of Finance in all expenditure issues, highlighting the role of the ministry responsible for universities in mediating between the interest of the government in higher education and its core interests in preserving its financial viability and future flexibility. Ministry of Finance staff led the development of a number of programs that were unveiled in the provincial budget, notably the major research initiatives of the late 1990s, and were fully involved in the planning for enrolment expansion associated with the double cohort.

On the universities' side, the status of COU as a voluntary organization composed of disparate members tended to limit its role to those issues where there was near-unanimity among the university presidents. We have noted Claude Bissell's observations on the tensions between the new universities and the old ones. Over time, other policy differences would arise within COU, reflecting differences in each university's growth patterns, program mix, capital assets, research strength, fund-raising capacity, and other factors.

These differences are important for our purposes because decision-making within COU is by consensus rather than by majority vote. This decision-making practice arose from the status of COU as a voluntary organization whose processes could not supersede the governance processes of its individual members.<sup>158</sup> It reflected the reality that no university wished to cede its statutory autonomy to competitor universities. Monahan traces the difficulties that COU had over time in finding a consensus on policy positions. In 1987, COU explicitly considered whether it was reasonable to expect its diverse membership to agree on substantive policy issues, deciding that:

COU should continue to be involved in system policy issues; it should strive constantly for consensus on broad basic principles. Issues on which the collectivity failed to achieve consensus should be acknowledged. When the majority position was reported, it should be presented as such, along with the

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<sup>158</sup>Clark (1999); Fleming (1971), IV, 61.

minority view(s).<sup>159</sup>

This became the standard way for COU to report non-unanimous positions beginning in the late 1980s. In practice, COU representatives were unlikely to report to government on positions where more than one or two universities dissented, since the requirement to report minority views tended to undercut the impact of the majority position.<sup>160</sup>

From the late 1960s onward, governments looked to COU for the university perspective and to OCUA for an alternative perspective when required. As financial resources became constrained, governments were less likely to seek the views of stakeholders other than university administrators, since these stakeholders were likely to make additional financial demands beyond those already pressed by COU itself. For its part, COU faced the continuing challenge of reaching consensus among a diverse membership, and so had a strong disincentive to reach out to others – such as groups representing students or faculty – who would have their own demands and thus would make consensus-building even more challenging. Apart from exceptional occasions that we will note, the closed policy network that was established in the 1960s remained closed throughout the period under study.

*The effect of sequencing on institutional capacity in the policy network*

The sequence of creation of the main actors in the policy network had a lasting effect on their institutional capacity. We have seen that the university presidents formed an organization in 1962 in part because they wished to defend themselves against government intrusions. By the time the department of university affairs was created in 1964, the university presidents had already established a strong record of research, analysis and advice that reflected the growing policy capacity of COU supplemented by the expertise of senior university staff. One of the strategies of the university presidents was to establish essential databases and make them available to the ministry upon request, rather than give the ministry a reason to establish its own databases. COU's establishment of a common application centre

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<sup>159</sup>Monahan (2004), 147-155; quotation at 147-148.

<sup>160</sup>Confidential interview.



in 1971, while done with the strong encouragement of the ministry, had the effect of giving COU the responsibility for gathering data about prospective students and admissions.<sup>161</sup>

The establishment of the funding formula in 1967 created a counter-example where the ministry developed a strong database to operate the formula and frequently shared data with COU. The nature of the formula shaped the strengths and weaknesses of the ministry. The ministry developed expertise in the areas needed to operate the formula, notably enrolments by program and student tuition fees. The formula replaced line-by-line reviews of university budgets, and so the ministry did not develop expertise in how universities spent their money or whether they could operate with greater efficiency. We will see that when governments in the 1980s and 1990s asked whether universities could reduce their per-student spending, the ministry had little information on universities' internal spending patterns and so had little ability to propose alternatives. What was sometimes seen as government respect for university autonomy might more accurately be seen as lack of state capacity.

In sum, the sequence of institutional development locked in a situation where the ministry and COU relied upon one another for information useful to policy development. Other potential actors, such as organizations representing faculty and students, did not have similar bodies of information to contribute, a fact that contributed to their less central status.

#### **Testing the paradigm: funding restraints and enrolment stagnation, 1971-1984**

While the key institutions and the dominant policy paradigm in the government-university relationship were largely in place by the early 1970s, the experience of the 1970s and early 1980s provided some important tests of how they would evolve in the face of changing environmental factors.

The tension between the funding ambitions of the universities and the willingness of governments to pay became more pronounced by the end of the 1960s. Axelrod reports that “[b]etween 1968 and 1973, BIU levels [that is, funding levels] approved by the government

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<sup>161</sup>Fleming (1971), IV, 32, 42; Monahan (2004), 49, 97-98, 164.

consistently fell short of those increases recommended by the universities and the CUA.”<sup>162</sup> After William Davis became premier in 1971, the new minister of colleges and universities, John White, was charged with announcing funding constraints. The tradition of government cooperation with CUA and the university presidents was fractured in early 1972 when Treasury Board, the cabinet committee responsible for review expenditure requests, started developing its own options for restraint, asking CUA’s opinion, but making clear that Cabinet would see the Treasury Board options.

The rationale for more stringent funding restraints in the late 1960s and early 1970s was partly that revenue growth had slowed as economic growth weakened and came almost to a standstill in 1970. Additional reasons can be found in the behaviour of universities in light of the new funding formula. During this period, “graduate programs were proliferated across the Ontario university system without adequate attention to the need for quality, specialization, responsiveness to regional wants, and economy.”<sup>163</sup> This behaviour can be attributed to the desire of new universities to model themselves on the older and more prestigious institutions, reflecting their statutory equality of status and equality of autonomy to set their own missions. It was reinforced by a funding formula that weighted most graduate programs at four, five or six times the value of most first-year general programs. One participant later recalled that the “scramble to get into graduate studies... resembled a gold rush...”<sup>164</sup>

Compounding this problem were “recent marked fluctuations in enrolment patterns. Some high school graduates who were expected to enrol have failed to do so; and students in various postsecondary programs have chosen to stop or drop out in numbers that are still difficult to predict.”<sup>165</sup> With government revenue growth weakening, undergraduate demand in doubt, and universities focussed on self-assigned priorities, it is little wonder that, after a

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<sup>162</sup>Axelrod (1982), 162.

<sup>163</sup>Commission on Post-secondary Education (1972), 140.

<sup>164</sup>Corry (1981), 189.

<sup>165</sup>Commission on Post-secondary Education (1972), 143.

decade of general harmony, the government-university funding relationship began to come apart.

These themes – weak government revenue growth, uncertain growth in the demand for entry to undergraduate programs, and friction between government and universities over the expansion of graduate programming – continued to guide the relationship through the 1970s and early 1980s. In a period of high inflation triggered in part by higher international oil prices, the Ontario government decided it was unable to provide full inflationary increases in grants to all parts of the public sector, and universities bore part of the burden. In addition, the Davis government chose to freeze tuition fees from 1973-74 through 1976-77 – protecting students and parents from some of the effects of inflation, but limiting revenue growth to universities.

Weaker-than-expected enrolment growth also meant that the government could declare an end to new capital funding for universities in 1972 without threatening its commitment to access for all qualified students. Capital grants – which, measured in 2002-03 dollars, had averaged \$495 million every year in the decade to 1973-74 – plummeted to \$81 million in 1974-75. They remained low throughout the subsequent decade, sinking as low as \$36 million in 1982-83.<sup>166</sup> Faced with a long period of weak economic growth and high inflation punctuated by recessions in 1979-80 and 1981-82, the government benefited from the extraordinary capital investments of the 1960s and early 1970s and invested only modestly after 1972 in new expansion and in upgrading existing buildings.

By the end of the decade, the government – acting on the advice of the OCUA – had frozen funding for new graduate programs and reduced by half the grants provided for undergraduate enrolment growth. The latter measure represented the first clear break with the Access and Equality Paradigm, deliberately challenging those universities that chose to grow to do so with reduced per-student funding.<sup>167</sup> The OCUA produced a discussion paper

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<sup>166</sup>Memorandum from J. McAllister to P. George, April 4, 1996, COU Arch. D3 R14. Values reindexed by the author.

<sup>167</sup>Full funding for incremental enrolment growth was reintroduced in the mid-1980s. A  
(continued...)

on “system rationalization,” while COU was calling on the government for either “substantially increased funding or scaling down the objectives of the universities.” In a similar vein, a government-appointed committee chaired by deputy minister Harry Fisher urged the government to either increase funding (the committee’s preferred option) or scale back the system by closing some universities.<sup>168</sup>

While there is no objective basis for assessing whether the new funding levels were adequate for universities to fulfill their mission, the complaint that total funding per student had been reduced was well substantiated. Data prepared by the Ontario Council on University Affairs show that total operating funding per student from grants and tuition, after inflation, declined by 22.8 per cent between 1970-71 and 1982-83. These data are shown in Table 4.2. Among the ten provinces, Ontario fell from third-highest in 1974-75 to eighth the following year, and it was in ninth place in both 1980-81 and 1981-82.<sup>169</sup>

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<sup>167</sup>(...continued)

measure of the strength of the Access and Equality paradigm is that the universities that chose to grow with only partial funding never accepted the reduced level of funding as permanent. We will see that the Liberal government in 1987 provided \$25 million annually to address the inequity in part and that, after persistent lobbying, the Progressive Conservative government in 1998 provided an additional \$29 million annually to bring these universities to full funding. This lobbying, and its eventual success, exacerbated COU’s difficulty in reaching consensus on funding issues.

<sup>168</sup>Monahan (1998), 356-357.

<sup>169</sup>OCUA (1981), 31; OCUA (1985), 60.

**Table 4.2: Index of provincial operating grants plus tuition fees per FTE university student, in constant dollars, 1970-71 to 1982-83**

|         | Index (1970-71 = 100) |
|---------|-----------------------|
| 1970-71 | 100.0                 |
| 1971-72 | 98.3                  |
| 1972-73 | 95.6                  |
| 1973-74 | 98.8                  |
| 1974-75 | 85.4                  |
| 1975-76 | 84.3                  |
| 1976-77 | 88.0                  |
| 1977-78 | 91.7                  |
| 1978-79 | 91.3                  |
| 1979-80 | 86.8                  |
| 1980-81 | 81.8                  |
| 1981-82 | 77.9                  |
| 1982-83 | 77.2                  |

SOURCE: Ontario Council on University Affairs 1981, 34, and Ontario Council on University Affairs 1985, 61. Data for 1980-81 and later have been rebased by the author.

In sum, by the time of the 1985 election, the institutions created in the 1960s to manage the government-university relationship remained in place, but the nature of their relationship had soured. COU members faulted the ministry for failing to maintain the levels of per-student funding established in the late 1960s. The ministry was increasingly critical of universities for pursuing high-cost institutional objectives such as graduate programming at a time when competition for public resources was increasing. OCUA – which during this period had recommended against many proposed funding reductions while at the same time pointing to areas where universities could achieve efficiencies – was increasingly viewed with suspicion by both the ministry and COU. The principle of access for every qualified student was maintained, but was largely taken for granted by government and by the public due to the apparent excess capacity of the universities. The principle that every student should be funded equally, regardless of which university he or she attended, had been

abridged for universities that expanded after 1978, and was increasingly perceived by all universities as a policy of impoverishing every university equally.

## **CHAPTER 5: ENROLMENTS AND FUNDING**

### **Overview of this chapter**

This chapter examines the decisions of the Ontario government about overall funding for the university system from 1985 to 2002 from the perspective of the theories of continuity and change that were developed in Chapter 2. I argue that overall operating funding per student – defined as funding from government operating grants and students' tuition and fees – is the best indicator of the financial ability of universities to provide a high quality of educational experience for the students. The distribution of the funding burden – specifically, the growing share borne by students during this period as governments reduced their grants to universities – will be discussed more fully in chapter 7.

The high priority that governments in Ontario have assigned to providing access for qualified students means that, in practice, many decisions about the level of funding for universities have been closely intertwined with decisions about funding increases to support the growing number of students attending university. For this reason, this chapter treats decisions about funding and enrolment growth together.

The chapter begins by looking at policy outcomes: how did the level of total funding per student change during the period under review? Data are presented to show that total operating funding per student from government grants and students' tuition and fees, adjusted for inflation, remained approximately constant through the period under review, with significant temporary declines in 1993 and again in 1996 through 1998. The total decrease in funding per student from 1985 to 2002 was about 1½ per cent. Similar findings are presented from several other recent studies.

Given this outcome, one might conclude that there is little to be explained. The outcome might suggest that this was a period of “politics as usual” in government decisions about university funding, with minor tinkering each year by experts in government following consultation with their university counterparts.

Such an interpretation would be misleading. Many of the conditions for significant change – as set out in the theories we examined in Chapter 2 – were indeed present during this period. Governments and universities both had reason to be dissatisfied with the established paradigm, and both made efforts to revise it. Governments facing high deficits

and intent on balancing the budget found little to love in a paradigm where government was the major funder but was excluded from universities' expenditure decisions. The New Democratic and Progressive Conservative governments both attempted to revise the institutions supporting the paradigm so that government would have a more active role in determining how universities spent their money – inserting government in a role that it vacated when the 1967 funding formula was created. For their part, university administrations facing internal demands from faculty and staff found that the paradigm gave little explicit recognition of educational quality. The universities attempted to revise the paradigm to incorporate a standard of educational quality, measured in terms of the resources provided to universities in competing jurisdictions, as a way of justifying higher per-student funding.

These efforts at paradigm revision coincided with the appearance of new actors in the policy network. Three new governments were elected during this period, from three different parties, each with a reformist agenda. The universities made an explicit effort to create new entrants to the policy network in the form of interest groups which could help move university issues higher on the political agenda. Within the policy network, there was extensive interaction between government and universities at both the political and bureaucratic levels, creating some of the conditions for constructive joint policy development.

I argue in this chapter that, while some of the preconditions for significant policy change existed, governments and universities throughout the period under study found that their options were highly restricted by the Access and Equality Paradigm. The ideological basis of the paradigm continued to resonate strongly with the public, despite changing fiscal circumstances, as public opinion polls showed high support for accessibility and for a single-tier system where every university was able to provide approximately the same quality of education. This ideology was reinforced by institutions that ensured that any government wishing to back away from the paradigm would pay a high political price. No government was prepared to question publicly the principle of accessibility. Indeed, any possibility that students would be turned away from university galvanized governments to action, and the resulting negotiations gave the universities their major source of leverage over the



government. It was during these periods of increased student demand that the universities and the government worked together most closely.

Likewise, no government was prepared to endure what would inevitably have been a very public dispute with the universities by trying to change the operating grants formula or the university statutes in order to create a university system where some universities were funded at lower rates than others or had narrower mandates than others. For their part, the capacity of the university administrations to develop new paradigms was constrained by their consensus-based decision-making process. Any new COU policy proposal that threatened the formal equality of each university had the potential to fracture COU and to leave the individual universities to fend for themselves against government. Thus the institutional bases of the paradigm that were established in the 1960s – the operating grants formula, the university statutes, and the structure of the policy network – reinforced its ideational basis and made it difficult for either side to quietly revise the paradigm at an acceptable political cost.

The failure of efforts to achieve change within the established paradigm can be attributed to many contingent factors, but I will argue that a common theme was the lack of institutional capacity. We saw that one of the universities' reasons for creating COU in the 1960s was to manage their own affairs in a way that would discourage the government from creating a strong ministry. The effect was apparent when governments in the 1990s attempted to determine whether universities could operate more efficiently without reducing their core functions. Neither the ministry nor the OCUA had the expertise to fully plumb this question, and the device of creating *ad hoc* advisory committees to do so fell short when governments significantly underestimated the time and resources that would be required to provide a well-considered answer. For their part, the universities staked much of their argument for additional resources on the need to maintain or increase educational quality, but they did not have an agreed understanding of what quality was or the expertise to gather information to support their claim. The efforts of the universities to mount campaigns to sway public opinion were hampered by limited resources and a desire for short-term results that could not in practice be realized.

Hemmed in by the established paradigm, and without the institutional capacity to

sway public opinion, governments and universities battled to a standstill on funding issues during the period under study. To maintain funding while reducing spending, governments turned to the device of raising tuition fees – where the paradigm’s guidance was less explicit and there were more opportunities for change at an acceptable political cost. The change in students’ and government’s contribution to university funding was a substantial new policy direction in the 1990s, and I return to it in chapter 7.

### **What happened to university funding between 1985 and 2002?**

The key policy output that forms the basis for this chapter is that total operating funding per student at Ontario universities, adjusted for inflation, remained approximately constant throughout the period under study. The exceptions are two significant temporary cuts in total funding in 1993 and 1996, each of which was followed by a 1-2 year period during which funding returned to more normal levels.

#### ***Focussing on total operating funding per student, adjusted for inflation***

The principal concern of this chapter is the change over time in *total operating funding per student from the provincial government’s operating grants and students’ tuition and fees, adjusted for inflation*. For simplicity, I will often use the phrase “total funding per student” as a short term for this concept.

Conceptually, total operating funding is defined as the total revenue available to the university for purposes of carrying out its normal operations, such as educating its students. In accounting terms, I define it to include revenues from provincial government operating grants, students’ tuition fees and miscellaneous fees paid by students for operating purposes, subtracting any amounts that the government requires universities to set aside for student aid. Operating grants and tuition fees are included for reasons that are self-evident. Miscellaneous fees paid by students that are attributed to a university’s operating account are included because they contribute to the resources available to the university to enhance students’ learning experience, either in or outside of the classroom.<sup>170</sup> The amounts that

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<sup>170</sup>Examples are athletic fees, technology fees, and charges for overdue payments. The calculations do not include miscellaneous fees that are attributed to the ancillary accounts of the universities, such as charges for parking, residence and food services. They also do not  
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governments require universities to spend on student aid are subtracted as these are not available for the universities' own purposes.<sup>171</sup>

This measure of funding is of interest for two reasons. First, change in total funding per student is a proxy for whether the resources to educate a student increased or decreased and is therefore commonly seen as an indicator of whether the quality of students' education increased or decreased. It is, of course, a highly imperfect indicator of quality. Quality in university education is not easily defined or measured, and the relationship between funding and quality depends in part on how the funding is used.

Secondly, operating revenue from the provincial ministry's operating grants, tuition and miscellaneous student fees is of interest because it is controlled or regulated by the provincial government – and so is most germane to a study of government-university relations – and because it accounts for the lion's share of the revenues available to educate students.<sup>172</sup>

It is reasonable to expect that, over a multi-year period, total university funding per student, adjusted for inflation, will change in accordance with the desire of the provincial government to see this funding increase or decrease. The provincial government directly controls the amount of university operating grants from year to year; it regulates (or has the

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<sup>170</sup>(...continued)

include fees collected on behalf of student governments. For a fuller definition, see Council of Financial Officers - Universities of Ontario (2001), I, 9.

<sup>171</sup>Whether universities spent this money because it was a government requirement or because it was consistent with their internal priorities is open to debate. For example, in 2002-03 universities spent \$298 million in operating revenues for "scholarships and bursaries," significantly more than the government's requirement that they spend \$129 million on income-related financial aid. (Council of Ontario Universities 2004, 51)

<sup>172</sup>For example, in 1999-2000 it accounted for 92 per cent of universities' general expendable operating revenue. The remaining 8 per cent of general expendable operating revenue is received from investment income, other Ontario government ministries, donations, federal and municipal governments, and other smaller sources. Separate accounts are maintained where revenue is restricted to a specified activity, such as ancillary revenues, sponsored research, trust accounts, capital and endowment funds. (Council of Financial Officers - Universities of Ontario (2001), I, 24).

capacity to regulate) the tuition fees and other fees paid by students; and it is aware of changes in prices as reflected in common measures of inflation.

The provincial government does not directly control the number of students enrolled and so does not control the denominator in the calculation. Universities may face enrolment increases that were not foreseen when provincial funding decisions were made. Even in this case, the government can make retrospective adjustments to funding when enrolment growth differs from expectations, or it can adjust grants in a subsequent year to make up for unfunded increases in enrolments.

Subject to this caveat, we can expect that over a multi-year period university funding per student will be an expression of provincial government policy. Later in this chapter we will also consider how the provision of capital funding to universities changed during the period under review.

***Documenting the change in total operating funding per student***

Table 5.1 shows the change in university funding per student from 1985 to 2002 using two measures of inflation. It also shows the decreasing share of total funding that came from government, as governments reduced grants and authorized higher tuition fees.

**Table 5.1: Some measures of total university funding, 1985-86 to 2002-03**

|           | Total funding per FTE student, in constant dollars |  |   |  | Share of total funding derived from provincial operating grants (per cent) |
|-----------|--|--|---|--|--|
|           | adjusted for inflation using Ontario CPI           |  | adjusted for inflation using average Ontario public sector wage settlements |  |  |
|           | index (2002-03 = 100.0)                            | change during the government's term (per cent) | index (2002-03 = 100.0)   | change during the government's term (per cent) |  |
| 1985-86   | 101.6  | -0.5   | 101.3   | -3.7   | 79.0   |
| 1986-87   | 101.5  |  | 100.7   |  | 79.2   |
| 1987-88   | 102.0  |  | 101.4   |  | 79.9   |
| 1988-89   | 100.9  |  | 100.0   |  | 79.3   |
| 1989-90   | 100.4  |  | 98.7  |  | 78.9   |
| 1990-91   | 101.1  |  | 97.5  |  | 78.2   |
| 1991-92   | 100.2  | -0.1   | 96.4  | +1.5   | 77.3   |
| 1992-93   | 102.6  |  | 97.2  |  | 75.8   |
| 1993-04   | 98.6   |  | 94.6  |  | 72.9   |
| 1994-95   | 100.9  |  | 96.7  |  | 71.1   |
| 1995-96   | 101.0  |  | 99.0  |  | 69.0   |
| 1996-97   | 94.6   |  | -0.9  |  | 93.9   |
| 1997-98   | 95.4   | 95.8   |   | 61.3   |  |
| 1998-99   | 100.0  | 100.0  |   | 59.2   |  |
| 1999-2000 | 102.0  | 102.5  |   | 56.9   |  |
| 2000-01   | 102.4  | 103.1  |   | 56.6   |  |
| 2001-02   | 99.1   | 100.0  |   | 54.4   |  |
| 2002-03   | 100.0  |  | 100.0   |  | 53.3   |

For sources and methodology, see Appendix 2.

I believe the best interpretation of these data is that *total funding per student was approximately constant for most of the period under study, with the exception of significant temporary cuts in total funding 1993 and 1996, each of which was followed by a 1-2 year*

*period during which funding returned to more normal levels. By 2002, total funding per student, adjusted for inflation, was about 1½ per cent lower than in 1985. Significant increases in contributions from students offset reduced government grants.* The major story in these data is one of continuity in total funding – barring the two exceptional periods I have noted – achieved by replacing a large portion of government grants with higher tuition fees.

### ***The political meaning of financial data***

To say that there was continuity in total funding per student for most of the period 1985 to 2002 is a limited claim. It is not a claim about how funding compared to the period when the paradigm was established. (As we saw in chapter 4, funding per student declined by about 23 per cent between 1970 and 1983.) It is not a claim about whether funding was competitive with other provinces or other countries. (Ontario had the lowest government grants per student of any province by the end of the period, and the third-highest regulated tuition fees.<sup>173</sup>) It is not a claim that funding was adequate; indeed, we will see that throughout this period governments and universities floundered in their attempts to prove whether universities did or did not have enough funding to do the job that was expected of them.

Even to claim that funding per student kept up with inflation raises contentious issues, since many universities believed that their cost inflation exceeded inflation as measured by the Consumer Price Index. Politically this dispute had no meaning: it was a technical issue that found no audience in a public debate dominated by deficit management, accessibility, higher tuition fees, and mounting student debt. It nevertheless raised some important issues in university finance, to which we briefly turn.

### ***A note on measuring inflation in university operating costs***

In Table 5.1, I show two ways to define and measure inflation as it relates to university funding. One approach is to define inflation as changes in the Ontario Consumer Price Index. Salaries, wages and benefits account for about 70 per cent of university operating expenditures. The Consumer Price Index is used on the premise that the living

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<sup>173</sup>COU (2004b), tables 2.3 and 5.3.

standards of university employees, as a group, should reasonably expect to keep pace with inflation and to reflect any productivity improvements in the university sector.<sup>174</sup>

Alternatively, one can argue that the living standards of university employees, as a group, should keep pace with those of other public sector employees. This means measuring inflation against a benchmark such as the change in Ontario public sector wage settlements for unionized employees. Using this measure makes little difference to the overall change from 1985 to 2002, but it changes the timing of some of the peaks and valleys in the intervening years. Public sector wage settlements outpaced inflation in the late 1980s and early 1990s and lagged inflation in the mid-1990s. By 1996 these two effects had balanced out, and so from 1996 onwards there is little difference between the two measures.

Three other arguments about university inflation are sometimes made to show that cost inflation in universities should be expected to be higher than that in the general economy. To apply these arguments to the present case would require data collection and analysis that is beyond the scope of this thesis, but they are worthy of further study.

The first argument is that, as faculty members' average number of years of experience increases, salaries will tend to rise more quickly than CPI inflation. As in many fields of employment, full-time university faculty receive increases based on a salary grid as well as increases for inflation. If the distribution of faculty on the grid is constant, then the cost of progression through the grid is self-funding, as senior faculty retire and are replaced by junior faculty. Cameron has shown that this was not the case in Canada from the mid-1970s to the mid-1980s, as the large cohort of faculty hired in the 1960s reached mid-career, and he estimates the net cost of progression through the grid at one per cent or more of

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<sup>174</sup>A refinement would be to adjust CPI to reflect the unique basket of non-salary goods and services that universities purchase. Ontario universities have developed an Ontario University Non-Salary Price Index (OUNSPI) to track their non-salary inflation costs. Two versions of this index are available for the period of this study. In the 1993 version, OUNSPI rose by 50.0 per cent from 1985-86 to 1999-2000, while in the 2002 version, OUNSPI rose by 54.7 per cent in this period. Both of these are close to the increase in Ontario CPI (49.4 per cent), so I have not made this adjustment. (Council of Ontario Universities 2001, Appendix D; Council of Ontario Universities 2004a, Appendix D)

faculty salaries annually<sup>175</sup> (equal to about 0.3 per cent of operating expenditure). Applying this argument to the period 1985 to 2002 in Ontario risks circularity, since many Ontario universities introduced early retirement incentives and replaced full-time faculty with part-time or contract faculty, partly in response to changes in funding. As well, the argument is time-limited in the sense that average faculty years of experience cannot rise in perpetuity: eventually the average stabilizes or declines. Nevertheless, it is important to note that the combination of faculty demographics and long-term salary commitments may cause some universities to experience supranormal salary inflation that must be funded by seeking higher revenues or by reducing other expenditure.

A second argument is that unit costs of production in a service industry with limited access to technology gains will rise more quickly than unit costs in the economy as a whole, since the industry must pay competitive wages even though its rate of productivity improvement is lower than that of the economy as a whole. This phenomenon – known as “Baumol’s disease” – was first described with respect to the performing arts and subsequently extended to health care and education.<sup>176</sup> To analyze the effect of this phenomenon on Ontario universities would require data on both the volume and the quality of universities’ outputs – in instruction, research and service – over time.

A third argument is that in recent years demand from private firms, seeking gains from new technologies and improved management, has caused a secular upward shift in the wages of knowledge workers relative to those of other workers, driving up universities’ costs more so than those of other employers. To analyze the effect of this shift would require careful specification of the relevant labour market (or markets). For example, some faculty are highly mobile geographically and are in high demand from non-university employers, while others are less so.

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<sup>175</sup>Cameron (1991), 397.

<sup>176</sup>Baumol and Bowen (1966), Baumol (1996).



***Other literature on total operating funding per student***

Seven recent studies have examined the change in total funding per student in the late 1980s and 1990s.

Four of these studies have come to a conclusion similar to the one reported in Table 5.1, based on similar analysis, albeit in some cases for a shorter time period.

- Calculations for the period 1990-91 to 1999-2000 were published by the Task Force on Investing in Students. The Task Force used a slightly broader definition of operating revenue than is used in Table 5.1, including Ontario operating grants and contracts, tuition, incidental and miscellaneous fees, federal and municipal grants, donations, investment, miscellaneous and other income. The Task Force found that “on a per-student basis, in constant dollars (using Ontario CPI), revenue per student has remained flat over the decade,” declining by 0.1 per cent.<sup>177</sup>
- The submission of the Council of Ontario Universities to the Task Force came to a similar conclusion: “when one combines provincial grants, tuition and all other income together, the funding per student has decreased from \$12,067 in 1990-91 to \$11,869 in 2000-01 (expressed in 2000-01 dollars) – a real decrease of 1.6 per cent” over the ten-year period.<sup>178</sup>
- Taking into account operating grants and net tuition only, COU has found that revenue per full-time equivalent enrolment, adjusted for CPI inflation, fell by 5.0 per cent from 1987-88 to 2002-03,<sup>179</sup> somewhat larger than the 2.0 per cent reduction for the same period shown in Table 5.1
- Another set of calculations, again using COFO-UO data, was carried out by Hugh Mackenzie and Mark Rosenfeld. This study found that “[o]ver the 1990-1 to 2000-1 period, the cuts in grants were almost exactly balanced by increases in student tuition” after correcting for changes in enrolment and inflation. However, the

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<sup>177</sup>Task Force (2001), 3 and Appendix 1, Table 3.

<sup>178</sup>Quoted in Task Force (2001), 3.

<sup>179</sup>Council of Ontario Universities (2004b), Table 1.2.

government requirement that a portion of tuition increases be set aside for student aid meant that the actual revenue available to universities declined by about \$170 per student between 1990-91 and 2000-01. This is equal to a reduction of about 1.4 per cent after correcting for inflation, enrolment growth and the mandatory set-aside.<sup>180</sup>

COU's Committee on Enrolment Statistics, Projections and Analysis used a different methodology from the studies cited above and reached a different conclusion. CESPA computed the change in revenue from ministry operating grants and fees over time, adjusted for the mandatory set-aside, but it excluded from revenue grants under the Access to Opportunities Program (apparently because a portion of these were not ongoing grants). Using this methodology, CESPA found that operating revenue from ministry grants and fees per student, expressed in constant 2000 dollars, fell from \$11,299 in 1987 to \$10,384 in 2000 – a decrease of 8 per cent.<sup>181</sup>

Another report published by COU drew attention to methodological problems in collecting comparable data over a multi-year period but did not draw a conclusion about changes in funding. The caveat concludes:

Readers who wish to compare COFO-UO data over a number of years should exercise caution – a significant amount of what might appear to be increased operating revenue and the associated expense is little more than recategorizing from other funds and/or reflective of changed financial reporting.

The document does not attempt to record all of the methodological changes or to estimate what their net effect would be. It does not provide an alternative set of calculations of the change in funding per student over time.<sup>182</sup>

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<sup>180</sup>Mackenzie and Rosenfeld (2002), 3, 8 and Figure 3; quotation at 3.

<sup>181</sup>Committee on Enrolment Statistics, Projections and Analysis (2001), Table 11.

<sup>182</sup>Some examples:

- Changes in reporting guidelines in 1998-99 mean that some revenue formerly reported as non-credit tuition payments is now included in the category of tuition fees.
  - Some restricted revenue that was formerly reported as Trust and Endowment revenue
- (continued...)

A study by Statistics Canada (2003) found that, nationwide, total funding per student increased by 8.4 per cent over the period 1986-87 to 2000-01. The study does not provide separate data for Ontario. The study noted that large universities – defined as the fifteen largest in Canada as measured by 2000-01 revenues – experienced a greater-than-average increase, while the fifteen smallest institutions in the survey experienced a small decline.

The preponderance of this literature supports my finding that university funding per student, adjusted for inflation, remained approximately constant during the period under study, with the exception of the two periods that began in 1993 and 1996.

### *The effect of federal transfer payments*

An important backdrop to this analysis of provincial funding is the shifting level of federal transfer payments to the provinces for postsecondary education. From 1967 to 1977 the federal government encouraged the growth of postsecondary education across Canada by paying provinces an amount equal to 50 per cent of all operating costs. The decision of the federal government in 1977 to roll together federal transfers for postsecondary education, hospital insurance and medical care into a single transfer payment, calculated based on population and economic growth rates, had the effect of distancing the federal government from actual program costs, removing the distortions inherent in cost-sharing, and transferring to the provincial level most of the debate about funding adequacy. Provincial governments were free to spend Established Programs Financing transfers as they wished (subject to certain conditions under the 1984 *Canada Health Act*). For this reason I call these transfers a backdrop: they are suggestive of the level of federal support for postsecondary education, but there was no automatic linkage between changes in federal support and actual provincial

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<sup>182</sup>(...continued)

- is now reported as operating revenue, “to support such expense items as endowed chairs, scholarships and government sponsored matching programs.”
- At one university medical school, \$45-50 million that was formerly paid directly by the Ministry of Health and Long-term Care to physicians (and hence excluded from the university’s revenues) is now paid to the university.
  - Some government programs (and their private sector matching components) provide one-time funding that is not available on an ongoing basis.
- See Council of Financial Officers of the Universities of Ontario (2001), I, x-xii.

grants to universities.<sup>183</sup>

Table 5.2 shows the level of federal cash transfers to Ontario that were notionally provided for postsecondary education from 1985 to 2002.<sup>184</sup> To assess the adequacy of these transfers, the table also shows the federal transfers as a share of provincial operating grants to universities, and it shows the federal transfers per university student in constant dollars.<sup>185</sup>

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<sup>183</sup>For a review of this history, including Canada-wide data, see CAUT (2001), 5-7.

<sup>184</sup>In establishing EPF, the federal government agreed to transfer a certain number of personal and corporate income tax points to the provinces. Revenues from these tax points are used in the calculation of EPF cash transfers. The federal government deems that the tax point revenues should be counted as ongoing transfers from the federal government. Many analysts disagree and focus on cash transfers only, as I do here.

<sup>185</sup>These measures overstate the adequacy of federal funding by focusing on universities only. The federal transfer program in place from 1967 to 1977 – which EPF replaced – cost-shared all forms of postsecondary education, including universities, colleges, teachers' colleges, and a portion of Ontario's Grade 13. See Fleming (1971), II, 391.

**Table 5.2: Federal cash transfer payments to Ontario for postsecondary education, 1985-86 to 2002-03**

|           | Amount (\$ million) | As a share of MTCU operating grants to universities (per cent) | Per FTE university student, in constant 2002 dollars |
|-----------|---------------------|--|--|
| 1985-86   | 792.3               | 64%  | 6,065  |
| 1986-87   | 805.0               | 61%  | 5,852  |
| 1987-88   | 782.0               | 54%  | 5,210  |
| 1988-89   | 775.9               | 50%  | 4,742  |
| 1989-90   | 790.2               | 47%  | 4,427  |
| 1990-91   | 824.9               | 45%  | 4,247  |
| 1991-92   | 923.9               | 47%  | 4,367  |
| 1992-93   | 985.0               | 49%  | 4,525  |
| 1993-04   | 990.2               | 53%  | 4,503  |
| 1994-95   | 960.3               | 52%  | 4,412  |
| 1995-96   | 916.0               | 50%  | 4,157  |
| 1996-97   | 567.0               | 37%  | 2,579  |
| 1997-98   | 311.1               | 20%  | 1,393  |
| 1998-99   | 242.9               | 15%  | 1,071  |
| 1999-2000 | 383.2               | 23%  | 1,608  |
| 2000-01   | 439.1               | 25%  | 1,749  |
| 2001-02   | 772.2               | 45%  | 2,851  |
| 2002-03   | 860.4               | 46%  | 2,884  |

Notes: (1) Amounts are shown in the year to which they are attributed, which may differ from the year when they were actually paid. Amounts for 2001-02 and after are subject to revision by the federal government as data are re-estimated. (2) EPF and CAP were merged into the CHST in 1996-97. There is no standard method for apportioning the CHST among health care, social assistance and postsecondary education. The method used in this table is to pro-rate the total CHST in the same proportion as the CAP and EPF in 1995-96. Source: COU (1997), table 2, and COU (2004b), table 1.3. Calculations of share of MTCU grants and per-FTE amounts by the author.

During the period of the provincial Liberal government, federal transfers in nominal dollars were roughly constant. The rapid growth in university enrolments and in inflation during this period was not supported by increases in EPF, and so federal transfers fell as a

share of provincial grants to universities and on a per-student basis.

During the period of the New Democratic government, federal cash transfers for postsecondary education grew in nominal dollars but were roughly constant as a share of provincial grants to universities and on a per-student basis. This period is a primary example of how a narrow focus on federal transfers for postsecondary education misses important federal decisions that reduced the provincial government's ability to fund all programs, including universities. Fearing the likely costs of the provincial Liberal government's social assistance reforms in 1989, the federal government introduced a 5 per cent cap on year-over-year growth in cost-sharing payments to the three richest provinces under the Canada Assistance Program. As the recession of the early 1990s took hold, this "cap on CAP" restrained federal cost-sharing at a cost to Ontario of \$1.7 billion annually by 1994-95. This restraint – coupled with the ongoing effect of federal economic policies – helped trigger deficit-reduction strategies that included reductions in university operating grants.<sup>186</sup>

The largest effects of federal changes can be seen during the first three years of the Progressive Conservative government, when deficit reduction measures announced in the 1995 federal budget came into effect. EPF and CAP were consolidated into the Canada Health and Social Transfer (CHST) in 1996, and funding was reduced. Total cash transfers to Ontario from EPF, CAP and the CHST fell from \$7.9 billion in 1995-96 to \$4.5 billion in 1998-99. By 1998-99, federal cash transfers for postsecondary education accounted for only 15 per cent of provincial grants to universities (which themselves had been significantly reduced in 1993 and again in 1996). This situation improved starting in 1999 as the federal government, in response to provincial pressures that focused on the rising cost of health care, increased cash transfers and terminated the effects of the cap on CAP. By 2002-03, federal transfers had returned to 46 per cent of the value of provincial grants to universities.

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<sup>186</sup>Ontario Minister of Finance (1994), 101. An additional problem faced by the New Democratic government was that the unusual economic conditions made it difficult for federal officials to accurately estimate provincial entitlements under transfer programs and tax collection agreements. Overpayments to Ontario in the early part of the decade needed to be repaid in subsequent years. Table 5.2 shows entitlements in the year to which they are attributed, regardless of the year in which they were actually paid.

Nevertheless, they were less than half as much per university student as in 1985, in constant dollars.

### **The Liberal government**

The persistence of the Access and Equality Paradigm can be seen throughout the Liberal government's interactions with universities on funding issues. During the period 1985 to 1990, the universities adopted strategies to achieve higher funding per student that are consistent with the punctuated-equilibrium model: they attempted to engage newly-elected political actors, and they carried out two public opinion campaigns to elevate the plight of universities on the public agenda. Yet we will see that the consistent driver of government behaviour during this period was the need to expand university funding in order to accommodate growing enrolments – both planned and unplanned. While universities briefly threatened to restrain enrolment growth in order to prevent per-student funding levels from being reduced, their normal behaviour was to pursue higher revenues by expanding their enrolments. The government during the late 1980s tied a share of its funding to its own objectives – rather than simply increasing discretionary operating grants – but its efforts were intermittent and did not reflect a distinctive alternative to the dominant paradigm.

Two developments during this period appear to be at variance with the Access and Equality Paradigm. The first – the success of the universities in changing the funding formula to a so-called “corridor system” – appears to have laid the ground for universities to be funded through block grants that were not enrolment-driven. Over time this might have led to a university system with large inequalities in funding per student (and during the 1990s it eventually did). But we will see that, during the life of the Liberal government, corridor funding had little effect on the Access and Equality Paradigm, since the government added more funding on an equal per-student basis as enrolments grew.

The second development – the creation of a Research Overhead and Infrastructure Envelope (ROIE) – was a rare case where the consensus-based decision-making processes of COU worked to create a nascent alternative to the dominant paradigm. Ministry staff recommended the creation of the ROIE as part of a compromise between two factions within COU – one wanting to redress a funding inequity from the 1970s, and the other wanting financial support for the costs of university research. By agreeing to accept each other's

case, they persuaded the government to fix an inequity that could not be justified under the Access and Equality Paradigm, and they also planted the seed for a new paradigm that might eventually challenge the dominant paradigm.

***Seeking higher funding from newly-elected political actors***

The May 1985 election, leading in June to the formation of a minority Liberal government with the support of the New Democratic Party, created enormous optimism within COU that the caution and tight-fistedness that many saw in the Progressive Conservative government would finally come to an end. Monahan reports that “[u]niversity matters were not an election issue. However, in opposition, the Liberals had been critical of the government for its failure to fund universities adequately and had made a commitment to change this.”<sup>187</sup>

Yet in his first budget that October, Treasurer Robert Nixon announced that increases in basic operating grants and tuition fees for 1986-87 would be held to 4 per cent – in a year when inflation was forecast at 4.4 per cent. “Inflation has stabilized and this should be reflected in public sector salaries and other costs of operation,” he argued. “We have to manage our limited resources carefully and target resources for emerging priorities.”<sup>188</sup>

The sole nod to universities’ claims of underfunding was the creation of a University Excellence fund – \$50 million in one-time funding targeted to updating student and library equipment, supporting universities that had shown leadership in research, and renewing the faculty.<sup>189</sup> While these priorities were in line with the recommendations of the Bovey Commission appointed by the previous government, the decision to target funds for specific purposes departed from the established practice of seeking OCUA’s advice on university priorities. An indicator of the surprise in the university system at this new direction is the Ontario Confederation of University Faculty Associations’ proposal to OCUA that the University Excellence Fund should be available for general university operations and that the

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<sup>187</sup>Monahan (2004), 140.

<sup>188</sup>Ontario Treasurer and Minister of Economics (1985), 8.

<sup>189</sup>Gregory Sorbara, statement to the Legislative Assembly, October 17, 1985, cited in Royce (1998), 176.



Minister's comments about targeting the money "would then have status as suggestions to the institutions, rather than mandatory requirements."<sup>190</sup>

During these first five months in office, the Liberals began to set the tone for government-university financial relations during their tenure – characterized by frugality, a concern for unwarranted public sector pay increases, and a willingness to use targeted initiatives that directed new spending to priorities defined by government.

***Mobilizing public support for higher funding***

The Liberals' new direction left the universities divided. Some were pleased with the new funding – noting that the increase in base funding plus the University Excellence Fund provided a total increase of 8 per cent, similar to the increase for health care. Others were unhappy that no commitment had been made to address more adequately the effects of previous shortfalls in ongoing operating grants. The division threatened to fracture COU, and the chair felt the need to write to his colleagues asking them to inform COU if they intended to take a lobbying position that differed from the COU consensus position. "Formation of the new government presented us with unexpected opportunities, yet ironically the beginning of 1986 finds us in greater disarray than even the long-timers among us can recall," he wrote, adding that the current moment was a "low point in the history of our collective efforts."<sup>191</sup>

To heal the breach, the university presidents agreed to ask Public Affairs Management (PAM), a consulting firm with Liberal connections, in consultation with a task force of university presidents, to devise a plan for achieving higher funding in the 1986 Budget.<sup>192</sup>

The task force recommended that COU accept the Liberal approach to targeted funding as the price of gaining the new resources that universities needed. It proposed that "[t]he universities [should] accept the government's desire to forge a new university/

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<sup>190</sup>Letter from B. Jones to M. Paikin, December 2, 1985, COU Arch. MF97.

<sup>191</sup>Memorandum from Alan Earp to executive heads, January 6, 1986, COU Arch. MF 97 .

<sup>192</sup>COU Executive Committee, Minutes, November 1, 1985, COU Arch. MF97 .

government/ industry partnership, while continuing to stress their fundamental role in education and basic research.” It added: “The universities recognize that increased funding over a minimal base will for the foreseeable future come in a targeted form.”<sup>193</sup>

Coupled with this recommended political strategy was a communications strategy to influence the Liberal government’s first full Throne Speech and the 1986 Budget. PAM recommended a high-profile public awareness campaign stressing the effects of underfunding and seeking to link government funding to the levels provided by other provinces – in effect, revising the dominant paradigm to include a clear measure of whether educational quality in Ontario was keeping pace with that in other provinces. An elaborate campaign of publications, tours and events was proposed.<sup>194</sup>

The university presidents accepted PAM’s proposed communications plan “with varying degrees of enthusiasm.”<sup>195</sup> The following weeks saw a hectic period of preparation followed by a ten-day schedule of public meetings in cities across the province. These meetings triggered a wave of newspaper editorials sympathetic to the universities’ cause. Treasurer Robert Nixon remarked on the campaign when university presidents met with him in March, but he made no commitment in response to their funding requests.<sup>196</sup>

The 1986 Budget proved a disappointment to the university presidents. It simply repeated the funding commitment announced the preceding fall. The only additional comfort offered to universities was that they would benefit from some of the research funding provided in the government’s \$1 billion Technology Fund.<sup>197</sup> As a partial accommodation to the universities, Minister Sorbara announced two weeks later that the Faculty Renewal

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<sup>193</sup>The text adds: “ARE WE AGREED ON THIS APPROACH?” “Report of Executive Heads Task Force C to Council”, December 6, 1985, COU Arch. MF126 .

<sup>194</sup>Memorandum from R. McGregor to E. Monahan, G. Clarke and W. Sayers, January 3, 1986, COU Arch. MF 126 .

<sup>195</sup>COU Council minutes, January 19-20, 1986, COU Arch. MF126, file 18/7/2.

<sup>196</sup>COU Council minutes, undated [after March 17, 1986], COU Arch. MF126, file 18/7/2 .

<sup>197</sup>Ontario Treasurer and Minister of Economics (1986), 6.

component of the University Excellence Fund – originally a one-year allocation and so at odds with its objective of long-term faculty renewal – would be extended to a multi-year program. Even here, Minister Sorbara added two new government objectives for the money: the universities were required to use it to improve the percentage of women in the faculty and to increase the opportunities for young Canadian scholars.<sup>198</sup>

The outcome of this effort to attract public attention to issues that were normally managed within the policy network was disappointment and frustration. PAM urged COU members to continue and expand their efforts to mobilize public opinion, with a view to affecting the 1987 Budget. But when COU members met in late May 1986, some members expressed unease about COU “adopting as strong an adversarial role as was advocated,” and the matter was referred to a committee where it languished.<sup>199</sup>

***Threatening the dominant paradigm***

Instead, four university presidents and the executive director of COU met with Minister Sorbara and senior ministry officials in July to assess the situation. The university presidents argued that a 4 per cent increase in basic grants for 1986-87 and again in 1987-88 was “inadequate,” even taking into account the additional University Excellence Fund.

Minister Sorbara said that a stable and adequate base funding was his objective. According to a note taker:

[Sorbara] noted, however, that the Treasurer had only limited funds available; that recent cutbacks in federal spending are a cause of major concern; that there are many competing voices around the cabinet table; that the universities are perceived in some quarters within cabinet and the senior civil service as still relatively well off; that arguments for additional funds to provide catch-up for underfunding in the base are frequently not well received because additions to base support do not appear attractive to government since there is no perceived immediate political pay-off; that the universities should present

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<sup>198</sup>G. Sorbara, “Speaking Notes,” May 26, 1986, COU Arch. MF 97 .

<sup>199</sup>COU Council minutes, May 28, 1986, COU Arch. MF 126 file 18/7/2.

their case for additional funding by emphasizing what things they (can) do that will be of benefit if more funds are available to them.<sup>200</sup>

Faced with this comprehensive list of reasons for not increasing funding, the university presidents told Minister Sorbara that frustration levels were rising and “unless some relief is obtained for 1987-88, consideration would likely be given to reducing enrolments.”<sup>201</sup> In other words, the universities turned to their apparent point of leverage: their ability, through their control of enrolments, to stand in the way of the government’s promise of a place in postsecondary education for every willing and qualified student.

***Redressing inequalities, seeding a competing paradigm***

As a partial response, Minister Sorbara announced in November 1986 that \$50 million annually in additional funding would be provided to “acknowledge the fact that universities appreciably expanded their instructional and research activities with inadequate incremental base funding.”<sup>202</sup>

The use of this additional \$50 million reflected a compromise between the dominant Access and Equality Paradigm and a nascent paradigm of funding based on success in competitively-based research grants. At the urging of ministry staff, and on the advice of OCUA, half of the funding was used to redress in part the effects of the decision in the late 1970s to fund enrolment growth at half the normal grant – a decision that over time had created significant deviations from the Access and Equality Paradigm. By 1986-87, the group of universities that had grown the most in the 1970s – Brock, Laurentian, Trent, Wilfrid Laurier and York – were each receiving 5 to 18 per cent less funding per student than the system average. Another group – Guelph, Lakehead, Queen’s, Toronto, Waterloo and

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<sup>200</sup>Memorandum from E. Monahan to COU executive committee, July 24, 1986, COU Arch. D3 R10.

<sup>201</sup>Memorandum from E. Monahan to COU executive committee, July 24, 1986, COU Arch. D3 R10.

<sup>202</sup>OCUA (1987), 171-173.

Western – were each receiving 0.2 to 5 per cent more funding than the system average.<sup>203</sup>

The effect of the additional funding was to ensure that no university was more than 7 per cent below the system average. Implicitly the government reaffirmed the importance of equality, even though it did not fully rectify the problem.

The other half of the \$50 million was allocated to universities that succeeded in winning peer-reviewed research grants from the federal government – the first recognition of a funding paradigm that was not based on enrolment growth and accessibility. The beneficiaries were universities that chose not to grow in the late 1970s and instead began to take on a more resource-intensive research mission, expanding their research infrastructure at some cost to undergraduate instruction.<sup>204</sup>

While this research infrastructure funding laid the foundation for a competing paradigm, the affected universities argued for it based on the Access and Equality Paradigm. “This increase in university research efforts,” said McMaster University, “also tended to prejudice undergraduate instruction.”<sup>205</sup> In other words, ran the argument, a government that wished to see equal quality in instruction for every student should fully compensate universities for their high research costs, so that research did not come at the expense of instruction. The universities with resource-intensive research programs supported the compromise as a way of restoring the principle of equality while at the same time planting the seed of a new paradigm from which they might benefit in future years. In chapter 8 we will explore in more detail the rise of this research-related paradigm of university funding.

A final effect of this compromise is worth noting: By offering funding to address the

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<sup>203</sup>These calculations of base operating income per basic income unit were performed by the administration of York University and are cited in Stenton (1992), 347-348. In addition, Carleton was 4.6 per cent below the system average and Windsor was 14.4 per cent above.

<sup>204</sup>These universities are often referred to as “research-intensive.” This phrase is contentious, in that it suggests that their faculty devote more time to research than do faculty at other universities, or even that their research productivity is higher or of superior quality. I prefer the phrase “universities with resource-intensive research programs,” since it focuses on the undisputed fact that some universities face higher research costs than others, especially if they have large research programs in the natural sciences and health sciences.

<sup>205</sup>Quoted in Stenton (1992), 347.

effects of past decisions to expand both instruction and research, and by accepting the advice of ministry staff and OCUA to split the funding 50-50 between these two problems, Minister Sorbara helped to maintain COU as a viable organization. The government's short-term objective was to maintain the cooperation of all universities in meeting an unexpected surge in student demand. A decision to satisfy one side of COU while ignoring the other would almost certainly have reduced the ability of COU to reach consensus in the short term, and might have had long-term consequences for the effectiveness of the organization.

***Seeking funding for unplanned growth***

The universities' threat to reduce enrolments in 1987-88 took place in an environment where there was no expectation of sustained growth in future enrolments. The number of 18- to 24-year-olds in the population began to fall after 1983 (and would continue to fall until the late 1990s). Universities that had decided in the late 1970s that their self-interest would lie in expanding research rather than expanding enrolments did not wish to see funding growth tied exclusively to enrolment growth. Looking to the future, the OCUA could see a possible temporary bulge in enrolments in September 1988 – when government reforms to secondary education would make it possible for university-bound students to graduate in twelve years rather than thirteen – but in subsequent years it foresaw no enrolment growth at all.<sup>206</sup>

Based on this hazy outlook for future enrolments, OCUA recommended in December 1986 a major change to the funding formula, adapted from an earlier recommendation of the Bovey Commission. Universities would be funded for their existing enrolments, within a “corridor” of plus or minus 3 per cent. In other words, a university's funding would remain constant provided that its enrolment remained within this corridor. If a university wished to expand enrolments above its corridor, it would need to negotiate with the government for additional funding. OCUA saw this new formula as achieving four aims:

- protecting institutions' funding from the impact of the actions of other institutions
- reducing the incentive for institutions to use growth only for the purpose of increasing their share of total operating grants

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<sup>206</sup>OCUA (1987), 178.

- providing the opportunity for quality considerations as well as for quantity considerations in academic decisions; and,
- reducing short-term variations in funding which may result from fluctuating enrolment patterns in future years.<sup>207</sup>

The introduction of corridor funding was potentially the most significant change to university funding since 1967 – diminishing the centrality of the Access and Equality Paradigm, and heavily revising the funding formula that had served to reproduce the paradigm over time. It formally authorized universities that so chose to exempt themselves from planning for any future enrolment growth; it recognized academic quality as an objective that was not adequately rewarded in earlier versions of the funding formula (although it did not define quality); and it implicitly criticized (unnamed) universities for admitting students for the primary purpose of increasing their government grants.

OCUA's recommendations were developed following extensive consultations with the universities and with much informal involvement of senior government staff. In accepting the recommendations, the Liberal government acknowledged the tensions between the Access and Equality Paradigm and stability in funding per student and chose to make stability a more prominent objective in university funding.<sup>208</sup>

The potential significance of this policy shift, however, was quickly put on hold. Almost as soon as the government agreed to accept these changes to the funding formula, application data showed that the number of students applying to attend university in September 1987 had unexpectedly jumped by 7 per cent. Minister Sorbara immediately put the universities back on the path of planning for future enrolment growth. In March 1987, he asked OCUA to provide advice by the end of April on how new funding for enrolment growth should be allocated. He acknowledged that enrolments might see a temporary bulge due to secondary school reform, and he noted the need to increase opportunities for adults,

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<sup>207</sup>OCUA (1987), 157.

<sup>208</sup>A similar interpretation appears in Stenton (1992), 2-3.

part-time students and “under-represented groups in our society.”<sup>209</sup>

Two months later, Minister Sorbara repeated this message to the university presidents in even stronger terms:

I strongly encourage you to act, both individually and collectively, in a manner that endeavours to accommodate fully the increased demand for places. I expect every possible effort from the university system to help safeguard Ontario’s high standards of accessibility....<sup>210</sup>

With this correspondence, Minister Sorbara returned the Ontario university system to its historic task of providing access for every qualified student, he expanded the definition to encompass part-time and older students, and he obliquely referred to the underrepresentation of women and racial minorities in the student population.<sup>211</sup> To respond to the unexpected increase in applications, the government provided an additional \$84 million accessibility fund in 1987-88 to provide funding for enrolment increases between 1986-87 and 1987-88.<sup>212</sup>

Within months, the likelihood of continued expansion in university enrolments became the common view in the university system. In early 1988, the Council of Ontario Universities published a study on enrolment trends that attributed growing enrolments to higher participation rates among women and rural residents, strong immigration rates, and a

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<sup>209</sup>March 10, 1987, quoted in OCUA (1988), 47-48.

<sup>210</sup>Quoted in OCUA (1988), 57.

<sup>211</sup>This direction caught OCUA off-guard – “Government wishes to be more proactive than anticipated by Council” (OCUA 1988, 47) – and its reply in May 1987 reflects its hesitation. Ontario already has a widely accessible university system...,” it argued, casting doubt on whether any new enrolment growth would be “sustained and ongoing.” (OCUA 1988, 50) While the pressure to address the enrolment bulge from secondary school reform was seen as urgent, “it is impossible to predict accurately the magnitude of the possible bulge...” (OCUA 1988, 51) OCUA implicitly faulted the government for not specifying which underrepresented groups it had in mind, noted the complexity of making universities more accessible to such groups, and said it was “extremely uncertain” that increased enrolments for these groups could offset the decline in the population age 18 to 24. (OCUA 1988, 56-57)

<sup>212</sup>Royce (1998), 188.



shift in student preferences towards universities rather than colleges.<sup>213</sup>

Applications to university for September 1988 increased by 10.5 per cent over the preceding year. Based on these trends, the Council of Ontario Universities study estimated that, even without the effects of secondary school reform, the number of students entering university directly from secondary school would increase by almost 8 per cent in September 1988, a further 3 per cent in September 1989, and another 3 per cent in September 1990.<sup>214</sup>

With this study in hand, the Liberal government's brief flirtation with alternatives to enrolment-based funding came to an end, and the government-university dialogue about funding returned to familiar ground. Students wanted access; the universities were willing to provide access in return for funding; and the government stepped in to provide funding. In April 1988, Treasurer Robert Nixon announced an additional \$38 million in 1988-89 to help universities address higher enrolments, with a further increase to \$88 million in 1989-90. While the distribution of these funds respected the new corridor funding model, the outcome was fully consistent with the Access and Quality Paradigm, encouraging enrolment growth and providing equal funding per student for expanded enrolments.

Attempting to play the accessibility card to the fullest, the universities argued that even higher amounts would be required if the government wanted them to fully address the expected enrolment increase. COU Chair Harry Arthurs advised the new minister, Lynn McLeod, that \$88 million would not be adequate to cover the expected increase plus the flow-through to second year of additional students admitted in September 1987.

“Clarification is urgently required if universities are to plan for their September 1988 intakes,” he said. Presidents of all universities except Laurentian and Carleton wrote to Minister McLeod to press the point. By August Minister McLeod was able to advise Arthurs that various “technical” issues had been resolved and that the available funding would indeed

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<sup>213</sup>Quoted in OCUA (1989), 22. The shift in preferences led the colleges' Council of Regents to initiate a strategic planning exercise known as Vision 2000.

<sup>214</sup>Quoted in OCUA (1989), 23.

be enough to pay for the increased enrolments.<sup>215</sup>

***Seeking funding for planned growth***

With enrolments continuing to rise, it became apparent that a longer-term forecast of university enrolments would be needed if the government was going to adhere to its commitment of a place for every student. Between 1988 and 1990, the Liberal government led the first formal planning process for university enrolments since the 1960s. With a shared commitment to the Access and Equality Paradigm, and with a task that was consistent with their institutional strengths, each of the institutions involved – the ministry, COU and OCUA – contributed to bringing this process to completion. Their ability to identify near-term demand for more student places allowed the central agencies of the government to approve funding for these spaces without the bargaining that had characterized funding decisions in the 1985-88 period.

In July 1988, senior officials from the ministry, COU, OCUA and the colleges' Council of Regents met to initiate a forecast of postsecondary enrolments through 1993, with a longer-term forecast to 2000. After some false starts, a technical group chaired by ministry staff produced a report in May 1989. The technical group determined that there was no accepted methodology for forecasting changes in participation rates – a situation which “confounded the task of effectively planning for the future.” Further confusing the issue was the fact that the predicted bulge in enrolments caused by secondary school reform had not yet occurred, and the authors could find no evidence that it would.

The technical group was nevertheless able to project that university enrolments would grow in the 1990s. The group laid to rest the common notion that university enrolments would decline as the baby-bust generation moved through the university system, concluding that, even in a very cautious scenario, enrolments would remain above the level the Liberals found when they took office. “[T]he scenario presented should at least put to rest any thought that overall demand for access to post-secondary education will decline in the

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<sup>215</sup>Letter from H. Arthurs to L. McLeod, April 22, 1988, COU Arch. D3 R9; letter from Executive heads to L. McLeod, May 9, 1988, COU Arch. D3 R8; letter from L. McLeod to H. Arthurs, August 5, 1988, COU Arch. D3 R9.

1990s.”<sup>216</sup>

With this information in hand, Minister McLeod asked OCUA in 1989 to initiate negotiations with universities to revise upwards their enrolment corridors, for implementation beginning in 1990-91. The government approved incremental funding of \$96 million annually, phased in over five years, of which the first \$51 million would be available in 1990-91.

Between August 1989 and March 1990, OCUA led a process to assign the available funding to the universities that were prepared to create spaces in each of these areas. The primary issue OCUA faced was the overwillingness of universities to expand at the funding levels offered by the government: the ministry provided sufficient funding to expand the university system by 46,000 BIUs, while the sum of the universities’ offers to expand equalled 84,700 BIUs. To bridge the gap, OCUA circulated universities’ proposals to each other for comment, gave every university an opportunity to revise its proposal downward, and finally assigned the available spaces based on a combination of formulas and qualitative evaluation of university proposals. By March 1990 OCUA was able to recommend an allocation which commanded broad support from the universities and which the minister accepted.<sup>217</sup>

This process presents an ideal case of the closed policy network putting the Access and Equality Paradigm in practice. Faced with evidence of growing demand for access to universities, the government promised additional funding, a process was established to allocate the money to universities that were willing to create additional spaces, conflicts among universities were resolved, and within a scant few months the universities and the

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<sup>216</sup>Ministry of Colleges and Universities, “Report on Enrolment in Post-Secondary Educational Institutions in Ontario”, May 25, 1989, COU Arch. D2 R22; quotation at 6-3. Specifically, the report noted that the 18-24 population would decline from 1.09 million in 1986 to 0.96 million in 1998, but that two-thirds of this decline would take place by 1990 – that is, it had mostly already happened at the time of the study. This meant that – even assuming no growth in participation rates – full-time university enrolment, after growing from 155,000 in 1986-87 to 169,000 in 1989-90, would decline modestly to a low of 157,000 in 1998-99 and then increase again to 167,390 in 2006-07.

<sup>217</sup>OCUA (1991), 45-74.

government agreed on how each university would contribute to providing the required number of new spaces. We will see that a similar problem in the late 1990s led to a similar outcome, although without the OCUA to serve as an intermediary.

***Reprise: mobilizing public support for higher funding***

The dissatisfaction of at least some universities with the government's interest in accessibility rather than quality caused COU to return to the question of how to win higher funding per student – a campaign which, as we have seen, was largely put aside after its indifferent results in early 1986. As an initial step, COU funded several exclusive questions in the June 1989 “Focus Ontario” poll conducted by Environics Research Group Limited, a Toronto polling firm.

The results were shared with university presidents at their meeting in August 1989 and provided little comfort to those seeking higher funding per student. Among the Environics findings:

- 56 per cent of respondents said the quality of university education in Ontario was excellent or good and another 29 per cent said it was adequate – only a slight change from the findings of a similar poll two years earlier, when 63 per cent said it was excellent or good and 25 per cent said it was adequate.
- 72 per cent agreed that “limited government funding is... an important problem facing Ontario universities today,” but only 46 per cent said the government should spend more on universities, while 42 per cent said spending should remain about the same.
- Only 19 per cent said that students should pay a greater share of the cost of their education – suggesting little support for a campaign to raise tuition fees.
- Proposed ways of restructuring universities in order to make better use of funding were all opposed by a majority of respondents. Fifty-two per cent opposed limiting the number of programs at universities (with 39 per cent in favour). Sixty-four per cent opposed concentrating new spending on some universities and cutting back on others (with 28 per cent in favour). Environics added that a similar question in 1987 – asking whether spending should be concentrated on the “best” universities – was opposed by 69 per cent of respondents.

The poll also showed strong support for high levels of access to university:

- “If ... forced to make a choice, would you prefer university education in Ontario to provide very high quality education for fewer students or an acceptable quality for more students?” Thirty-two per cent of respondents chose the former and 61 per cent the latter.
- Respondents were told that “[a]bout 26% of all 19-year-olds in Ontario are attending university and 13% ... college” and then asked “[w]hat percentage of 19-year-olds do you think should” attend university or college? The average response was that 39.5 per cent of 19-year-olds should attend university and 35.3 per cent should attend college.

These findings suggested broad public support for the established paradigm of high accessibility and equal funding per student regardless of university, and little public concern about the quality of university programs. Environics concluded that, “Given current attitudes and levels of knowledge regarding the issues involved, any changes to the status quo would have to be accompanied by a major communications effort.”<sup>218</sup>

The conundrum of how to win support for funding increases higher than what was needed to cover inflation and enrolment growth weighed on the universities through the fall and winter of 1989-90. In November the government announced that operating grants would increase by 8 per cent the following year – almost 3 per cent higher than the expected rate of consumer price inflation. Yet COU Chair George Pederson wrote to Premier Peterson and Minister Sean Conway expressing “profound disappointment” with the level of financial support for 1990-91. Pederson said COU had been expecting a package of measures for universities, including higher operating grants and a graduated increase in tuition fee rates. Instead the 8 per cent grant increase barely covered unavoidable cost increases.<sup>219</sup>

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<sup>218</sup>Environics, “Focus Ontario”, June 1989, COU Arch. D2 R22.

<sup>219</sup>Letter from G. Pederson to S. Conway, December 1, 1989, COU Arch. D3 R14; letter from G. Pederson to D. Peterson, January 10, 1990, COU Arch. MF124. According to Pederson, 3.1 per cent was needed to fund past enrolment increases, 1.3 per cent of the salary budget would be needed to pay the new provincial Employer Health Tax, 1.0 per cent would be needed to cover the costs of pay equity legislation, 0.3 per cent to pay the increase in

(continued...)

With these concerns in mind, the executive director of COU undertook in January 1990 to arrange meetings with the Minister, Treasurer, and Premier to discuss “the urgent financial situation of Ontario universities.” The government chose in its 1990 Budget to provide an additional \$18 million for equipment, libraries and other quality improvements – an increase of about 1 per cent in the government grant, and far less than the universities’ request.<sup>220</sup>

The Liberals’ loss in the 1990 election brought this chapter of the government-university relationship to a close. While the introduction of corridor funding briefly raised universities’ hopes that quality would become more central to the government’s vision for universities, the recurrent theme during the tenure of the Liberal government was to preserve access in the face of growing student demand.

### **The New Democratic government**

The Access and Equality Paradigm continued to dominate government-university interactions on funding during the period of the New Democratic government. During this period, the universities once again adopted strategies to achieve higher funding per student. As in 1985, they attempted to engage newly-elected political actors in the cause of higher university funding. They also initiated strategies to create new political actors who would lead a campaign to elevate university funding and educational quality on the public agenda. But their support for these actors was ill-organized from the start and was cut short when the new actors failed to produce short-term results. Enrolments remained essentially flat during this period, and there was no increase in student demand to push the government and the universities into cooperative activities to expand capacity.

The fiscal crisis triggered by the recession of 1990-91 and the subsequent slow economic recovery led to an important new departure during this period: the government

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<sup>219</sup>(...continued)

Unemployment Insurance premiums, and 0.1 per cent to pay higher Canada Pension Plan contributions – meaning only 2.7 was left to cover inflation that was projected at 5.3 per cent.

<sup>220</sup>Letter from E. Monahan to executive heads, January 9, 1990, COU Arch. MF124; letter from E. Monahan to executive heads, May 8, 1990, COU Arch. D3 R10.

made the first efforts to develop a framework within which all publicly-supported institutions would be required to account to government for their success in reducing costs while maintaining services. For the first time, universities were seen as one of many participants within the “broader public sector,” rather than as a distinct group of institutions entitled by history and statute to customized policies negotiated with the ministry responsible for universities. Such a framework, had it been sustained, might have imposed a system of central oversight of university expenditures well beyond anything contemplated within the COU-ministry policy network. But in practice this new framework – which culminated in the Social Contract – had only a limited effect on university behaviour. Its impact was muted by a slow and uncertain start, by the government’s lack of vision about exactly how universities or other publicly-funded institutions should become more efficient, and by the government’s simultaneous decision to dramatically increase tuition fees. The latter decision strengthened the incentive for universities to maintain accessibility and partly offset the need to look at ways of reducing per-student costs. In chapter 7 we will look in more detail at the decision to increase tuition fees.

***Seeking higher funding from newly-elected political actors***

The campaign by the university presidents to improve their funding was interrupted by the unexpected election of September 1990 – only three years and three months into the Liberals’ mandate – and by the even more unexpected victory of the New Democratic Party. Premier Bob Rae named Richard Allen, a former professor of history at McMaster University, to be minister of colleges and universities and minister of skills development.

In one of his first interviews after being appointed, Minister Allen signalled a broadening of the accessibility agenda advanced by the Liberal government. He downplayed the issue of higher funding and implied that he was not satisfied that a broad-based increase in spaces at universities would create fair access for underrepresented groups:

I think one has to work at what I like to increasingly call an equality of outcomes for all groups, as distinct from equality of opportunity. What I’m saying is I don’t think we have to focus the accessibility issue around increasing global numbers and therefore increasing global costs. In the first instance, let’s get the fairness base in place and then address the global

question.<sup>221</sup>

Far from being deterred, the university presidents saw the election of a new government as a fresh opportunity to pursue their claim for higher funding. In November 1990, the executive director of COU sent Minister Allen COU's "Recovery Plan for Ontario's Universities." The plan called for universities to receive an extra \$410 million annually, phased in over four years. Two-thirds of this amount would come from government, which was asked to increase operating grants by 3.6 per cent annually after inflation. The remaining one-third would come from students, who would pay an additional \$550 annually in tuition (with current students exempted). Every university would be required to submit a plan showing how the additional funds would be used to improve quality, maintain access and – in an apparent nod to Minister Allen – provide special access to underrepresented groups. In the longer term, the plan called for the government to look at alternative tuition and student aid policies, including an income-contingent loan repayment plan or an income tax surcharge on university graduates.<sup>222</sup>

As they had in 1989, the universities pressed this approach while knowing that it would not find immediate public support. Focus group research commissioned by the universities in 1990 in Toronto, Ottawa, London and Thunder Bay had found that "[o]verall, Ontario's universities are perceived to provide a quality education" and "individuals perceive Ontario's universities on a par with or better than universities in other provinces but inferior to well-known American institutions."<sup>223</sup>

Even as this proposal was being prepared, the government was becoming more aware of the scope of the economic and fiscal problems that it had inherited. After eight years of continuous expansion, the Ontario economy entered a recession in the second quarter of 1990, just before the election was called. Ontario's balanced budget – achieved in 1989-90 after twenty years of consecutive deficits, and forecast by Treasurer Robert Nixon to be

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<sup>221</sup>Hamilton Spectator, October 6, 1990, quoted in Royce (1998), 202-203.

<sup>222</sup>Letter from E. Monahan to R. Allen, November 28, 1990, COU Arch. MF108.

<sup>223</sup>"Advocacy Campaign - second draft," October 5, 1990, COU Arch. D4 R27.



repeated in 1990-91 – had in fact become a projected deficit of \$2 billion by the time the new government received its first budget briefing in September 1990. As the recession deepened, a combination of lower-than-planned revenues from corporate and sales taxes and write-downs of liabilities incurred by the former government left the province with a deficit of \$3.0 billion for the year.<sup>224</sup>

The Keynesian imperative to fight recessions with government spending, the moral imperative to support the unemployed and disadvantaged, and the political imperative to maintain the support of public sector workers all contributed to the reluctance of the New Democratic government to reduce (or curb the growth of) public expenditures. Nor is there evidence that the university presidents – who in any event did not normally comment on fiscal policy – counselled the government to take a different track. In February 1991, Treasurer Floyd Laughren told the legislature that transfers to universities would increase by 7.3 per cent – exceeding the rate of inflation, which proved to be 4.6 per cent that year. A news release from the Ministry of Colleges and Universities clarified that, with additional pay equity funding, the total increase would be at least 8 per cent. Yet COU chair George Pederson told Laughren the following day, “The announcement yesterday is a disappointment because it signals that no progress is to be made in the coming year, 1991-92, in reversing the decline in support that has now gone on for more than a decade.”<sup>225</sup>

Determined to make greater headway on its Recovery Plan, COU officials booked meetings in March and April with senior ministerial staff and finally with Premier Rae himself.<sup>226</sup> But the budget that Minister Laughren presented on April 29 barely mentioned universities and provided no additional funding for them beyond what was announced in February. As in 1985, COU’s hope that the election of new political actors would by itself trigger a shift in funding policy proved groundless.

### *Seeking an exemption from the fiscal crisis*

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<sup>224</sup>Rachlis and Wolfe (1997), 336; Ontario Treasurer and Minister of Economics (1991), 45-50.

<sup>225</sup>Letter from G. Pederson to F. Laughren, February 12, 1991, COU Arch. D3 R59.

<sup>226</sup>Letter from E. Monahan to Virginia Field-Smith, March 14, 1991, COU Arch. MF 108.

The 1991 Budget revealed the magnitude of the province's financial problems. The deficit – which had been zero only two years before – was expected to be \$9.7 billion in 1991-92, meaning that the government was receiving 81 cents in revenue for every dollar of spending.<sup>227</sup> Over the four-year period to 1994-95, the deficit was expected to decline slowly to \$7.8 billion. Minister Laughren's ringing defence of his strategy was widely quoted:

Mr. Speaker, I think it is important for people to understand that we had a choice to make this year – to fight the deficit or to fight the recession. We are proud to be fighting the recession.<sup>228</sup>

Less often quoted was his tepid signal to entities such as universities that relied on government support:

The Government is convinced the only way we will achieve effective fiscal management is through a comprehensive review and evaluation of existing programs, with the participation of the people who use services and the people who provide them.<sup>229</sup>

With this modest approach to spending restraint – and with budget tables showing planned spending growing from \$52.8 billion to \$64.8 billion over four years – there was little reason for universities or other publicly-supported entities to back away from their funding agendas.

University representatives pressed their needs at a meeting with Minister Allen in September. Picking up the government's argument that job preservation should be paramount, they calculated that they would need a 7 per cent increase in operating grants in 1992 – or else a 32 per cent increase in tuition fees – in order to maintain their faculty complement. They went on to say that most universities had already signed labour settlements for 1992-93, so that any transfer announcement below the 7 per cent level would

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<sup>227</sup>During the 1981-82 recession – the most severe recession from the 1930s up to that time – the deficit was \$3.2 billion, and the government was receiving 86 cents in revenue for every dollar of spending.

<sup>228</sup>Treasurer of Ontario and Minister of Economics (1991), 3.

<sup>229</sup>Treasurer of Ontario and Minister of Economics (1991), 14.

force them to reduce staffing.<sup>230</sup>

Minister Allen's approach to developing university policy was to expand the usual closed policy network by establishing a roundtable with broad representation from university administrations, employees and students.<sup>231</sup> When the roundtable met in October 1991, COU's aggressive approach towards the government was apparent. On the subject of funding, the COU representative said there had been no progress in the past year – after years of patience on the part of the universities – and in fact there was deep disappointment in various campus communities that the government talked about economic renewal without addressing university underfunding.<sup>232</sup> Two days later, Minister Allen announced that promised funding for universities that year would be reduced by \$9 million, equal to one-half of one per cent of the total grant, as part of a package of reductions to offset recession-driven growth in other government programs. (One of these programs was the Ontario Student Assistance Program, which faced an unexpected \$50 million increase in demand.) In its response, COU urged Minister Allen to work with universities cooperatively to find innovative means of funding, including a long-term strategy.<sup>233</sup>

As the recession dragged on in late 1991, uncertainty mounted within the university sector about the best way to manage relations with the government. The president of the Ontario Confederation of University Faculty Associations wrote to his COU counterpart in January 1992 to challenge COU's handling of government-university relations. He protested

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<sup>230</sup>Letters from P. George to executive heads, September 11 and 12, 1991, COU Arch. MF 136.

<sup>231</sup>Membership included representatives of the Ontario Confederation of University Faculty Associations, the Council of Ontario University Staff Associations, the university board chairs, the Council of Ontario Universities, the Ontario Council on University Affairs, part-time students, the Friends of Ontario Universities, the Ontario Federation of Students, and the Canadian Union of Educational Workers, plus staff from the ministry and the Premier's Office.

<sup>232</sup>Memorandum from R. Prichard to P. George, October 4, 1991, COU Arch. MF128.

<sup>233</sup>Ontario Treasurer and Minister of Economics (1992), 62; letter from P. George to R. Allen, October 4, 1991, COU MF124.

remarks made by the chairman of COU to the legislature's standing committee on finance and economic affairs in November, which he thought "had invited the government to introduce salary control legislation". He said he understood that the Council of Chairmen of Ontario Universities had made similar remarks to Minister Allen in December. He urged university administrations to protect their institutions by bringing greater political pressure to bear on the government, including running deficits and limiting accessibility for incoming students. At the same time he urged university administrators to cooperate with the government on some issues so the government would not simply punish universities for running deficits or change the funding formula to force universities to provide access to students. COU's reply rejected these tactics but acknowledged the need for the university community to jointly confront the government.<sup>234</sup>

By the time COU replied to OCUFA, the government had announced that university grants would be increased by 1 per cent in 1992-93 and by 2 per cent in each of the next two years. It also announced that tuition fees would rise by 7 per cent in 1992-93 – meaning that universities would have a strong incentive to enrol more students if they wished to increase their revenues.

As the recession dragged on – rather than ending in late 1991 as forecast – the fiscal problems of the government worsened and the credibility of its strategy was diminished. The government decided to mount a major campaign to explain the province's economic and financial situation. In a televised speech in January 1992, Premier Rae explained that controlling the growth in debt was necessary so that higher interest costs would not crowd out funds for programs and services. Yet Premier Rae's address – like Treasurer Laughren's 1991 Budget – was vague about the government's strategy for reducing the deficit:

[T]o manage this change, we must come together with every bit of imagination, creativity and cooperation we have, and work at the fairest ways

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<sup>234</sup>Letter from B. Graham to P. George, January 16, 1992, and letter from P. George to B. Graham, January 27, 1992, COU Arch. D2 R37.

to maintain services, streamline operations and preserve jobs.<sup>235</sup>

The one specific measure announced was a \$160 million restructuring fund to assist publicly-supported entities such as universities in adapting to change. As we will see in chapter 6, the university share of this fund supported a large number of projects but did not fundamentally change the way universities operate or their medium-term financial pressures.

The 1992 Budget did not include any additional spending for universities beyond the 1 per cent increase announced in January. With government deficit projections higher than those set out a year earlier, the universities focussed their attention in the summer and fall of 1992 on ensuring that the three-year funding commitment announced in January was not further reduced. Yet COU representatives left a meeting with Treasurer Laughren on November 5 feeling “deeply concerned about the possibility of your [Laughren] departing from your 2% commitment for 1993-94”. They argued that any reduction in grants to universities should be less than in grants to hospitals, school boards and social services, as universities had not received comparable grant increases in the years prior to 1991.<sup>236</sup>

Two weeks later, Treasurer Laughren advised the legislature that “the economy is recovering more slowly than we and others had forecast,” meaning revenues for 1993-94 were now expected to be \$4.2 billion less than planned in the April 1992 Budget. He confirmed that grants to universities and other major transfer partners would rise by 2 per cent in 1993-94 as planned, but said this would be one-time money only. In other words, the January 1992 plan to increase grants by 5 per cent, phased in over three years, was now a plan that would increase grants by 1 per cent by the end of three years. “This will continue to reduce the spending trend lines in these sectors...”<sup>237</sup>

Throughout the winter of 1992-93, the efforts of the government were focussed on finding ways to reduce spending while maintaining public services and protecting publicly-

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<sup>235</sup>“Text of Premier Rae’s address,” January 21, 1992, reprinted in Treasurer of Ontario (1992a), 28.

<sup>236</sup> Letter from R. Prichard to F. Laughren, November 5, 1992; letter from P. George to F. Laughren, November 6, 1992, COU Arch. D3 R59.

<sup>237</sup>Treasurer of Ontario and Minister of Economics (1992b) .

supported jobs – a strategy that was broadly known as “restructuring public services.” We will see in chapter 6 that the ministry and the universities had carried on a dialogue on how to restructure the university sector since 1991 with little to show in the way of expenditure reductions. By April 1993 – out of patience, with mounting debts, and with Minister Allen returned to the back benches in favour of a new superminister responsible for all levels of education and training, Dave Cooke – the government was ready to make available its proposals for the Social Contract.<sup>238</sup> The proposals called for employers and union representatives across the public sector to negotiate savings totalling \$2 billion annually for the three-year period 1993-94 to 1995-96. At its core, the Social Contract proposal called for public sector employees to provide their services at reduced compensation in return for a commitment from employers to protect jobs and respond to a number of low- or no-cost considerations raised by employee representatives. These considerations included greater openness and accountability in financial decision-making, enhanced opportunities for displaced workers to move to other public sector jobs, a greater role for workers and employers in decisions about public capital investments, and reforms to legislation covering collective bargaining. A specific savings target was assigned to each sector – in the case of universities, \$118 million annually.<sup>239</sup>

Applying the Social Contract to the university sector – where there was no history of government involvement in human resources issues, and where structures that might lead to system-wide rationalization were staunchly resisted – required substantial creativity. One challenge was the desire of each university to be autonomous of the others and not to negotiate as part of a “sector”. A lawyer who advised the university presidents during this

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<sup>238</sup>The Social Contract was one part of a four-part economic plan announced in March that also included investments in training and capital, expenditure reductions, and increases in taxes and non-tax revenues. (Ontario Office of the Premier 1993). In April Finance Minister Laughren provided details of expenditure reductions totalling \$4 billion, including a 0.8 per cent reduction in university operating grants and a reduction of one-time funding for university “restructuring” from \$56 million to \$25 million. (Ontario Minister of Finance 1993a)

<sup>239</sup>Government of Ontario (1993); Ontario Minister of Finance (1993b), 13.

process described the resolution of this issue as follows:

Each university in the Ontario system executed an agreement with the government negotiators in which those negotiators recommended to the Minister that the Minister divide the university sector into sub-sectors so that each university is deemed to be a sector for the purposes of the *Social Contract Act*. Secondly, the government negotiators recommended that the Minister designate each agreement between the Government and a university as a sectoral framework. The recognition of each university as a sector for purposes of the *Social Contract Act* was consistent with the assertion of institutional autonomy made by university negotiators during the social contract negotiations.<sup>240</sup>

A second challenge was to apportion the \$118 million target among the universities. In keeping with normal practice, Minister Cooke sought the advice of OCUA on this matter – but, atypically, OCUA was given only four days to reply. OCUA’s advice to reduce grants across-the-board, “not tied to specific identifiable Social Contract savings,” was received on June 18 and accepted by Minister Cooke on June 24.<sup>241</sup>

In the short term, the Social Contract process – with its negative-sum bargaining, tight deadlines, and innovative procedures – posed many difficulties for a sector that was accustomed to resolving financial issues through discussions between the ministry, the university presidents and OCUA. In the view of a former COU official:

The [social contract] negotiations at the central university panel proved difficult, acrimonious and de-stabilizing. In the end, agreement was reached,

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<sup>240</sup>Letter from John C. Murray to M. Finlayson and G. Woodford, May 6, 1994, COU Arch. D3 R38.

<sup>241</sup>Letter from J. Cohnstaedt to D. Cooke, June 18, 1993, COU Arch. D3 R7; OCUA (1994a), 369-371. The provisions of the Social Contract process provided a financial incentive for employers and employee representatives in a sector to reach a negotiated agreement. The universities reached a central agreement on July 7 (Royce 1998, 217) and local agreements for each university were in place by August 1, allowing the expected savings target to be reduced to \$90 million. (Ontario Ministry of Finance 1993)

but only after OCUFA and other union groups left the table. With a central agreement in place, all COU member institutions (some with gritted teeth) then succeeded in finalizing local arrangements in time to qualify for a proffered discount. (Monahan 2004, 171)

The Social Contract process required the universities – as they had feared – to participate in a process that also included hospitals, schools, municipalities and other publicly-funded institutions. At the same time, it had the ironic effect of confirming the government’s commitment to the Access and Equality paradigm – or at least, of proving that the government had no new insight with regard to how universities should operate more efficiently and instead was committed simply to “maintaining services” at a reduced cost to government. Apart from the general goals cited above, there was no top-down direction to universities on how to manage their Social Contract cuts, and there was no sector-wide process that might have assigned roles to individual universities in a way that challenged the equality aspect of the paradigm.

Instead, each university was left to negotiate with its own employees on how to manage the funding reductions (which, as we saw in Table 5.1, averaged about 5 per cent per student in 1993-94 once inflation and higher tuition fees were taken into account). Table 5.3 summarizes a COU staff review of how universities managed these reductions.<sup>242</sup> All universities introduced a salary freeze for at least part of the three years (with one agreement silent). The second most common way of finding the necessary savings was to reduce contributions to university pension plans. Many defined-benefit pension plans had unexpected surpluses in the early 1990s because the sudden lowering of inflation caused actuaries to change their long-term inflation assumptions. Reducing pension contributions saved money without affecting university operations or employee compensation. Various forms of pay increases – such as across-the-board increases for some portion of the three

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<sup>242</sup> The authors of the staff review remarked on the difficulty of summarizing complex labour agreements. Many agreements were silent on certain matters, so the actual practice at a university could not always be ascertained from reading the agreement. In addition, some universities had non-identical agreements with each of several employee associations. For these reasons, this table should be taken as a general summary only.



years, merit pay and progress-through-the-ranks – were still permitted at some institutions. As of late 1994, “the universities had met their Social Contract obligations without layoffs...”<sup>243</sup>

**Table 5.3: Summary of measures found in universities’ Social Contract agreements**

|   | yes                 | silent | no |
|---|---------------------|--------|----|
| Salary freeze (for any length of time during the 3 years)   | 18                  | 1      | 0  |
| Pension offsets (i.e. the agreement allowed reduced employer contributions to be used to offset grant reductions) | 14                  | 5      | 0  |
| Job security  | 8                   | 11     | 0  |
| Enhanced early retirement provisions  | 7                   | 12     | 0  |
| Progress through the ranks (for any length of time during the three years)  | 6                   | 9      | 4  |
| Merit pay (at any time during the 3 years)  | 4                   | 11     | 4  |
| Across-the-board pay increases  | 3                   | 11     | 5  |
| One-time-only payments  | 1                   | 15     | 3  |
| Benefits upgrade (for any length of time)   | 1                   | 11     | 7  |
| Unpaid days per year  | 4.2 (weighted mean) |        |    |

SOURCE: Adapted by the author from COU Secretariat, “Summary of Social Contract Local Agreements,” undated [before December 17, 1993], COU Arch. D3 R38. Institutions surveyed include the seventeen publicly-supported universities plus the Ontario College of Art and the Ontario Institute for Studies in Education.

In sum, the Social Contract required each university to change some of its internal activities, but it did not challenge the dominant paradigm for providing university education. When the New Democratic government in September 1994 floated the idea of terminating the Social Contract early, COU was quick to urge them not to do so, for fear that universities’ plans to put permanent spending reduction measures in place would not be achieved.<sup>244</sup>

<sup>243</sup>Letter from P. George to K. Woodcock, December 5, 1994, COU Arch. D3 R37.

<sup>244</sup>Letter from P. George to C. Pascal, J. Kaufman and J. Thomas, September 28, 1994, COU (continued...)

With the Social Contract in hand, the dialogue between the universities and senior members of the New Democratic government about university funding largely drew to a close. Facing a government whose popularity had been sacrificed in the cause of responding to the worst economic and fiscal circumstances since the 1930s, the university presidents could not have expected any sympathy for special pleas from their sector. As we will see in chapter 6, the dialogue between universities and government in 1994 and 1995 was largely focussed on an initiative by the Ontario Council on University Affairs to change the incentive structure underlying the university funding formula.

For 1994-95, the New Democratic government implemented reductions announced in 1993, reducing grants to universities in 1994-95 by a total of \$39 million, or about 2 per cent. Likewise in 1995-96, the government implemented previously-announced reductions in university grants of \$12 million, or 0.7 per cent.<sup>245</sup>

It is remarkable that, after all of the financial drama of this period, total university funding per student adjusted for inflation was about the same at the end of the New Democrats' term as at the beginning. There is no evidence that, even in its initial months in office, the New Democratic government looked with any special sympathy on pleas from universities for higher funding. The government soon developed a better understanding of the nature of its fiscal problems but was unable to articulate a vision of how universities should restructure to achieve lower costs. The efforts of the government to reshape the policy network in ways that might have generated lower-cost policy alternatives – first through Minister Allen's roundtable, and then through the Social Contract – were hastily conceived in the face of urgent pressures, and the universities successfully resisted them, preferring to manage any constraints within their individual institutions. In the absence of

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<sup>244</sup>(...continued)  
Arch. D3 R37.

<sup>245</sup>Letter from D. Cooke to executive heads, March 23, 1994, COU Arch. D3 R7; OCUA (1995), 13; letter from D. Cooke to executive heads, December 5, 1994, COU Arch. D2 R11; OCUA (1995), 45-46.

compelling pressures to increase enrolments,<sup>246</sup> the Access and Equality paradigm gave little guidance on how government and the universities should work together on these issues, but the principles underlying the paradigm emerged intact. We will see in chapter 7 that this period marked the beginning of a structural change in how universities are funded, with students paying a higher share of the cost of education.

### ***Encouraging private donations***

A more modest step towards structural change in university funding during this period was the introduction of legislation to encourage large donations to universities. The federal *Income Tax Act* gave a strong preference to large donations to the Crown over similar donations to universities and other charities. A large donor could claim charitable donations of up to 20 per cent of his or her income each year (with any excess carried forward for a maximum of five years), but donations to the Crown faced no such limit and could be used to reduce a donor's taxes to zero. British Columbia introduced legislation in 1987 establishing a university foundation, formally controlled by the Crown, but in practice serving as a device by which large donations could be received and transferred to universities while giving the donor the benefit of a donation to the Crown.

Once the British Columbia legislation was in place, universities in other provinces found that some prospective large donors were considering donating to a B.C. university to receive the larger tax benefit. Ontario universities approached the Liberal government for comparable legislation in 1989 and received a positive response, but no action was taken before the 1990 election. At COU's urging, Minister Allen introduced legislation in 1992 to provide a similar benefit, and it passed with the support of all parties. A measure of the universities' anxieties can be seen in their insistence on a separate foundation for each university, rather than a single foundation that would maintain a separate account for each

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<sup>246</sup>Fall-term applicants to universities grew from 71,316 in 1986 to a peak of 92,510 in 1992 and then declined steadily to a low of 79,246 in 1998. See COU (1996), table 3.4.4 and COU (2005), table 2.1.1.

university, as in British Columbia.<sup>247</sup>

This episode is of interest for three reasons. First it shows that, at a time when government funding was tight, the government was willing to work with universities to find alternative sources of funding. Second, the legislation gave universities a special status that was not accorded to other publicly-supported institutions such as hospitals or museums. Third, by specifically targeting large donations – coming from the handful of donors who were able to give more than 20 per cent of their annual income – the government began to raise the scale of university fund-raising above historic levels. This direction was continued by the Progressive Conservative government, with results that we will see later in this chapter.

***Mobilizing public support for funding and quality***

During the period of the New Democratic government, the universities made their strongest effort to create an arm's-length group of supporters to lobby the government on their behalf. Baumgartner and Jones's model of policy change suggests that the creation of such a group can be an important precondition for elevating an issue on the government agenda. The failure of this strategy in the case of Ontario's universities is therefore worth examination.

A notable feature of government-university relations in Ontario is the absence from the policy network of any province-wide advocacy group not composed of direct participants in the university system. The primary non-government members of the policy network as it relates to funding are the university presidents through their organization, the Council of Ontario Universities. From time to time faculty appear as participants, usually through the Ontario Confederation of University Faculty Associations, and sometimes student groups are participants. But despite the arguments frequently made for universities as a force for economic competitiveness and individual opportunity, and despite the large number of alumni and parents of university students, no voluntary organization has been a continuing participant in policy development on university funding.

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<sup>247</sup>Memorandum from E. Monahan to R. Allen, October 24, 1990, COU D4 R48; *University Foundations Act, 1992*, Royal Assent November 5, 1992.

In December 1989 the Council of Ontario Universities agreed to attempt to remedy this situation by establishing an organization, tentatively known as the Friends of Ontario Universities, with a long-term mandate to “raise the level of public consciousness about where Ontario universities should be by the end of the decade and how they are to get there.”<sup>248</sup> In making this decision, COU noted that its past efforts to lobby through one-on-one meetings, supplemented by higher profile events such as rallies and tours, had not persuaded government to provide the level of funding desired by COU. A staff paper argued that:

The key to this new approach is the judgement that the position of universities will not fundamentally improve until a broad constituency, made up of both vested and non-vested interests, advocates for high [sic] learning on a consistent and continuing basis.<sup>249</sup>

At the same time that COU was developing this strategy and recruiting an executive director, the alumni association of the University of Waterloo was organizing a provincial conference of university alumni associations to play a similar advocacy role. The outcome of their May 1990 meeting was a new association, which coincidentally was also christened the Friends of Ontario Universities.

The existence of two new organizations meant that the COU-sponsored group – renamed the Alliance for Ontario Universities – was nearly stillborn. COU provided funding of \$273,000 in 1990-91 and similar amounts for the next two years, as well as office space. At the end of this period, presidents were not satisfied with the organization’s effectiveness and so phased out its funding in 1995-96.<sup>250</sup>

The Friends of Ontario Universities – with a mission “to raise the share of mind for higher education in Ontario” – had somewhat greater organizational success. After two years of planning, it recruited 18,000 members in 1993 and 1994 through direct mail targeted at

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<sup>248</sup>COU Executive Committee minutes, December 22, 1989, COU Arch. D4 R27.

<sup>249</sup>“Advocacy Campaign - second draft,” October 5, 1990 COU Arch. D4 R27.

<sup>250</sup>Monahan (2004), 161-162.

university alumni. Prior to the 1995 election, it attempted to appoint a chairperson in each of the 130 provincial ridings who could hold one-on-one meetings with candidates on a nonpartisan basis, supplemented by grassroots letter-writing and telephone campaigns at key moments in the government decision process. Eighty riding chairs were actually appointed prior to the 1995 campaign, and the Friends directly contacted its members by mail to encourage nonpartisan involvement. Responding in part to the strong support of the University of Waterloo, COU contributed a total of \$500,000 to the Friends between 1992 and 1995.

The Friends' planning in 1997 for the next provincial election called for an annual budget of \$350,000, of which \$120,000 would come from COU and the universities and the balance from other fund-raising efforts. Several university presidents noted their concern that the Friends were approaching the same philanthropic foundations that the universities themselves were approaching. The Friends' planned fund-raising did not bear fruit, and a late appeal to COU for additional funds in September 1998 was turned down. With this decision made, the organization was wound down in late 1998.<sup>251</sup>

It is odd that two organizations with nearly identical objectives came into existence at the same time with no apparent effort to rationalize them. Even as it was approving the start-up of the COU-sponsored organization, COU was aware that University of Waterloo alumni were organizing a province-wide alumni-based organization.<sup>252</sup> Faced with internal divisions about which organization to support, COU supported both. When results were not apparent within a few years – and recognizing that the Alliance, the Friends and the individual universities were all likely to be seeking funds from the same donors – COU chose to stop funding the Alliance and, eventually, the Friends. As Monahan recalls:

In theory, the two advocacy organizations would be partners. Their basic objectives were the same; their respective plans were potentially

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<sup>251</sup>Friends of Ontario Universities, "Newsletter," November 1994, COU Arch. D4 R27; Friends of Ontario Universities, "Draft Business Plan 1997/1999," May 13, 1997 COU Arch. D3 R34; COU Council minutes, September 11, 1998, COU Arch. D2 R50.

<sup>252</sup>COU Executive Committee minutes, May 4, 1990, COU Arch. D3 R33.

complementary. It did not work out that way. The Alliance and FOU were often competitors, seeking support from mostly the same sources. Efforts to coordinate their activities were continuous; the results were disappointingly meager. Much time and energy was expended on attempts to gain agreement about what should be done, and not enough on getting it done.<sup>253</sup>

This incident suggests some of the difficulties COU faced as a voluntary organization of equal members with consensus-based decision-making. Other challenges would likely have arisen if either the Friends or the Alliance had proved successful – notably the problem for COU of ensuring that the advocacy organizations did not acquire independent status in the policy network, with positions different from those of COU. The wind-down of both organizations had the effect, however unintentional, of preserving the established network and eliminating a potential source of new policy ideas.

### **The Progressive Conservative government**

The Progressive Conservative government might have been expected to pose a far greater challenge to the dominant paradigm than either of its two predecessors. The government was elected on a platform of lower spending, lower taxes, a balanced budget and greater efficiency in the public sector – a platform so clear that the university presidents did not bother to repeat their strategy of appealing to the new government to end the parsimony of its predecessors. The Progressive Conservative government abolished the OCUA, which it deemed to be one of many advisory bodies whose primary purpose was to advocate higher public spending. It established two *ad hoc* advisory panels and invited each of them to demonstrate how universities could operate more efficiently. It engaged in a three-year stand-off with the universities about what conditions, if any, would justify higher government operating grants.

Yet after seven years in office, the Progressive Conservative government was unable to revise the dominant paradigm in a way that gave greater prominence to improving efficiency and reducing costs in the university sector. Unable or unwilling to gather evidence of university inefficiencies that would cause public opinion to question the value of

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<sup>253</sup>Monahan (2004), 161.

university funding, the government instead satisfied itself with changing the balance of operating funding so that a greater share was paid by students through tuition fees.

By 1999, with the prospect of an unprecedented sharp increase in enrolments triggered by the reform of the secondary school curriculum, the government and the universities entered into a concerted bilateral planning process to accommodate the surge of students. Part of the dominant paradigm – “a space for every qualified student” – reasserted itself without debate, and after some hesitation by the government, its complement – “equal funding for students in similar programs” – was agreed to as well. Rather than turn away qualified university-bound students, and rather than providing discounted funding for higher enrolments that would force universities to seek economies of scale, the Progressive Conservative government adopted in full the policy paradigm established in the 1960s, and it worked in cooperation with universities to put this paradigm into practice.

### ***Implementing an agenda of reduced funding***

The Progressive Conservative government elected in June 1995 brought an agenda for expanding the economy through lower taxes, reduced government spending and a balanced budget<sup>254</sup> – including a specific agenda for how universities ought to be funded. According to the party’s platform, the Common Sense Revolution:

Our universities and community colleges have suffered from government’s failure to set priorities, resulting in lower quality service to students. We believe that sufficient funding can be provided while still reducing the burden on taxpayers by \$400 million.

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<sup>254</sup>The 1995 election was called for June 8, three months short of the legislature’s maximum five-year term. The day before the election call, the New Democratic government published its 1995 Budget Plan, showing that – despite the Social Contract, expenditure controls and tax increases – the deficit for 1995-96 was expected to be \$5.9 billion, or \$7.9 billion if accounting changes introduced by the New Democratic government were factored out. This figure was down from the peak of \$12.9 billion reached in 1992-93, but was still more than twice as high as any deficit prior to 1991-92. The plan showed that, during the New Democratic government’s term of office, interest on the public debt had grown from 8.8 per cent of revenues to 17.8 per cent and was still rising. (Ontario Minister of Finance 1995a, 47-48) Premier Rae’s warning in 1992 that interest on the public debt would eventually consume a larger share of revenue, leaving less for public services, had in fact come to pass.



Colleges and universities must take on the obligation to find as much of that \$400 million savings possible [*sic*] by streamlining their bureaucracies and operating systems. The remainder of necessary funding can be found by charging students a fairer share of the costs of the education they receive.<sup>255</sup>

Several points in this agenda are worth noting. There was a recognition that students' education was lower in quality than it should have been (and perhaps lower than it had been); there is a belief that universities and colleges had administrative inefficiencies (of unidentified scale, but less than \$400 million, i.e. less than 11 per cent of total spending at that time); and there is an assertion that the existing balance of revenues from students and taxpayers was unfair to taxpayers. Each of these points helped shape the government's actions over the term of its mandate.

The government moved quickly on its fiscal agenda, and so the pattern we saw with the new governments in 1985 and 1990 did not repeat itself: there was no opportunity for universities to attempt to establish a positive relationship with the new government in the hope of being exempted from fiscal restraint.

In his first report on Ontario's fiscal situation in July 1995, Finance Minister Ernie Eves found that the inherited deficit for that year was projected to be \$10.6 billion, or almost \$5 billion higher than shown in the former government's plan in April. He announced \$1.9 billion in immediate spending reductions, including a reduction of \$16.8 million or 1 per cent in university operating grants.<sup>256</sup>

The promised \$400 million reduction in grants to colleges and universities was delivered in November 1995, with \$280 million of this amount assigned to universities – equal to a permanent reduction of 15 per cent in university operating grants starting in 1996-97. To offset this reduction in part, universities were authorized to increase tuition fees by 20 per cent.<sup>257</sup> As we saw in Table 5.1, the combined effect of these measures was to reduce

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<sup>255</sup>Ontario Progressive Conservative Party (1994), 12.

<sup>256</sup>Ontario Minister of Finance (1995b), 5.

<sup>257</sup>Ontario Minister of Finance (1995c).

funding per student adjusted for inflation in 1996-97 by more than 6 per cent – the largest year-over-year decrease in the 1985-2002 period.

***Mobilizing public support for higher funding***

On the day after this announcement, Education and Training Minister John Snobelen promised universities and colleges that there would be a discussion paper and “a focussed dialogue” in the new year on “topics such as the shares of the costs of education which the student and taxpayer should bear, including issues such as differentiated fees for professional and graduate programs; accessibility to postsecondary education; cooperation between the college and university sectors in programming and the granting of credits; and the rationalizing of programs within each sector.” He added that “[b]y working together and taking necessary actions now, we will be able to achieve long-term fundamental restructuring and bring our finances under control to ensure a better future for our students.”<sup>258</sup>

This tantalizing announcement was followed by an unexpectedly long hiatus during which Minister Snobelen’s hints at improving productivity through stronger central planning – such as program rationalization, cooperation in the granting of credits, and fundamental restructuring – appear to have fallen by the wayside. In July 1996 the government released a discussion paper<sup>259</sup> that had been widely leaked and appointed a five-member panel with a mandate to:

recommend the most appropriate sharing of costs among students, the private sector, and the government, and ways in which this might best be achieved;  
 identify ways to promote and support co-operation between colleges and universities, and between them and the secondary school system in order to meet the changing needs of students; [and]  
 provide advice on what needs to be done to meet the expected levels of demand for postsecondary education, both with reference to existing public

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<sup>258</sup>Letter from J. Snobelen to university board chairs and presidents, November 30, 1995, COU Arch. D2 R19.

<sup>259</sup>Ontario Ministry of Education and Training (1996).

institutions and existing or proposed private institutions.<sup>260</sup>

The panel members, chaired by David C. Smith, principal emeritus of Queen's University and a former chair of COU, were given until December to report. Among the panel's recommendations, two were most important for university funding. The panel recommended that the provincial government should provide funding to universities comparable to the average for other provinces and in line with government support for public universities in major U.S. states. The panel said this should be achieved by "arresting reductions in government grants now" and by phasing in increases over several years. The panel also recommended that universities be free to set their own fees, subject to conditions that we will examine in chapter 7.<sup>261</sup>

The panel's report partially reinforced the Access and Equality Paradigm by supporting high accessibility. At the same time, the panel proposed two major revisions: it recommended deregulating tuition fees, taking a benign view of the possibility that this would cause some universities to have much higher revenues per student than others, and it proposed to add to the paradigm a specific measure of educational quality, defined as funding per student competitive with that in other North American jurisdictions.

Days after the panel reported, the government announced there would be no further cuts in transfers to postsecondary education. This announcement began a three-year stand-off between the government and the universities on whether – and in what circumstances – the university operating grant should be increased. The Smith panel's call for higher funding to protect and improve quality had no apparent political effect. A one-year freeze for 1997-98 was extended for two additional years by Minister Eves in December 1997.

These decisions meant that total funding per student, adjusted for inflation, fell in the first year of the Progressive Conservative government and did not return to more normal levels until three years later, fuelled by higher tuition fees and eventually by measures to provide special funding to expand programs in engineering and computer science and to

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<sup>260</sup> Advisory Panel (1996), i.

<sup>261</sup> Advisory Panel (1996), 5-6.

introduce performance-based funding.<sup>262</sup> In addition, during this period the government began to respond to the long-standing desire of some universities for deregulated tuition fees and for a provincial research policy with substantial new public funding – both of which had been recommended by the Smith panel.<sup>263</sup> Cooperation in some areas of the multi-faceted government-university relationship meant that the relationship was more constructive than a three-year funding freeze by itself might suggest. While COU called the two-year extension of the funding freeze “bad news for Ontario,” its relatively temperate response reflects its pragmatic approach to the relationship during this period.<sup>264</sup>

*Equality reasserted, in part*

A measure of the continued strength of the principle of equality is that, in the midst of a freeze on untargeted funding and much experimentation with new policies to support university research, the government unexpectedly agreed in 1998 to provide \$29 million annually to address inequities in per-student funding that dated to the late 1970s and early 1980s. The universities affected by these inequities had lobbied for redress almost annually since the mid-1980s – sometimes with the knowledge of their COU colleagues, and sometimes not – and York University led concerted representations to the central agencies of government in early 1998. As a result of the government’s decision, eleven of the seventeen universities received additional funding to bring them to the level of the University of Toronto, and the seven largest beneficiaries – Brock, Lakehead, Laurentian, Nipissing, Trent, Wilfrid Laurier and York – received the equivalent of a permanent increase of between 3 and 7 per cent in their total operating funding.<sup>265</sup>

The Fair Funding for Universities Grant addressed one of two major inequities in the operating grant formula. The introduction of corridor funding in 1987, coupled with the lack

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<sup>262</sup>These measures are described in more detail in chapter 6.

<sup>263</sup>See chapter 7 regarding tuition policy and chapter 8 regarding research policy.

<sup>264</sup>COU news release, December 15, 1997, COU Arch. D3 R16.

<sup>265</sup>Ontario Minister of Finance (1998); MTCU news release, “Backgrounder: Fair Funding for Universities Grants”, November 23, 1998.

of money to revise corridors upwards in the 1990s, meant that universities that grew in the 1990s did not receive additional operating grants for this growth. The effect varied significantly among institutions. In the most egregious cases, by 1999-2000, “unfunded students” accounted for between 15 and 36 per cent of enrolments at Lakehead, Nipissing, Ryerson and Wilfrid Laurier. But most universities felt little effect, with eleven having unfunded students equal to less than 3 per cent of their enrolments. The government did not explain why it chose to address one inequity and not the other.

The introduction of the Fair Funding for Universities Grant suggests how sensitive governments could be to arguments based on equal funding per student – even in the late 1990s, and even when the arguments were based on direct representations, without any form of high-profile campaigning to sway public opinion. Like the Liberal government in 1986 – which, as we saw, devoted \$25 million annually to partly addressing this inequity, paired with \$25 million annually to assist universities that attracted federal research grants – the Progressive Conservative government may have seen this funding as partly balancing the large increases in research grants that began in 1997. But the Liberal government implemented a compromise among the universities that had been in effect negotiated by ministry staff and the OCUA, while the Progressive Conservative government made a series of discrete decisions in response to approaches from factions in the university community. This approach affected COU’s ability to reach consensus positions, although there are different views of the nature of the change. Monahan reports that COU in the late 1990s became more competitive, with the strong universities becoming stronger and less interested in reaching consensus with the others.<sup>266</sup> A participant recalls that the surprise victory of York and the other lower-funded universities – following a series of perceived wins by the universities with large research programs and prestigious professional programs – caused COU members to have more open discussions, listen to outlying views, and work harder to reach consensus.<sup>267</sup> Both of these views suggest that in the late 1990s – as in the mid-1980s

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<sup>266</sup>Monahan (2004), 155, 182-183, 210.

<sup>267</sup>Confidential interview.

– the commitment to the formal equality of every university masked significant tensions within COU about whether equal funding per student was the best approach to university funding in an environment of constrained resources.

***Equality challenged: the effect of private donations***

Even as the government was finding additional money to strengthen equality in its operating grants, private donations to universities accelerated in the late 1990s. The increase in the mid-1990s can be linked to an improved economy and the New Democratic government's creation of university foundations, but the tax advantages of these foundations relative to ordinary charities were largely removed in the 1997 federal budget.<sup>268</sup> The increase in the late 1990s is associated with the combined effects of a booming stock market, federal government actions to encourage donations of equity shares, and programs of the provincial Progressive Conservative government to match donations to universities for certain purposes. Table 5.4 shows university income from donations for the period 1987-88 to 2002-03. Adjusted for inflation, annual donations doubled during this period.

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<sup>268</sup>The benefits of Crown foundations for universities predictably caused many other publicly-supported institutions to seek eligibility to set up their own Crown foundations. The Progressive Conservative government introduced the *Crown Foundations Act* in 1996 to extend eligibility to hospitals, libraries, museums and cultural organizations. In 1997 the federal government removed most of the tax advantages for donations to Crown foundations by equalizing the maximum donations to charities and to the Crown at 75 per cent of an individual's annual income, with any balance carried over to subsequent years. The Ontario government sought and failed to get the federal government to agree to administer an Ontario personal income tax credit that would offset the effects of this change. (Ontario Minister of Finance 1997)

**Table 5.4: University income from donations, 1987-88 to 2002-03**

|           | Donations<br>(\$ million) | Related events  |
|-----------|---------------------------|---|
| 1987-88   | 114.1                     |   |
| 1988-89   | 125.5                     |   |
| 1989-90   | 148.5                     |   |
| 1990-91   | 152.1                     |   |
| 1991-92   | 178.0                     |   |
| 1992-93   | 152.5                     |   |
| 1993-04   | 142.7                     | University foundations established in most universities.  |
| 1994-95   | 154.7                     |   |
| 1995-96   | 211.7                     |   |
| 1996-97   | 254.5                     | Ontario Student Opportunity Trust Funds program matches donations to university endowments for student aid (through 1998-99).   |
| 1997-98   | 268.6                     | Federal budget removes most tax preferences for donations to university foundations.<br>Federal budget reduces capital gains tax on donations of equity shares, to match U.S. tax treatment of similar donations. |
| 1998-99   | 345.6                     | Access to Opportunities Program (ATOP) matches donations for engineering and computer science programs (through 2002-03).   |
| 1999-2000 | 352.8                     |   |
| 2000-01   | 365.5                     | Stock markets peak.<br>Ontario SuperBuild funds awarded based in part on university fund-raising.   |
| 2001-02   | 400.1                     |   |
| 2002-03   | 328.9                     | Ontario Student Opportunity Trust Funds program re-introduced in March 2003.  |

Source: COU (2004b), table 1.7.

The increase in donations took place outside of the Access and Equality Paradigm – which, as we have seen, did not equalize university fund-raising for fear of discouraging donors. Its effect was to increase the resources of some universities more than others. The effect on students depended on how the revenues were used, which in turn depended on the donors' wishes, the requirements of certain government programs, and universities' own

priorities. Two of the principal effects were on universities' capacity to provide high-quality physical space and assistance to students with financial need.

Table 5.5 shows the differences in university endowments as of 2000. One way to consider the effects of these endowments is to calculate how much operating revenue the endowments can generate annually. Assuming an annual payout equal to 4.5 per cent of capital, the average potential annual payout from these endowments was \$435 per student (compared with revenue from operating grants, tuition and fees of \$11,184 per student that year). But the potential annual payout varied widely, from less than \$100 per student at Brock, Lakehead, Nipissing, Ryerson and Windsor to as high as \$923 at Queen's and \$1,352 at Toronto. In other words, these endowments potentially added 8-12 per cent to the annual revenue per student of the richest universities, and less than 1 per cent to the revenue of the poorest.



**Table 5.5: Total cumulative endowments, by university, 2000**

| university      | endowment (\$ million) | endowment per FTE student (\$) |
|-----------------|------------------------|--------------------------------|
| Brock           | 15.0                   | 1,755                          |
| Carleton        | 38.5                   | 2,795                          |
| Guelph          | 104.4                  | 7,798                          |
| Lakehead        | 11.2                   | 2,065                          |
| Laurentian      | 18.6                   | 3,939                          |
| McMaster        | 175.5                  | 12,234                         |
| Nipissing       | 3.4                    | 1,542                          |
| OCAD            | 0.5                    | 255                            |
| Ottawa          | 57.0                   | 2,988                          |
| Queen's         | 306.2                  | 20,518                         |
| Ryerson         | 10.3                   | 662                            |
| Toronto         | 1,321.8                | 30,049                         |
| Trent           | 17.2                   | 3,914                          |
| Waterloo        | 60.2                   | 3,492                          |
| Western         | 155.6                  | 6,480                          |
| Wilfrid Laurier | 20.8                   | 2,488                          |
| Windsor         | 23.1                   | 2,223                          |
| York            | 105.4                  | 3,541                          |
| TOTAL           | 2,444.8                | 9,675                          |

Source: Council of Financial Officers - Universities of Ontario (2001), I and II, table 1. Includes church-related and affiliated colleges.

In sum, we can see that during the early years of the Progressive Conservative government – as was the case during the early years of the Liberal government and the entirety of the New Democratic government – the Access and Equality Paradigm provided little guidance to government and universities on how to work together when university enrolments were not growing. This period of the relationship was characterized by uncertainty, experimentation, and low levels of trust between government and universities and among universities themselves. Equity claims were sometimes addressed, and

sometimes ignored in favour of encouraging revenue from non-government sources. The period ended when government and universities foresaw the urgent need to plan for the largest increase in university enrolments since the 1960s, as the government shortened the secondary school curriculum to twelve years and created a double cohort of new entrants to university.

### ***Seeking funding for planned growth***

#### *Capital funding policy from 1985 to 1998: managing retrenchment*

To understand the process of planning for the double cohort, it is important to understand the reduction in the government's capacity to plan for enrolment growth and capital expansion after the early 1970s. While the government remained committed to the Access and Equality Paradigm, the end of the baby boom and the pressure of tight budgets encouraged governments to believe or hope that future accessibility growth would be incremental and could be managed through a year-by-year planning process.

By the time of the election of the Liberal government in 1985, constraints on capital spending meant that capital planning took the form of approving a handful of major buildings each year. Ministry staff surveyed the universities each year for capital requests and evaluated them based on a small number of criteria, of which shortage of space was the most important. An exercise in assessing long-term needs was not carried out, and in any event the available funding was too small to support more than a few projects each year.<sup>269</sup> With

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<sup>269</sup>The 1988 announcement was typical of the approach taken by the Liberal government to capital planning and investment. In 1988-89 the government allocated \$77.7 million to universities for capital investments – an improvement on the very low levels of the early 1980s, but low by the standards of the late 1960s and early 1970s. Of this amount, \$42.7 million was directed to supporting seven new capital projects, one at each of seven universities. Another \$20 million was provided for renovations and improvements in existing buildings, distributed to all universities according to a formula. Five million dollars was provided to help construct student residences. Finally, \$10 million was provided as the first payment in a four-year, \$40 million program to help universities accommodate the increased enrolments of the late 1980s. This money could be used to rent or purchase space, to alter existing space, or to purchase equipment. (Letter from L. McLeod to executive heads, April 20, 1988, COU Arch. D3 R8. For examples from other years, see letter from L. McLeod to executive heads, May 30, 1989, COU Arch. D3 R14, and memorandum from J.

(continued...)

some exceptions, the government paid two-thirds of the cost of each project and expected the university to find the balance from its own resources. We saw earlier in this chapter that the increase in university enrolments in the late 1980s took both the government and the universities by surprise. Lacking the normal two- to four-year lead time required to plan and build major buildings, the government provided a four-year \$40 million capital fund and gave the universities great flexibility in its use. The four-year time horizon permitted universities to plan, subject to the constraint that the money would not continue past the fourth year.

An important innovation during the Liberal government was the introduction in 1989-90 of a special grant to fund the renovation of existing buildings. The introduction of the Renovation Fund – subsequently renamed the Facilities Renewal Program – was an explicit recognition of the increasing costs of maintaining the large stock of buildings built prior to 1975 which were starting to show signs of age. In effect the program was intended to maintain accessibility rather than to increase it. The government did not establish a target or norm for what should be spent on facilities renewal, and so it left open the question of what a university should do if it had needs that exceeded its share of the \$20 million.

The government's limited approach to capital planning and funding was abetted by the lack of consensus among universities on any alternative policies. When the university presidents met in March 1989, they discussed the need for an "adequate" program for building maintenance, but decided that assessing the true need would be "a formidable task" and so did not undertake further work on this issue.<sup>270</sup> Likewise, the universities had no history of taking a collective position on the which universities should have priority in the funding of new buildings – an inherently divisive issue where their consensus-based approach to decision-making was destined to founder – and so they continued their long-standing tradition of lobbying separately for capital grants.

These four themes – a year-by-year approach to capital planning, pragmatic criteria

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<sup>269</sup>(...continued)

McAllister to E. Monahan, April 12, 1990, COU Arch. D3 R14.)

<sup>270</sup>COU Executive Committee minutes, March 1989 [day illegible], COU Arch. D3 R14.

for selecting new capital projects to be funded, a facilities renewal program of uncertain adequacy, and a lack of consensus among universities for alternative policies – continued following the election of the New Democratic government in 1990. At the beginning of its term, the New Democratic government saw the potential to use increased capital spending as a means of fighting the recession.<sup>271</sup> There continued to be no long-term capital planning process, although Minister Allen cited “overcrowding” as the rationale for the two new buildings that were funded in 1991-92. Allocations for 1992-93 and 1993-94 continued to focus on small-scale renovations and additions to existing buildings that could be quickly undertaken to increase construction employment.<sup>272</sup>

In the summer of 1994 – with its major expenditure control initiatives underway and with an election due within a year – the New Democratic government announced the largest group of postsecondary capital projects of its mandate.<sup>273</sup> After the election of the Progressive Conservative government in 1995, all of these capital projects were placed on

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<sup>271</sup>Capital grants to universities in 1991-92 were \$124 million – the highest level since 1974-75, adjusted for inflation. The largest portion of the increase was due to a \$47 million allocation for the government’s Anti-Recession Program, focussed on small-scale renovation and maintenance projects that would provide immediate economic stimulus.

<sup>272</sup>Letter from B. J. Mackay to executive heads, July 7, 1991, COU Arch. D3 R14; letter from R. Allen to executive heads, February 2, 1993, COU Arch. D3 R14; letter from D. Cooke to executive heads, June 30, 1993, COU Arch. D3 R14. Further support to small-scale projects at universities was provided through the Canada-Ontario Infrastructure Works program following the election of the federal Liberal government in 1993. Universities in Ontario – which was the only province to make its universities eligible for this program – received a total of \$67 million from the two levels of government and were required to find an additional \$33 million from their own resources. (Letter from D. Cooke to executive heads, January 25, 1994, COU Arch. D3 R14).

<sup>273</sup>These included two innovative projects that used capital grants to address the government’s policy objective of experimenting with a new type of education that combined the strengths of universities and colleges. To this end, \$56 million was provided to York University and Seneca College for a shared building on York’s campus, and \$30 million was provided to McMaster University and Mohawk Colleges for a shared building on McMaster’s campus. Premier Rae announced another major project that fall with a \$24 million grant to the University of Waterloo for a new environmental sciences and engineering building. (Letter from D. Cooke to executive heads, June 28, 1994, COU Arch. D3 R14; Office of the Premier news release, October 13, 1994, COU Arch. D2, R10.)

hold as the government assessed its cost-cutting agenda. In 1996 several projects approved by the New Democratic government were cancelled. Funding to universities for facilities renewal was continued at \$15 million annually – the level to which the former government had reduced it in 1993-94.<sup>274</sup>

By the late 1990s, the effects on university buildings of a quarter-century of neglect were becoming increasingly pronounced. The universities estimated that three-quarters of their 40 million square feet of space was built between 1955 and 1975 and had reached an age when capital repairs were essential. Based on the age of these buildings and on standards established by the universities, they argued that they should be spending \$75 million annually on facilities renewal and that this amount should rise to \$130 million annually by 2005 – far in excess of the ministry's \$15 million annual grant. In addition, the universities estimated that the cost of repairs and renovations that they had postponed over the years – known as “deferred maintenance” – now totalled \$600 million. These amounts did not include the cost of accommodating future enrolment growth that would arise from the double cohort.<sup>275</sup>

In sum, capital planning from the mid-1970s to 1998 was based on taking advantage of the stock of buildings constructed in the 1960s. The provincial government used a modest annual capital budget to address the most pressing of current needs, with a Keynesian boost during the recession of the early 1990s. In some cases new buildings were funded – or cancelled – with an eye on the election cycle. The Access and Equality Paradigm provided little guidance: the limits on capital planning posed no apparent threat to accessibility, and the inequalities among universities in their capital assets were deemed unimportant, since the paradigm had never been interpreted to mean that there should be equality in the capital assets available at every university.

*The double cohort: mobilizing the policy network*

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<sup>274</sup>This was supplemented by one-time funding of \$26 million from the federal and provincial governments in 1997-98 under the second round of the Canada-Ontario Infrastructure Works program. (Letter from B. Patterson to executive heads, June 5, 1997, COU Arch. D3 R21.)

<sup>275</sup>Letter from C. Workman to D. Trick, April 20, 1998, COU Arch. PF 4/129.

The coming of the double cohort meant that, for the first time since the 1960s, the government and the universities faced a foreseeable increase in enrolments that exceeded what could reasonably be met through incremental expansions in capital and operating grants.<sup>276</sup> This brought an end to a long period when the Access and Equality Paradigm could be maintained with only minor year-to-year tinkering. For the first time in three decades, a requirement existed to plan how many additional spaces should be created, in what programs, at which universities, and at what cost to the government and to students.

The process of responding to this requirement brought to the fore the nature of the government-university policy network in Ontario. To plan for the double cohort, the government did not rely solely on internal expertise, nor did it form an external panel of experts or a consultative process involving students, faculty and others. Instead, as in the 1960s, it relied on a bilateral process involving the government and the university administrations. The outcome was to reaffirm the existing Access and Equality Paradigm. Indeed, there is no evidence that the participants considered any alternative to expanding the system in order to maintain high participation rates. There was substantial criticism of the government when its funding for new buildings was perceived to vary from the equality aspect of the paradigm, leading it to offer additional capital grants to institutions that had been left out. After a lengthy search for ways of reducing costs, the government finally agreed to maintain the principle of equal operating funding per student.

The need to plan for the double cohort arose from the government's commitment to reform the secondary school curriculum and to make Grade 12 the normal year for secondary school completion. Doing so brought Ontario into line with all other provinces (setting aside Quebec's CEGEP system) and all U.S. states. Initial planning for the impact of the double cohort on universities was affected by uncertainty about whether secondary school reform

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<sup>276</sup>We have noted earlier in this chapter that the growth in university enrolments between 1987 and 1990 was unforeseen and that the process for expanding operating and capital grants during this period was largely intended to catch up on growth after it had already happened. In the period from 1991 to 1998, enrolments (measured as full-time equivalents) were essentially static: the number of 18-year-olds in the population declined during these years, and increases in the full-time participation rate were offset by a decline in the number of part-time students.

would indeed take place – the introduction of the new curriculum was delayed by one year due to the magnitude of the changes contemplated – and also by the universities’ need to focus their attentions on the effects of reductions in grants and increases in tuition fees in the mid-1990s.

The first attempt by ministry staff to quantify the size of the double cohort was shared with universities in 1997. This was followed in 1998 by the efforts of the directors of the Universities Branch and the Colleges Branch to initiate a more formal process involving staff from the Ministry of Education and from universities and colleges.<sup>277</sup> By January 1999 it was apparent to the president of COU that a more senior-level group from both the ministry and the universities should direct the planning effort.<sup>278</sup> At his suggestion, Minister Johnson agreed in February 1999 to establish a Working Group on University Capacity, co-chaired by the deputy minister and the president of COU, and involving senior ministry staff and five university presidents. The Working Group on University Capacity became the principal vehicle for developing a consensus between the government and the universities on the size of the double cohort and on the resources necessary to address it.

The first step of the Working Group was to agree on a projection of future enrolment levels.<sup>279</sup> The Working Group agreed in April 1999 to plan on the basis that full-time university enrolments in 2004-05 would be 57,000 higher (25 per cent higher) than in 1998-99. An important finding was that university enrolments would level off after 2005 and

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<sup>277</sup>A. Hegarty, “Estimation of the Probable Size of the Double Cohort Resulting from the Implementation of Ontario Secondary School Reforms,” April 25, 1997, COU Arch. D2 R6; letter from B.J. Mackay and C. King to Double Cohort Planning Group, September 1, 1998, COU Arch. D2 R17.

<sup>278</sup>Clark (2001).

<sup>279</sup>Demographic projections from the Ministry of Finance showed that, after years of decline, the population age 18-24 was once again rising as the baby-boom echo reached university age. Other key variables were largely unknowable, including the share of the source population who would wish to attend university and the pace at which secondary school students would adapt to the new 12-year curriculum. Based on long-term trends, the participation rate was projected to grow slowly each year. Data from other provinces where a 12-year curriculum had been in place for many years were used to project time to completion.

would not decline. In other words, the effect of population growth, the baby-boom echo, and rising participation rates would sustain university enrolments at their new higher levels after the double cohort moved through the system, at least through the year 2021. A separate study commissioned by COU and made public during this period projected a similar pattern of enrolments but at a somewhat higher level, reflecting a higher assumption about the growth in participation rates.<sup>280</sup>

This finding had important implications for the Working Group's capital planning, since it meant that permanent facilities rather than temporary or leased space should be provided. The group agreed that new buildings or newly-renovated space were required to accommodate 34,000 students, and that another 24,000 could be accommodated through more efficient use of existing space (such as scheduling classrooms for more hours per week).

Based on average construction costs, the Working Group estimated that the cost of these measures would be \$1.4 billion, with the government paying approximately two-thirds of this amount. The annual operating grant to universities would need to grow by \$350 million by 2004-05 in order to teach the growing number of students. Additional amounts would be required to address the backlog of deferred capital maintenance and to implement quality improvements requested by the universities.<sup>281</sup>

#### *Capital funding and the dominant paradigm*

At a time when the government was still a year away from achieving its goal of a balanced budget, these were daunting figures. Nevertheless, three weeks after the report of the Working Group, Minister Eves announced the first step towards meeting the expected growth in enrolment by providing \$660 million through the government's SuperBuild program for new buildings at colleges and universities – the largest allocation since the early 1970s. An additional \$42 million – more than twice the usual allocation – was provided to

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<sup>280</sup>Price Waterhouse Coopers (1999).

<sup>281</sup>Working Group on University Capacity, "Universities - Summary of incremental operating costs (minimum)," April 13, 1999 and "Universities - Physical plant," April 12, 1999.



renew existing university buildings.<sup>282</sup>

With these promises made, the Progressive Conservative government was re-elected in June 1999 without the double cohort becoming an election issue.<sup>283</sup> In October the government released the rules by which universities and colleges could apply for SuperBuild funding. Funding for major capital projects was to be awarded based on a competitive process with a common set of criteria that reflected specific government policy objectives.<sup>284</sup>

In February 2000, Minister Cunningham and Minister Eves began several days of announcements regarding the SuperBuild projects that had been approved for funding. While these announcements were welcomed by the recipient institutions, the government faced the challenge of managing the reaction of universities whose applications were not funded, and who deemed this rejection to be a departure from the established paradigm. Minister Eves acknowledged this problem immediately and promised additional funds would soon be forthcoming.

A second problem arose from media coverage suggesting that the government's choice of SuperBuild projects was intended to restructure postsecondary education in favour of high-technology programs at the expense of the humanities and social sciences. This claim was first made when only the Toronto-region projects had been announced,<sup>285</sup> but it

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<sup>282</sup>Ontario Minister of Finance (1999), 16-17.

<sup>283</sup>Clark (2001).

<sup>284</sup>Institutions were required to provide:

- the number of new student spaces the project would create, and the cost to government per space created
- the share of funding to be raised from private or non-government sources
- evidence of student demand for the program to be offered
- evidence of the impact on community or regional economic development
- evidence of an academic plan to provide joint programming (where the applicant wished to be considered for the portion of the program that funded joint college-university projects). (MTCU, "Invitation to Ontario colleges and universities to submit proposals for funding from the SuperBuild growth fund for postsecondary education," undated [October 1999]).

<sup>285</sup>Ibbitson (2000).

created a lasting impression in the academic community.<sup>286</sup> Ministry staff subsequently released analysis suggesting that 35 per cent of the university spaces funded under SuperBuild were “general academic space” such as lecture halls that could be used over time for any program where future student demand warranted, and another 38 per cent were directed to general science programs such as chemistry, physics and biology.<sup>287</sup>

Following up on his promises in February, Minister Eves announced in May 2000 an additional \$286 million for SuperBuild. Within weeks additional projects were approved so that every university and college in Ontario received funding for at least one project. A summary of the two rounds of SuperBuild announcements appears in Table 5.6.

**Table 5.6: Distribution of SuperBuild projects, funding and student spaces**

|                               | projects |                   |       | funding (\$ millions) |                   |       | student spaces |                   |        |
|-------------------------------|----------|-------------------|-------|-----------------------|-------------------|-------|----------------|-------------------|--------|
|                               | colleges | univer-<br>sities | joint | colleges              | univer-<br>sities | joint | colleges       | univer-<br>sities | joint  |
| round 1<br>(February<br>2000) | 11       | 13                | 6     | 160.5                 | 365.0             | 134.8 | 19,006         | 28,511            | 9,975  |
| round 2<br>(May<br>2000)      | 14       | 5                 | 3     | 132.5                 | 88.4              | 10.1  | 10,161         | 4,850             | 576    |
| total                         | 25       | 18                | 9     | 293.0                 | 453.4             | 144.9 | 29,167         | 33,361            | 10,551 |

SOURCE: Council of Ontario Universities, “Capital funding,” Briefing Note, August 2000.

Table 5.7 shows how government funding for SuperBuild was distributed by

<sup>286</sup>Axelrod (2002), 96.

<sup>287</sup>“Presentation to Ontario Deans of Arts and Science,” May 11, 2000, DT files. An alternative analysis found that engineering, business and computer science programs received 51 per cent of SuperBuild funds, even though they account for only 24 per cent of students, and that humanities and social science programs, with 40 per cent of university enrolments, received 3 per cent of SuperBuild funding. (Robertson, McGrane and Shaker (2003), 41-42.) This study differs from the ministry’s in that it analyzes funding rather than spaces: spaces in engineering and sciences tend to cost more than spaces in humanities and social sciences. As well, the two studies differ in how they define general or multipurpose space.

university. The table shows each university's share of Basic Income Units – in other words, its share of enrolments, weighted by program, that formed the basis for distributing most operating grants and tuition income under the 1967 provincial formula. It then shows each university's share of government SuperBuild funding for universities, and the ratio of the two shares. Simply put, a ratio greater than 1.00 means that the university received more from SuperBuild than it would have received if those same dollars were distributed using the province's operating grants formula.

The ratios confirm that SuperBuild funding was distributed much differently than operating grant funding. The only conspicuous pattern in this distribution is that the three smallest institutions all received SuperBuild funding well in excess of their BIU shares. There is no apparent bias in favour of older institutions which might have been expected to be better able to raise private donations: for example, Queen's did well, while McMaster and Toronto did not. There is no apparent bias by region: in each region one can find universities that did well and others that did not.

**Table 5.7: Distribution of SuperBuild funding to Ontario universities, 2000**

| university      | share of BIUs<br>(2002-03)(1) | SuperBuild government grant |             |
|-----------------|-------------------------------|-----------------------------|-------------|
|                 |                               | share(2)                    | ratio(3)    |
| Brock           | 2.91%                         | 2.96%                       | 1.02        |
| Carleton        | 5.27%                         | 6.53%                       | <b>1.24</b> |
| Guelph          | 5.48%                         | 11.18%                      | <b>2.06</b> |
| Lakehead        | 1.77%                         | 2.54%                       | <b>1.43</b> |
| Laurentian      | 1.70%                         | 0.26%                       | <i>0.15</i> |
| McMaster        | 6.36%                         | 4.29%                       | <i>0.68</i> |
| Nipissing       | 0.78%                         | 2.13%                       | <b>2.73</b> |
| OCAD            | 0.61%                         | 4.56%                       | <b>7.48</b> |
| Ottawa          | 7.89%                         | 1.34%                       | <i>0.17</i> |
| Queen's         | 6.13%                         | 9.65%                       | <b>1.58</b> |
| Ryerson         | 6.06%                         | 8.05%                       | <b>1.33</b> |
| Toronto         | 19.60%                        | 12.64%                      | <i>0.64</i> |
| Trent           | 1.49%                         | 5.25%                       | <b>3.52</b> |
| Waterloo        | 7.37%                         | 5.93%                       | 0.80        |
| Western         | 9.31%                         | 8.11%                       | 0.87        |
| Wilfrid Laurier | 2.83%                         | 1.20%                       | <i>0.42</i> |
| Windsor         | 3.76%                         | 2.31%                       | <i>0.61</i> |
| York            | 10.68%                        | 10.95%                      | 1.02        |
| TOTAL           | 100.0%                        | 100.0%                      | 1.00        |
| <i>amount</i>   |                               | \$525.9 million             |             |

(1) "BIU" is Basic Income Units – i.e, the number of students, weighted by program, who are eligible to be counted under the MTCU operating grant formula.

(2) "Share" is each university's share of total government SuperBuild grants to universities. Where a grant was made jointly to college and a university, 50 per cent is attributed to the university.

(3) "Ratio" is the ratio of a university's share of SuperBuild funding to its BIU share. For convenience, ratios of 1.20 or greater are shown in **bold**; ratios under 0.80 are shown in *italics*.

SOURCES: BIUs: COU (2004b), 9. SuperBuild grants: "Second report to the minister from the Working Group on University Capacity," February 22, 2001.

With these capital announcements in place, the government and the universities were

able to agree that the need for new buildings to address the double cohort had essentially been met. COU and the ministry agreed that “in the context of investments to address the deferred maintenance backlog and commitments to make more intensive use of existing space, if the planned capital projects are implemented, the Ontario university system will have adequate space to accommodate the projected enrolment growth of 58,000 to 2004-05.”<sup>288</sup> In accepting this conclusion, the universities implicitly agreed not to raise public concerns about lack of space as a way of leveraging more capital funding from government.

The principal financial caveat in this conclusion was that there should be further investments to address the deferred maintenance backlog. As the average age of university buildings increased, universities began to invest more effort in assessing the condition of the buildings and measuring the need for larger public investments.<sup>289</sup> With more information on the size of this problem, the Progressive Conservative government provided somewhat higher funding to assist universities in bringing buildings to better condition in time for the arrival of the double cohort. The 1999 Budget provided \$42 million to universities for this purpose, the 2000 Budget provided an additional \$63 million, and the 2001 Budget provided a further \$67 million.<sup>290</sup>

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<sup>288</sup>Working Group on University Capacity, “Second report of the working group,” February 22, 2001.

<sup>289</sup>An initial survey by the Ontario Association of Physical Plant Administrators (an affiliate of COU) in 1995-96 estimated that \$640 million would be required to return all university buildings to good condition. A study by the Canadian Association of University Business Officers published in 2000 reached a much higher estimate, claiming that the value of deferred maintenance in universities in Ontario was \$1.1 billion (and in Canada, \$3.6 billion). (Council of Ontario Universities, “Capital funding,” Briefing Note, August 2000)

<sup>290</sup>Even at these higher levels of funding, the government and the universities left unanswered the question of who is accountable for maintaining university buildings in good condition and how this maintenance should be paid for. Prior to the 1999 SuperBuild program, it was common practice for governments to take into account the poor condition of an existing building in choosing to fund its replacement – creating a disincentive for universities to maintain their own buildings. In December 1999 the universities, with technical support from the ministry, agreed to do a detailed assessment of the condition of every building over a five-year period using a standard methodology. By the end of the second year of this

(continued...)

*An apparent threat*

At the same time that the Progressive Conservative government was requesting and assessing applications for funding for new buildings to serve growing enrolments, the relationship between the government and COU temporarily foundered on the question of COU's tactics in seeking increased operating funding to hire faculty and provide other services to these additional students. This episode demonstrated the ambiguity of the relationship: the universities acted as a partner in a bilateral policy network on the one hand, while looking for opportunities to elevate university funding to the macropolitical agenda on the other. This dual strategy meant that the ground rules of the relationship were not clear: did cooperation with the government in planning for the double cohort mean that universities had lost their right to generate public pressure on government for higher funding?

The apparent threat from the universities came when, at the urging of the universities, Minister Cunningham informed the university presidents in September 1999 that she was reinstating the Working Group on University Capacity following a five-month hiatus and was charging it with doing the analysis to prepare for future enrolment growth and quality improvements. The universities responded in a letter signed by all university presidents setting out specific deadlines by which the government was urged to make decisions so that universities could plan their future enrolments:

Our universities have accommodated this increased student demand [in September 1999] without additional operating grants under the assumption that plans to fund the overall expansion would be developed by this fall. We cannot do the same next year....

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<sup>290</sup>(...continued)

project, the universities had audited 691 buildings and found that 214 were in "excellent" condition, 128 "fair" and 349 "poor". They estimated that the total value of deferred maintenance was \$1.3 billion and that to restore every building to good condition and prevent the deterioration of buildings already in good condition would require an investment of between \$212 million and \$414 million annually for ten years. (COU 2002, 16 and 51) The unwillingness of either governments or universities to address the full financial implications of this problem meant that it was left unresolved as the parties prepared for the double cohort.

We must not betray our current students, and those we admit in the future, by admitting more than we can responsibly accommodate and provide with a quality education.<sup>291</sup>

This letter was quickly followed by a COU news conference to build support for an 8 per cent increase in funding in 2000-01.

The government's interpretation of the letter and news conference was that the universities were attempting to provoke a public confrontation and were threatening the government.<sup>292</sup> Newspaper coverage of the news conference set the tone for this interpretation of the universities' strategy:

The presidents of Ontario's seven largest universities are blackmailing Mike Harris.....[They] have presented an ultimatum: either the government comes up with a funding formula they consider adequate to their needs, or they will cap their enrolments.<sup>293</sup>

The tension in the relationship was reaffirmed in December when the university board chairs signed a letter to Premier Harris requesting a meeting and noting their discomfort at committing to build new SuperBuild projects when the government had not promised the operating funding that would be needed to run the buildings. The government's reply challenged them to name the universities in this position so their funding could be given to others instead.<sup>294</sup>

It is doubtful that the universities had intended to provoke a confrontation of this magnitude. We have seen that the universities had linked government funding decisions with universities' willingness to admit more students in their meetings with the Liberal government in July 1986 without facing a similar reaction, and such a link was discussed (but rejected by COU) in early 1992. Public opinion polling available to COU did not

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<sup>291</sup>Letter from executive heads to D. Cunningham, October 8, 1999.

<sup>292</sup>Clark (2001).

<sup>293</sup>Ibbitson (1999).

<sup>294</sup>Clark (2001).

suggest that the universities could win a public battle with the government for funding increases that outstripped enrolment growth.<sup>295</sup>

When the government made public its decision on funding for 2000-01 in March 2000 – more than two months after the deadline set by the universities – the content fell far short of the requested 8 per cent increase. Operating grants were increased by 3.2 per cent. In addition the government announced that tuition increases – which had been 10 per cent annually since 1997-98 – would be restricted to 2 per cent annually for the next five years.<sup>296</sup>

COU's response was that the announcement “does not respond to the enrolment growth...in recent years, nor the need to prepare for the significant increase in demand,” and it will “reinforce the problems of large class size”. With some understatement, the universities added that they were “disappointed with the announcement.”<sup>297</sup> The government's message was understood to be that – in return for receiving grants for more buildings and additional students – universities were expected to be circumspect about their need for higher funding per student.

The universities neither accepted nor challenged this message. At their June 2000

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<sup>295</sup>A poll conducted in 1997 found that 50 per cent of respondents thought that the funding of Ontario universities in comparison with other provinces was “about average,” with 15 per cent saying it was somewhat higher, 12 per cent saying somewhat lower, and 22 per cent saying they did not know. (Angus Reid 1998b) New polls conducted in December 1999 gave little support to either the universities or the government in their dispute over whether additional funding was warranted. The majority of respondents said that universities were run efficiently and were performing well – suggesting that they were neither over- nor underfunded. When asked, “Over all, how would you rate the performance of Ontario's universities?,” 69 per cent of respondents rated the universities at 7 or better on a scale of 1 to 10, while only 2 per cent rated them at 3 or lower. When asked “How efficiently do you feel Ontario's universities are run?,” 12 per cent said universities were very efficiently run, 68 per cent said somewhat efficiently, 11 per cent said not very efficiently, and 1 per cent said not at all efficiently. (Angus Reid Group 2000a)

<sup>296</sup>Working Group on University Capacity, “Second Report,” February 22, 2001. In 2002, the government considered a special request from Queen's University for permission to increase regulated fees by 10 per cent annually for four years in order to hire new faculty and teaching assistants and upgrade classrooms. The government eventually decided that the 2 per cent annual limit should continue to apply to all universities. (University Affairs 2002)

<sup>297</sup>Clark (2001) .



retreat, the university presidents debated whether the experience of the past year should cause them to change their approach to working with government. They agreed that they should aim to have a “productive working relationship” with government, where universities would work with the government while preserving their right to state their views in public and to disagree with government on some issues. Participants in the discussion acknowledged that government funding decisions are ultimately not made in partnership with stakeholders, so that neither a full partnership nor an antagonistic relationship was likely to produce higher funding than a productive working relationship. Following this retreat, COU engaged a former political aide as its lobbyist and initiated a campaign to promote increased access and greater quality in university education.<sup>298</sup>

*Building public support for greater university efficiency*

With the arrival of the double cohort students only three years away, both the government and the universities were still faced with the issue of how much additional operating funding would be available to fund the expected increase in enrolments.

Having established a record of seeking higher levels of efficiency across the public sector, the Progressive Conservative government could reasonably have been expected to ask whether, in the course of expanding to serve the double cohort, the universities might also be asked to achieve greater efficiencies and lower cost per student. As we have seen, some universities expanded in the late 1970s and early 1980s when funding for increased enrolments was discounted by 50 per cent, and in 1989-90 universities offered almost twice as many new student spaces as the government required when the government promised full funding for additional enrolments.<sup>299</sup>

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<sup>298</sup>Clark (2001).

<sup>299</sup>“Full funding” means that the additional funding for one incremental student is equal to the average funding for all students. One indicator of the government’s possible attitude came from an informal consultation that COU organized with former deputy ministers from central agencies in both the federal and provincial governments. While recognizing the importance of universities to economic and social development, the consensus of this group was that universities had done relatively little to restructure or improve productivity. For this reason there was skepticism that the government would choose to fund future enrolments without

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In September 2000 the government appointed a task force to investigate efficiency at universities (and colleges), chaired by Jalynn Bennett, a management consultant and former chair of the board at Trent University. The mandate of the Investing in Students Task Force, while broadly worded, centred on finding ways to “ensure that public funds were used to provide the highest quality of education for students” at colleges and universities. The task force was to “examine options for shared services,” recommend ways to ensure that “current and future spending is directed to meeting the changing needs of students,” and solicit proposals and provide advice on “ways to increase administrative efficiencies.” The task force was given until January to complete these tasks with the help of nine professional staff, so that the findings could be incorporated in the government’s budget planning in early 2001.

The findings of the task force on potential efficiencies were that postsecondary institutions could potentially achieve savings of \$74 million to \$88 million annually through collaboration and benchmarking of best practices – equal to about 2 per cent of total college and university spending. To achieve these savings, the task force recommended the creation of an incentive fund of \$80 million per year for five years. The task force noted that its mandate did not extend to examining how universities allocated their funds internally or their current operating budgets.<sup>300</sup>

Implicitly the Task Force’s message to the government was that the potential for saving money through improved efficiency at universities was small, and that to achieve these savings would require a large up-front investment. An additional message was that the task of reviewing each university’s budget to find inefficiencies was far larger than what a part-time group with a handful of staff could achieve in five months. Rather than building public support for a more efficient university system, the government’s approach gave the task force too few resources to investigate whether significant efficiencies could be achieved.

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<sup>299</sup>(...continued)

imposing a substantial discount to reflect efficiencies that the universities should be required to achieve. (Clark 2001)

<sup>300</sup>Task Force on Investing in Students (2001), ix-x; quotations at ix.

*Providing funding to maintain the dominant paradigm*

Having failed to build a case for associating universities with a revised paradigm with a focus on improved efficiency, the government left itself few options other than to provide full funding for the expected additional enrolments.

In its February 2001 report to the government, the Working Group found that all of the necessary pieces had been put in place to accommodate projected enrolment growth through 2005 – with the exception of a government commitment to increased operating funds. The report noted that adequate capital funding had been provided for new buildings and that at the ministry’s request, universities had prepared a five-year enrolment plans that would meet the projected aggregate demand, with an acceptable mix of spaces for first-year, upper-year and graduate students.

The report proposed nine principles by which funding for increased enrolments should be distributed. Four of these are worthy of special note:

- “1. Ontario’s universities should provide a space for every willing and qualified student.
2. Universities should be encouraged to compete to provide students with high-quality programs in the fields they want to study....
4. Equal base funding should be provided for students in the same or similar programs, regardless of which university they choose to attend....
8. Funding arrangements should protect taxpayers and should provide sufficient predictability to ensure prudent use of taxpayers’ dollars.”<sup>301</sup>

The first principle, of course, reaffirmed the most fundamental tenet of university policy in Ontario since the 1950s. The fourth principle rejected the option of providing discounted funding for extra enrolments and reaffirmed the principle of equal funding per student at every university.

In return for a government recommitment to the Access and Equality Paradigm, the university members of the Working Group agreed that new funding should be directed to the

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<sup>301</sup>Working Group on University Capacity, “Second report” February 22, 2001, 13.

universities that succeeded in attracting new students, rather than on the basis of negotiated quotas. This was expressed in the second principle, which in effect put aside the system of negotiated funding corridors that had been a feature of the funding formula since 1986. This principle was qualified only by the reference to “sufficient predictability” in the eighth principle, a phrase whose meaning was not defined in the Working Group’s report.

The May 2001 Ontario Budget responded to these issues by providing increased funding through 2003-04 at a rate that would permit full and equal funding of projected enrolment increases, to be distributed to the universities the students actually chose to attend. The approximate increases for universities over 2000-01 were \$26 million in 2001-02 (1.6 per cent), \$64 million in 2002-03 (3.9 per cent), and \$216 million in 2003-04 (13.2 per cent). An additional \$7 million was provided for performance-based funding. In his budget speech, Finance Minister James Flaherty noted that postsecondary education was the only sector receiving a multi-year commitment, “providing certainty to each and every one of these students [who will be arriving in 2003] – and their parents – that there will be a place for them at an Ontario college or university.” In response, COU issued a news release in which the “universities commended the Government for its multi-year commitment to full funding for increased enrolment.”<sup>302</sup> With this decision, the pattern of the 1960s was fully replicated, with government and universities working together to advance the Access and Equality Paradigm.

## **Conclusions of this chapter**

### ***Defining the policy outcome to be explained***

Our first challenge has been to identify the policy outcome that needs to be explained. Focussing on total funding per student – that is, total funding from ministry operating grants, tuition and fees per student enrolled, adjusted for inflation – we have seen that the period from 1985 to 2002 was a period of approximately stable total funding per student, with the exception of two temporary periods starting in 1993 and 1996 when funding was significantly less than in other years. The overall decline in funding in this period was about 1½ per cent.

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<sup>302</sup>Ontario Minister of Finance (2001), 25; COU news release, May 9, 2001.

We have also noted that this period of stability took place after a period of reductions in the 1970s and early 1980s that left total funding 23 per cent lower in 1982-83 than in 1970-71. In other words, funding from 1985 to 2002 can be characterized as having stabilized at lower levels per student than those of the late 1960s.

***The dominant paradigm and failed attempts at a paradigm shift***

Throughout this period we have seen how the Access and Equality Paradigm shaped the behaviour of governments of all three parties and, to a lesser extent, of the universities through COU. Governments repeatedly rejected policy outcomes when they appeared to threaten this paradigm. The Liberal government initially showed no special interest in university funding problems, but it loosened the purse strings when applications from secondary schools unexpectedly rose, since the alternative raised the possibility of universities turning away qualified students. The New Democratic and Progressive Conservative governments, faced with unprecedented deficits, chose to couple their reductions in university operating grants with larger-than-normal tuition fee increases so as to minimize the total impact on university funding and strengthen the financial incentive for universities to admit students. The Progressive Conservative government, facing a foreseeable jump in enrolments due to the double cohort, put aside its aversion to higher spending and joined with the universities to plan the largest expansion of the university system since the 1960s, fully funded in a way that maintained total funding per student.

During this period, governments tried but failed to establish a revised paradigm with a stronger emphasis on university efficiency that might have maintained access at a lower level of funding per student. The New Democratic government engaged in extensive consultations about “restructuring” from 1991 to early 1993, and it followed up with a more formal process in 1993 under the Social Contract, asking each sector to find savings while preserving public services. Yet the New Democratic government did not inform these processes with a vision on how universities could operate effectively at a lower per-student cost, and so the concrete results were negligible. Ultimately the New Democratic government accepted a solution based on a combination of lower grants and higher tuition fees. We will see in chapter 6 that the New Democratic government’s efforts through OCUA to restructure universities in a way that challenged their formal equality – which had the

potential to reduce per-student costs while maintaining access – found no support in public opinion and were soundly rebuffed by the universities.

The Progressive Conservative government campaigned on a platform that said there were elements of wasteful spending at universities. It established two advisory commissions that might have helped it identify such waste and build public support for eliminating it. Yet in both cases the government got cold feet, giving neither panel the time and resources that might have allowed them to carry out this task. The government's original plan for the Smith panel envisaged a role in reducing costs, but this role was effectively eliminated from the panel's written mandate, and its report called for sharply higher government spending on universities. The government's mandate for the Investing in Students Task Force obliquely encouraged the group to identify waste in spending, but, with limited staffing and only five months to do its job, the Task Force took only a tentative step in the desired direction. By the time it reported, the government faced a tide of parental anxiety about the double cohort and had not built any evidence to show that new student spaces could be funded at less than full rates.

*Institutions and the reproduction of the paradigm*

At the macro-political level, the principal foundation on which the Access and Equality Paradigm rested was the large share of the population – including students, parents and other family members, as well as many people with no direct association with universities – who supported the ideological basis of the paradigm or expressed no dissatisfaction with it. The public opinion polls available to the government showed that Ontarians supported high university participation rates, believed that universities were reasonably well-managed, and did not support policies that would reduce funding to some universities in order to maintain higher standards at others. Both the Liberal and Progressive Conservative governments proved extraordinarily sensitive to any suggestion from universities that accessibility might be reduced due to lack of funding, fearing repercussions from the parents of prospective students.

*Statutes and the operating formula as barriers to change*

Complementing the effect of public opinion were the institutional bases of the paradigm that were established by the late 1960s. The university statutes gave each

university the final decision about how many students to enrol, and any attempt by government to amend the statutes over the heads of the universities would have led to a high-profile and protracted confrontation. The formal equality of each university, as established in the statutes and reinforced in the operating grants formula, meant that any effort by government to differentiate the universities by funding level – for example, by asking them to bid competitively to offer additional spaces – could also have been expected to provoke a confrontation. Evidence of this commitment to equality can be seen in the public reaction against the exclusion of some universities from the first round of SuperBuild announcements, and the government’s decision to find additional funds so that every university could receive at least one new building – a clear case of equality trumping the Progressive Conservatives’ attempt to encourage universities to compete with one another to submit the best and most cost-efficient proposals.

The bargaining position of the universities with the government was strengthened by changes to the operating grants formula in 1986 that effectively required government to inject new money if it wished to guarantee that additional spaces would be created. This change – at the request of the universities, and in response to the discounted funding for enrolment growth in the 1970s – had the effect of returning the government-university funding relationship closer to the situation of the late 1960s, when government provided full additional funding for every additional student.<sup>303</sup> Like it or not, the operating formula forced governments in the 1985 to 2002 period to provide extra funding in order to guarantee spaces for additional students. Their only alternative would have been to revise the formula unilaterally and accept a confrontation with universities over whether the revisions would compromise students’ access to a high-quality university education.

*Stability in the policy network as a source of policy continuity*

Government and universities each made efforts during the period under study to change the policy network involved in university funding issues, but with no apparent effect

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<sup>303</sup>The principal difference was that in the late 1960s the universities decided how many students the government should pay for. After 1986 the government decided how many students it would pay for; universities could choose to enrol students above this number as “unfunded students.”

on university funding levels. Instead, the government-COU relationship continued to be the central feature of the policy network. With its consensus-based decision-making processes, COU's role through the period was to reinforce the principle of equal funding per student at every university.

During the period of the Liberal government, the most active participants in the policy network were the university presidents through COU, the Ontario Council on University Affairs, and the government through the ministry responsible for colleges and universities and the central agencies responsible for fiscal decisions. During the early years of the New Democratic government, the government made a conscious effort to expand the policy network, setting up broad consultative processes that included representatives of university employees, students, francophone groups, aboriginal groups and university board members as well as presidents and the OCUA. The nature of the community changed again when the Social Contract was introduced, requiring bilateral negotiations between representatives of university administration and employees, overseen by government officials. This period also marked the height of the universities' efforts to mobilize allies through the Friends of Ontario Universities and the Alliance for Ontario Universities.

The Progressive Conservative government reduced the number of participants in the policy network. It abolished the OCUA and advisory agencies representing francophones and aboriginals as part of a government-wide drive to reduce the number of publicly-funded advisory bodies. It maintained a more distant relationship than its predecessor with groups representing university employees and students. With these groups marginalized or eliminated, COU's preeminence among non-government participants in the policy network was unquestioned. In an effort to find more diverse sources of advice, the government on two occasions appointed limited-term advisory groups – the Advisory Panel on Future Directions for Postsecondary Education in 1996 and the Investing in Students Task Force in 2000 – yet neither of these groups provided the advice on improving university efficiency that the government seemed to want.

Despite their dissatisfaction with existing funding levels, neither the government nor the universities took effective action during this period to change the policy network as a potential means of changing the dominant paradigm. COU's reluctance to make a significant



place in the network for employee groups or alumni groups, and the inability of the Progressive Conservative government to replace the OCUA with a new body that might be more cost-conscious, meant that by the end of the period the policy network looked much as it did in the late 1960s, with government and COU in a bilateral relationship to plan the expansion of the university system.

***Limited institutional capacity to revise the paradigm***

While the importance of public support for the Access and Equality paradigm cannot be underestimated, the feebleness of government attempts to establish a revised paradigm is also noteworthy. The New Democratic and Progressive Conservative governments faced strong fiscal pressures and were often skeptical about university management, but neither was able to mount an alternative vision of how universities could be run more economically or to persuade a broad public that such a vision would be a desirable revision to the established paradigm. Their oblique efforts to establish such a paradigm – through consultations with stakeholders, in the New Democrats’ case, or through *ad hoc* advisory panels, in the Progressive Conservatives’ – were too thinly-resourced to credibly challenge a well-established paradigm.

For their part, the universities made only slight progress during this period in establishing a revised paradigm that would justify higher operating funding per student based on the need to maintain educational quality. In the early period of the Liberal government, universities appeared to make an important breakthrough in gaining government acceptance for their argument that high-quality instruction and excellence in research should replace ever-increasing accessibility as legitimate university goals. Out of this acceptance came the government’s approval for a corridor funding formula that might have freed universities from the pressure to grow in order to receive higher funding. Yet this corridor system of funding was in place for only a few months when the government once again began offering universities additional funding to respond to an increased number of applications. In practice the corridor system did not revise the accessibility aspect of the paradigm, but it strengthened the bargaining position of the universities in subsequent discussions about how increased accessibility would be funded. The rise in tuition fees after 1993 and the introduction of funding for the double cohort in 2001 meant that, in practice, the funding incentives for

universities throughout this period were more closely aligned with the Access and Equality paradigm than with any alternative.

***The failure of “normal politics” to achieve higher university funding***

Much of the universities’ activity to increase their funding during this period can be seen as “normal politics” – an effort within the paradigm to bring their dissatisfaction about funding to the top of the public agenda so that governments would feel obliged to deal with it. As we saw in chapter 2, Baumgartner and Jones hypothesize that successful agenda-setting behaviour will typically include efforts to focus the attention of decisionmakers on a new dimension of an issue and to create a groundswell of support (at either the mass or elite level). While university administrators devoted significant time to these pursuits, the outcome can only be judged a disappointment to them. The lack of institutional capacity to sustain these initiatives is a common theme in explaining their failure.

*Establishing relations with new governments*

The efforts of the university presidents to establish a positive relationship with each new government – while a natural and normal part of a lobby group’s function – appear to have been based on an exaggerated view of the differences among parties in their willingness to fund universities.

In 1985 and again in 1990, COU appears to have believed that the new government would reverse the parsimony of the old if approached through the right combination of direct lobbying and mobilized public opinion. In each case the organization argued for higher general-purpose grants as a way to stave off and reverse a decline in the quality of university education. Both new governments made an early attempt to meet the concerns of the universities part-way while at the same time using the incentive of new funding to push universities towards some near-term public objectives. Rather than embracing these half-measures and attempting to build on them, the universities responded to targeted funding with ambivalence – accepting it as a necessary evil, but remaining committed at heart to increases in base funding that would not be tied to specific government objectives or outcomes. This response can be attributed to the desire of universities to protect their autonomy, but it also reflects the difficulty that a consensus-based organization faces in reaching agreement on priorities for targeted funding. The early pattern of half-way

measures by government being met with an ambivalent response from the universities appears to have formed the basis for strained relationships with both the Liberal and New Democratic governments. There is no record that either government gave consideration to a significant increase in universities' funding per student.

The pattern in 1995 was different. In 1995, there was little expectation on COU's part of establishing a close relationship with government to the benefit of total funding per student. The Common Sense Revolution promise of a \$400 million decrease in funding for universities and colleges, coupled with the preference of the Progressive Conservative government for keeping established public sector lobby groups at a distance, meant that the focus of university lobbying turned to higher tuition fees.

#### *Mobilizing public opinion*

Throughout the chapter we have noted the results of public opinion polls that were available to the government, to COU or to others involved in the policy network. My purpose has been to show how the principal participants in the policy network understood the state of public opinion as funding decisions were being made. While the number of polls found in available files and archives is limited, we have seen that their findings through the years under study are remarkably consistent. In general, the polling and focus groups throughout this period show a public that was satisfied with the quality of education at Ontario universities. The public did not understand universities to be in serious financial difficulty. Given a choice between greater access or higher quality, the public chose greater access.

The universities' efforts to change public opinion were at best sporadic. A campaign to draw public attention to the plight of universities was dropped in 1986 after a scant three months. An effort to establish a pro-university lobby group that was independent of the universities foundered when two competing groups were launched almost simultaneously and eventually withered for lack of resources.

In sum, the Access and Equality Paradigm – grounded in public opinion, carried forward by institutions that were established in the 1950s and 1960s, and abetted by the weakness of the institutions that attempted to challenge it – is a powerful explanation for the behaviour of governments in maintaining funding and expanding the size of the university

system in the period from 1985 to 2002. The most active participants in the policy network – the ministry and COU – proved effective in expanding the university system to meet increased enrolments, just as they had in the 1960s. Strategies by universities and governments to mobilize public support to revise the paradigm suffered from a limited institutional capacity to articulate a new paradigm or to build a persuasive and factual basis for change.

## **CHAPTER 6: SYSTEM PLANNING, DEGREE-GRANTING AND ACCOUNTABILITY**

### **Overview of this chapter**

The dominance of the Access and Equality Paradigm can be seen when we turn our attention to government efforts to introduce a stronger element of system planning and accountability into the government-university relationship during the late 1980s and 1990s. We will see again in this chapter that the paradigm – reinforced by public opinion and carried forward by institutions created in the 1950s and 1960s – placed boundaries on the range of options that governments were able to consider and limited their capacity to act.

Unlike the issue of university operating funding, where a decision is required near the start of each fiscal year, efforts by governments to redefine system planning and accountability during the period under study were episodic: governments selected various aspects of these problems that they wished to reconsider, martialled their resources, negotiated with university administrations and other actors, and eventually declared victory, compromised, or retreated. There is little in this story to suggest that any of the three governments during this period had a clear strategy. In some cases, governments appear to have been surprised by the strength of the dominant paradigm and to have underestimated the resources they would require to revise it. With a few significant exceptions, the strategies that governments adopted were unsuccessful. We will see that governments failed to bring forward a revised paradigm from outside the policy network that might command public support for greater accountability (the Hall model). Their efforts to work within the policy network to develop a new paradigm (the Atkinson-Coleman-Skogstad model) were stymied by a combination of poor tactical decisions and university strategies to delay government actions or redirect them towards university priorities. The exceptions that led to the largest changes were generated from outside the policy network: actors from outside the policy network succeeded in elevating selected issues on the policy agenda and forcing governments to find new policy equilibria on these issues (Baumgartner and Jones's model).

To explore these processes, this chapter examines three related issues: system planning, degree-granting, and accountability.

System planning refers to the process by which government (or some other central

authority) sets expectations for the university system as a whole and establishes appropriate regulations or incentives to ensure that those expectations are realized. As such, system planning operates at the nexus between government objectives for the system and universities' objectives for themselves.<sup>304</sup> Key decisions in system planning include: How many universities should exist? Should there be differences among universities in their functional roles (that is, in the balance of teaching, research and community service performed at each university), and if so what should those differences be? Should there be differences among universities in the mix of programs that are offered, and if so what should those differences be? Underlying these questions are more fundamental choices about the relative roles of the state, the market, and the individual universities in setting objectives and allocating resources.<sup>305</sup>

The right to grant degrees can be seen as a subset of system planning, but it is significant enough to warrant separate attention. By regulating which institutions have the right to grant degrees and under what conditions, governments confer a benefit on some institutions and deny it to others. The possession of this right affects the ability of an institution to attract fee-paying students and high-quality faculty. Competition in higher education is heavily shaped by the right to grant degrees, with degree-granting institutions competing to attract one pool of students, non-degree-granting institutions competing to attract another, and limited overlap between the two pools. These competitive benefits, and the absence of uniform standards in North America for defining what sorts of education are degree-worthy, mean that the right to grant degrees is often hotly contested.

Accountability in universities takes many forms, but we focus here on two aspects of special interest to provincial governments during the period under study: financial accountability, and accountability for the effectiveness of internal governance processes. Financial accountability refers to the responsibility of an institution to demonstrate that funds were spent in accordance with agreed-upon rules or for agreed-upon purposes, and it may

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<sup>304</sup>Royce (1998), 48-52.

<sup>305</sup>Ben-David (1972), 35-46; Burton (1983), 136-181; Powell and DiMaggio (1991), 63-82.

also include consideration of whether the institution received good value for money spent.<sup>306</sup> Accountability for the effectiveness of internal governance processes refers to the responsibility of university boards to set goals for the university, to monitor whether goals are achieved, and to take corrective action where necessary.<sup>307</sup>

The common theme underpinning these three issues is the balance between government regulation, on the one hand, and the autonomy of each university to manage its internal affairs and chart its own course for the future, on the other. I have argued that in practice, the balance between the two has always been contested in Ontario. An additional consideration is that, regardless of where the balance is struck, market forces play an important role. Students and faculty both have some freedom to move to the institutions they find most attractive, and their choices constrain the ability of governments and institutions to achieve their objectives. Nevertheless, the balancing of regulation and autonomy is an important part of the government-university relationship.

We will see that all three governments during the period under review attempted to introduce a stronger element of system planning, but their efforts largely came to naught. The Liberal government's initial efforts to promote specialization encountered difficulty and were rescued only when they were incorporated into a much larger project to expand the university system; the New Democratic government made two significant efforts to work within the policy network to reduce government costs by reshaping the university system, but failed in their strategy to win support from the universities for this effort; and the Progressive Conservative government made intermittent efforts to define a new shape for the university system, but abandoned them at an early stage. The largest exception under the Progressive

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<sup>306</sup>Berdahl and McConnell (1999), 72-73.

<sup>307</sup>Bernard J. Shapiro has argued that responsiveness should be seen as a distinct type of accountability. By this he means responsiveness to "the voiced concerns of students, parents, taxpayers and others regarding access, costs, quality and value on both the teaching and research side." In practice, governments in Ontario have tended to conflate the "accountability for what" and "accountability to whom" questions. For Shapiro's views and a survey of the literature on university accountability and autonomy, see Royce (1998), 32-48, and Shapiro and Shapiro (1994).

Conservative government – their funding of the expansion of selected university programs – came about because a private-sector interest group succeeded in elevating this issue on the government agenda and because the government was prepared to provide funding to attract support from the universities.

The changes in degree-granting can best be understood by examining pressures for policy change arising from political actors outside the normal policy network. Both the Liberal and New Democratic governments commissioned prolonged studies that delayed the issue of expanded degree-granting powers from rising on the public agenda. The Progressive Conservative government was more willing to address the issue head-on – partly because of ideological predisposition, but also because it wished to satisfy advocates for change. We will see that, once it was clear that the direction of policy was likely to change, the established universities played a leading role in shaping the details.

We will also see that, at the urging of the Provincial Auditor, all three governments expressed interest in making universities more accountable for the expenditure of public funds. Yet the actual policy changes in this area were negligible, with the largest change being the inclusion of universities in a statute requiring the disclosure of public sector salaries over \$100,000. Government efforts to strengthen internal governance processes at universities were abandoned or were delegated to the universities themselves for action. Governments failed to follow through on their stated intentions, and they neglected the external advice that they themselves commissioned.

## **Prologue to 1985**

### ***The role of system planning and accountability in the Access and Equality Paradigm***

We saw in chapter 4 that the policy paradigm for universities established in the 1950s and 1960s created a formal equality among the universities. As new universities were founded and the older ones expanded, the government gave little direction on what distinctive role (if any) each university was intended to play, and it required little reporting from universities about how they spent their money and what results were achieved. This aspect of the paradigm was embedded in two of the institutions that have tended to reproduce the paradigm over time. The university statutes conferred on each university the right to



grant degrees, without limitation by discipline or by level of study.<sup>308</sup> The funding formula provided grants to pay for both teaching and research, and it was left to each university to decide how much to spend on each. The formula provided only minor special-purpose grants to recognize differences in universities' missions.

The ministry's principal tool for encouraging program differentiation among the universities was located at the intersection of these two policy instruments: while each university had the statutory authority to offer whatever programs it wished, the ministry reserved the right to determine which programs would be counted for purposes of provincial funding. The university presidents expressed surprise when the ministry first exercised this right in 1969, saying it was not an intended part of the funding formula,<sup>309</sup> but the ministry stood its ground.

*Limited specialization in undergraduate programs*

At the undergraduate level, the ministry exercised its power to withhold funding for new programs with a light hand. The authors of the funding formula – which, as we saw in chapter 4, was a joint product of the government and the universities – proposed a long list of “core” undergraduate programs that any university could offer on a funded basis without further approval from the ministry, and the ministry accepted this proposal. Specialized undergraduate programs, typically those with a professional focus and a high funding weight, continued to require the Minister's approval for funding, which was granted on the recommendation of the Ontario Council of University Affairs. In 1982, a separate Academic Advisory Committee was formed, attached to OCUA but independent of it, in recognition that the assessment of new programs had become an increasingly specialized task.<sup>310</sup>

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<sup>308</sup>The exceptions were Ryerson Polytechnic Institute and the Ontario College of Art, neither of which were universities but both of which were funded under the university operating grant. Changes to Ryerson's status in the 1990s are discussed later in this chapter.

<sup>309</sup>Axelrod (1982), 158.

<sup>310</sup>Monahan (2004), 115.

*Greater specialization in graduate programs*

At the graduate level, proposals to fund new programs were subject to a variety of ministry restrictions during the 1960s and 1970s. These restrictions were driven by an understanding that, left to the universities' own devices, the sum of their ambitions for graduate programming would be unaffordable to the public, or would be affordable only if per-student funding were reduced to a level that threatened program quality. This perspective can be seen in comments made in 1968 by J.A. Corry, principal of Queen's University and chair of the Committee of Presidents of Universities of Ontario:

The financial constraints now facing the universities of Ontario push us strongly to cooperation in the area of graduate studies.... I do not think the universities of Ontario will have the means to continue developing as first class institutions while at the same time pursuing a policy of self-sufficiency in which each counts on doing all that is attractive and well worth doing.<sup>311</sup>

An additional consideration was that the accessibility aspect of the Access and Equality Paradigm had never been fully extended to graduate studies. The promise of "a place for every qualified student" was normally made in the context of secondary student graduates entering university. There was no pressure to make a similar commitment at the graduate level, since the number of Ontario students seeking to attend graduate school in Canada in the 1960s was so low that many universities actively recruited overseas to fill their available places.<sup>312</sup>

The planning of graduate programs in the late 1960s was undertaken primarily by the universities themselves – acting through COU and its affiliate, the Ontario Council on Graduate Studies, which was established in 1966 – but by the early 1980s the responsibility had shifted to government, acting on the advice of the Ontario Council on University Affairs.<sup>313</sup> The effect of increased government restrictions was to limit the growth in

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<sup>311</sup>Quoted in OCUA (1981), 62.

<sup>312</sup>Corry (1981), 190.

<sup>313</sup>Royce (1998), 252-253.

graduate enrolments to 3.6 per cent between 1970-71 and 1980-81.<sup>314</sup> This was achieved by limiting the funding available for new graduate programs, requiring every new program to pass a quality appraisal undertaken by the Ontario Council on Graduate Studies, and adopting an explicit policy of not approving new doctoral programs at certain “emergent” universities (Brock, Lakehead, Laurentian, Laurier, and Trent).

*Controlled competition in degree-granting*

We saw in chapter 4 that Premier Robarts declared in 1963 that Ontario had a sufficient number of universities for the foreseeable future. Through a variety of legal devices, the government protected the publicly-supported universities from new competitors. The government let it be known that it would oppose any bill introduced in the legislature to create a new university or to give an existing institution the right to grant secular – that is, non-religious – degrees. At the urging of the university presidents, legislation introduced in 1965 to create the colleges of applied arts and technology did not give them powers to confer any type of degree.<sup>315</sup>

To clarify the government’s powers to take action against institutions offering degrees or holding themselves out to be universities without statutory authority, the government introduced the *Degree Granting Act* in 1983. The act created a process by which out-of-province institutions wishing to offer degrees in Ontario could seek a “ministerial consent”. Ministers normally relied on assessments undertaken in the applicant’s home jurisdiction to determine whether the proposed program was of acceptable quality. Approved applications typically authorized an institution to offer a small or specialized program that was not available at a nearby Ontario university. Ontario-based organizations, whether for-profit or not-for-profit, remained unable to established new degree-granting institutions.

*No explicit research policy*

The fact that the per-student funding in the university operating grant formula was intended to fund both teaching and research meant that the ministry had no direct tools by

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<sup>314</sup>Committee on the Future Role of Universities in Ontario (1981), 12.

<sup>315</sup>Fleming (1971), IV, 502-503, and Hamblin (1984).

which to shape the balance of teaching and research performed at each university. There was no direct means for the ministry to designate some universities as research-intensive and others as teaching-intensive.

It might be argued that the formula allowed the ministry to do this indirectly, through the approval of new graduate programs, since the high funding weights for graduate education covered at least some of the research costs associated with graduate study. Yet the power of the Access and Equality Paradigm can be seen in the reluctance of the ministry to address university research explicitly in its policy development. The tactic of restricting funding for new doctoral programs at “emergent” universities shows the difficulty of limiting the role of any university for any length of time. The implicit message in this phrase was that these institutions would emerge into a state of development on par with older institutions with established reputations in graduate studies and research.

*Accountability focussed on access*

As of 1985, the primary mechanism of accountability to the government was through the ministry’s operating grant regulations, which – consistent with the nature of the funding formula after 1967 – focussed on verifying the number of students enrolled in each program of study. In addition, each university was required by its statute to publish audited financial statements, and graduate programs at each university were subject to regular quality reviews by the OCGS. Government policy did not require universities to account for results achieved (such as degree completion rates, quality of undergraduate instruction, or research productivity) or for the economy and efficiency with which public funds were used, although individual universities could account to the public on these and other matters as they wished.

In sum, by the early 1980s, the government’s policy paradigm for universities was focussed almost exclusively on maintaining accessibility for students and preserving the formal equality of universities. During this period the government showed little interest in shaping the overall mix of programs offered by the university system, differentiating the roles of universities at the undergraduate level (which in 1985 accounted for 90 per cent of total full-time enrolments), differentiating universities by their research mission, or asking universities to account for how public funds were spent or how effectively they were governed. It achieved a modicum of success in limiting the proliferation of new graduate

programs, although its efforts to control spending growth did not extend so far as to consolidate or rationalize existing graduate programs.

### *Challenges to the paradigm*

The recessions of 1979-80 and 1981-82 weakened government revenue growth and renewed the interest of the government in finding ways to match universities' roles with available public funding.

Following a meeting between Premier Davis and the university presidents in 1980, the government established the Committee on the Future Role of Universities of Ontario, chaired by Deputy Minister Harry K. Fisher, with a mandate to develop a set of objectives for universities and to relate the cost of these objectives to funding levels, including finding ways to “encourage voluntary institutional adjustments and interinstitutional cooperation.”<sup>316</sup> The Fisher Committee found that the objectives for universities adopted in the 1960s and 1970s were adequate and that, to meet these objectives, funding in the 1980s should increase to cover the cost of inflation and of “staff and faculty advancement.”

However, and most controversially, the committee found that, if available funding was significantly below this stipulated level (as the 1981 Budget had intimated it would be), the government should close some universities and limit the range of activity at the survivors, so that Ontario would have one comprehensive university, four full-service universities, and four or five special-purpose institutions. Committee members were well aware that this option would be rejected. Their overall advice – placing the onus on government either to fund all universities adequately or to close some and restructure the rest – found no support within Cabinet.<sup>317</sup>

Two years later the government decided to revisit these same questions. The renewed interest was driven by the slow economic recovery of the early 1980s and the increasing recognition that the creation and diffusion of new technologies – many of them created at universities – would be an essential part of the restructuring of the Ontario economy. In

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<sup>316</sup>Committee on the Future Role of Universities in Ontario (1981), Appendix, i.

<sup>317</sup>Committee on the Future Role of Universities in Ontario (1981), 45-52; Royce (1998), 163-164.

January 1984 the government appointed a Commission on the Future Development of the Universities of Ontario, chaired by Edmund E. Bovey. Its mandate was remarkably similar to that of the Fisher Committee, but explicitly ruled out the closure of any universities. The commission was asked

[t]o develop an operational plan which, without reducing the number of universities in Ontario[,] provides for more clearly defined, different and distinctive roles for the universities of Ontario in order to maintain and enhance the quality of university education by ensuring the appropriate concentration of academic strengths in areas of intellectual and social importance, including:

- consideration of the designation of specific universities as centres of specialization with a view to preserving and developing further a calibre of teaching and research of national and international excellence
- consideration of the technological advances in the delivery of university education to geographically remote areas as well as the cost effectiveness that such technology may bring.<sup>318</sup>

The Commission's report, submitted in December 1984, made two recommendations that bore directly on the issue of system planning. It said there should be further differentiation "through evolution within a competitive context, influenced by incentives, in order to ensure appropriate concentration of academic strengths in areas of intellectual and social importance and diversity of choice for students." It recommended that the funding formula be changed to permit universities to stabilize or reduce their enrolments without losing funding, and that there should be new approaches to interinstitutional planning.<sup>319</sup>

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<sup>318</sup>Commission on the Future Development of the Universities of Ontario (1984), i.

<sup>319</sup>Commission on the Future Development of the Universities of Ontario (1984), 5. The balance of the recommended seven-point strategy:

- Higher education should be recognized as an investment in human capital in a knowledge-based international economy.

(continued...)

The Bovey Commission rejected the option of forcing universities into distinctive roles. The Commission argued that “[r]ationalization by dictated differentiation is likely to involve the development of a costly layer of centralized bureaucracy with an attendant stifling impact on initiative and vitality.”<sup>320</sup> It recommended instead that a body similar to OCUA establish guidelines for differentiation and that government provide financial incentives. It noted that there was already much differentiation in the performance of resource-intensive research and that the creation of networks (using new technologies) would allow concentrations in areas of strength without moving faculty around. Some OCUA members subsequently characterized this approach to system rationalization as “all carrots, no sticks.”<sup>321</sup>

Meanwhile, the government took action that had the effect of ensuring that publicly-supported universities were not threatened by competition from private universities. While each university in Ontario has its own statute in which the legislature confers upon it the authority to grant degrees, it became apparent to the government in 1983 that it did not have legal authority to protect students from other institutions claiming to be universities or offering degrees of uncertain quality.

The solution chosen by the government protected students, but it also had the effect of preventing any new private university from establishing itself in competition with the

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<sup>319</sup>(...continued)

- University research and scholarship should be recognized as an investment in the development of knowledge.
- Given that “relatively broad access has already [been] achieved,” a new strategy should be adopted which “in the immediate future gives priority to quality and adaptability over the further enhancement of accessibility.”
- The participation of certain groups with below-average participation rates should be strengthened.
- There should be closer links with corporations, alumni and individuals to increase financial support for university operations and the diffusion and application of technology. (Commission on the Future Development of the Universities of Ontario 1984, 5)

<sup>320</sup>Commission on the Future Development of the Universities of Ontario (1984), 15.

<sup>321</sup>Royce (1998), 172.

publicly-supported universities. The *Degree Granting Act, 1983*, restricted degree-granting and the use of the word “university” in Ontario to institutions that had received these powers from the legislature. In addition, the act allowed the Minister to give these powers to a degree-granting institution based outside Ontario by written consent. By implication, any institution based in Ontario wishing to call itself a university or to grant degrees, was required to seek authority from the legislature. As a matter of policy, the government let it be known that it would oppose any such request to the legislature, with minor exceptions for religious institutions wishing to offer degrees with a religious designation. In doing so, the government adhered to the policy established by Premier Robarts in 1963 that Ontario had an adequate number of universities.

By the spring of 1985 the government was struggling with the issue of how to manage the university system it had established in the 1950s and 1960s. The principal driver of government action during that period – the expansion of university enrolments – had abruptly come to a halt in 1970. Enrolments grew only fitfully during the 1970s and early 1980s and were not expected to grow substantially for the balance of the century. Likewise the 1960s boom in public sector revenues came to a halt in the early 1970s, leading to a stronger government interest in finding better value for public spending.

During the 1970s, the government adopted an objective of reducing the duplication in university programs as a means of controlling the growth in spending, but it found it had few tools with which to pursue this objective. Having introduced legislation giving each Ontario university the power to grant “any and all degrees,” the government was loathe to consider amendments limiting this right or narrowing each university’s mission. Having approved for funding purposes the creation of a broad range of programs at each university, it was reluctant to rescind that approval or to attach new conditions to it. The government retained the right to decide whether new programs would be approved for funding purposes and – especially in the case of graduate programs – it exercised that right with some vigour during the 1970s. But this was an inadequate tool for a government that believed in reversing the proliferation of programs and encouraging universities to specialize.

The Fisher and Bovey commissions failed to provide the government with a policy paradigm that could challenge the Access and Equality Paradigm for public support. The



Bovey commission's recommendation that the government assign higher priority to the quality of university education and research found favour with the university presidents, but it challenged the long-standing commitment of the government to increasing accessibility. OCUFA, student groups and former Premier Davis were all critical of the possibility of reducing access.<sup>322</sup> The immediate response of Premier Miller's government was to reject the recommendation to permit a temporary reduction in university enrolments while universities rationalized their programs (and also a recommendation to increase tuition fees). The balance of the report was ignored pending the May 1985 provincial election.<sup>323</sup>

University of Toronto president George Connell described the combined effects of high accessibility and limited system planning a few days before Premier Miller's minority government was defeated in the legislature:

The degree of control of universities by the provincial government in Ontario can be easily summarized by tracking the flow of funds from the government and the conditions which are attached.... A provincial fund is allocated among universities by a formula in which the only independent variable is enrolment...

In Ontario we have defended our autonomy vigorously and with good reason... But in our preoccupation with autonomy and with the well-being of our own institutions we in Ontario have given insufficient attention to the state of the system. We have tolerated for too long a government which has not come to grips with the policy and planning issues of the universities.... [When funding is limited, the result may be] a curtailment of activities without any rational plan, or, more likely, to a progressive and general slide to mediocrity...

[A] policy of accommodating demand for admission regardless of quality... represents, in my opinion, the actual outcome in Ontario during the early

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<sup>322</sup>Royce (1998), 172-173.

<sup>323</sup>Monahan (2004), 140.

1980s....<sup>324</sup>

President Connell's dissatisfaction reflected in part the perspective of a long-established university with little fear of any process that might weed out weaker programs. It was nevertheless an accurate description of the tensions among accessibility, university autonomy and academic quality in a time of financial restraint.

### **System planning**

#### ***The Liberal government***

The Liberal government's first Speech from the Throne showed an initial interest in revising the established paradigm to recognize the importance of public sector efficiency. It repeated – in language remarkably similar to that of the former Progressive Conservative government – that there was a need to increase the degree of specialization in the university system in order to achieve better value for public expenditure. The speech said there is a need for “determining the areas of specialty universities can master, and the avoidance of unnecessary program duplication.”<sup>325</sup>

During the Liberal government's tenure there were two attempts to follow up on this commitment. The first – the creation of the Program Adjustments Envelope – was announced at a time when enrollments remained stagnant. The government announced in November 1986 that \$7 million annually would be provided beginning in 1987-88 to fund a portion of the costs of program adjustments in graduate and undergraduate programs. Funding was to be distributed on a competitive basis, with universities submitting proposals to OCUA for evaluation.

The funding announced was equal to about one-third of 1 per cent of total operating grants – far too little to achieve the type of significant restructuring that the Throne Speech wording suggested. More importantly, the original objective of supporting the costs of program contraction was soon put aside. The turnaround in university enrolment levels meant that, by mid-1987, the government began to see the fund as a way of supporting

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<sup>324</sup>Connell (1985), 1-7.

<sup>325</sup>April 22, 1986; quoted in OCUA (1987), 55.

growth in high-demand areas. The government's priorities for this funding – which had never taken the form of a specific list of programs areas to be reviewed for rationalization – began in 1988 to take the form of a specific list of programs to be expanded. The original purpose of the envelope was further diluted in 1990 when, at the urging of the universities, the government agreed to allocate 90 per cent of the fund to the universities on a *pro rata* basis. A review of the projects approved for funding shows that, with minor exceptions, the envelope was used to expand programs at each university based primarily on the university's priorities.<sup>326</sup>

The Liberal government's second attempt at system planning can be seen in Minister McLeod's direction to OCUA on expanding the university system in 1989. Beyond the usual mantra of providing a space for every qualified student, Minister McLeod asked OCUA to work with universities to create spaces in specific programs that were government priorities. Specifically, the government asked the universities to:

- “increase science and engineering enrolment (at both undergraduate and graduate levels);
- increase health science enrolment in nursing, occupational therapy/ physical therapy, rehabilitation medicine, and speech pathology/audiology;
- increase teacher education enrolment
- increase graduate enrolment (to replace the professoriate); and
- increase French language program offerings.”<sup>327</sup>

The need for more graduates in health and education was identified by the relevant government ministries, while the need for science and engineering graduates was grounded in data on declining enrolments in those programs and concerns expressed in meetings of the Premier's Council, whose advice on this issue would be published the following year.<sup>328</sup> It was left for OCUA to advise on how many spaces should be created for each of these

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<sup>326</sup>OCUA (1989), 91, 102-106; OCUA (1991), 318-328.

<sup>327</sup>Quoted in OCUA (1991), 30-31.

<sup>328</sup>Ontario Premier's Council (1990), 72-78.

priorities and how the spaces should be allocated. OCUA determined that these high-priority programs should account for about one-third of the planned growth in the system, and it assigned a high priority to expanding existing programs rather than creating new ones – consistent with the Throne Speech’s concern about unnecessary duplication.

Several factors can be observed in the Liberal government’s shifting interest in system planning.

The universities collectively were cautious about external intervention in their program priorities. COU’s submission to the Bovey Commission, which COU reaffirmed in 1986, acknowledged in principle that OCUA might be given authority to involve itself in institutional planning “when an identified provincial interest is not adequately served by the summation of institutional plans. Examples are gaps and undesirable overlaps in programming, or major manpower concerns.”<sup>329</sup> But when OCUA initiated hearings in 1987 and 1988 on how OCUA might play a greater role in system planning and coordination, the universities were wary. A COU executive summarized the response by saying, “Universities don’t want to discuss planning in the context of an open agenda.”<sup>330</sup> With no discernible strategy for dealing with predictable university concerns in a potentially zero-sum discussion, the efforts of government and of OCUA came to nothing.

Public opinion did not appear to support the kind of restructuring that the Throne Speech envisaged. We saw in chapter 5 that a majority of the public opposed limiting the number of university programs or concentrating spending on selected universities as a way of coping with limited funds. Had the Liberal government proceeded more vigorously in this direction, it would have faced the challenge of explaining how restructuring was consistent with public support for accessibility and geographic equality.

The Liberals’ freedom to act was constrained during their first two years of office by their status as a minority government with NDP support. Their one direct foray in university restructuring during this period – an announcement by Treasurer Robert Nixon in his 1985

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<sup>329</sup>COU, “Continuity and Renewal: The Demands of Excellence,” reaffirmed May 1986, COU Arch. D3 R10.

<sup>330</sup>Quoted in Royce (1998), 185-188.

budget speech that the Ontario Institute for Studies in Education would be merged with the Faculty of Education of the University of Toronto – was opposed by the New Democratic caucus and by many OISE supporters in the educational community. The proposal was withdrawn after a committee of the legislature recommended against it. The university presidents did not specifically oppose this merger but protested that it was announced without prior consultation with them.<sup>331</sup>

The Liberal government was saved from further potentially unsuccessful episodes of this nature by the unexpected increase in applications to university beginning in 1987. This increase called into question the premise of the Bovey Commission that enrolments would continue to stagnate, and it caused the Liberal government to shift its priorities to ensuring access for all qualified students. In an environment of increased funding and expanding enrolments, the Liberal government was able to win agreement from the policy network on a few high-priority areas for growth and to ensure that this growth reinforced existing areas of specialization.

### ***The New Democratic government***

The New Democratic government – facing a much different fiscal environment from its predecessor – made two attempts to reshape the university system: the first by establishing a Steering Committee on University Restructuring, and the second by asking OCUA to review the university funding formula. In both cases the government attempted to develop new policies from within the policy network, in close cooperation with the universities, but with some expansion of the community to include significant contributions from representatives of university employees, students and underrepresented demographic groups. In both cases the government appeared willing to modify the Access and Equality Paradigm in order to achieve its objectives. In the first attempt, the government deliberately chose to work directly with stakeholders; in the second it chose to work through the agency of the Ontario Council on University Affairs, which took responsibility for consulting with the policy network.

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<sup>331</sup>Eastman and Lang (2001), 77-78; COU Executive Committee, Minutes, November 1, 1985, COU Arch. MF97.

We will see that, in the first attempt, the objective of finding a lower-cost university system was defeated by the efforts of university administrations, with the support of faculty and students, to delay the exercise and to expand it to include unrelated objectives. In the second attempt, the government was more transparent about its willingness to reduce university costs even if this meant imposing a government-driven planning framework on the universities. In response, the stakeholders expressed their opposition to the proposed new policy direction in blunt terms, and the proposal died with the 1995 election. The government's strategy of attempting to modify the Access and Equality Paradigm from within the policy network failed in both cases.

#### *Developing a new paradigm*

The University Restructuring Steering Committee had its origins in a meeting between Minister Allen and representatives of the college and university sectors in November 1991, six months after the government's first budget, at which he invited them to submit proposals on how to reshape the postsecondary sector. He followed up with his own proposal to them in January 1992 – on the same day as Premier Rae's televised address on the province's deteriorating fiscal situation. Minister Allen noted that “[t]he economic situation of the province... is not healthy” and that “[u]nfortunately, with limited resources, postsecondary institutions cannot be all things to all people.” He proposed the creation of two task forces, one for colleges and one for universities.

The premises of this exercise were that there would be “no substantial increase in transfer payments for the foreseeable future,” that there should be “no further erosion in the quality of postsecondary programs,” and that “the government is prepared to take a more active role vis-a-vis the postsecondary sector.” Within this framework, Minister Allen said he was seeking proposals that would meet the lifelong education, training and knowledge needs of the economy and of a democratic society, and that would free resources that could be redirected to improving postsecondary access for underrepresented groups. He proposed that the university committee be co-chaired by Deputy Minister Bernard Shapiro and OCUA Chair H.V. Nelles – reducing the opportunity to divide the government from its advisory committee. Consistent with the New Democratic government's broad approach to consultation, he said the task force would include one member from a francophone advisory

committee, one university board chair, two university presidents, two representatives from OCUFA, two from Confederation of Ontario University Staff Associations, one from the Ontario Federation of Students, one from the Ontario Graduate Association, and two from OCUA.<sup>332</sup>

The immediate response of the university presidents to this initiative was lukewarm. A senior COU official pledged that the universities would work with the government on restructuring, but expressed concern that the minister did not have clear expectations for the process and was not yet sensitive to the potential harm that the process could cause. COU members urged the government to design the goals for the process and allow OCUA to construct the detailed advice, but Minister Allen rejected this approach.<sup>333</sup>

The steering committee was asked to report within eleven months. This brisk timetable was immediately delayed by an intervention from Finance Minister Laughren, who allocated \$22 million to universities to assist them in making the transition to a more constrained funding environment. Minister Allen directed OCUA to consider, in its evaluation of the applications, “not only the merits of each proposal in isolation, but also the extent to which the various projects recommended for funding will complement each other, and facilitate the reshaping of the postsecondary sector in Ontario over the longer term.” Yet, with the work of the University Restructuring Steering Committee having been temporarily put aside, Minister Allen could not specify the desired nature of this “reshaping”. The money was spent on university proposals for early retirements, voluntary layoffs, retraining, improved administration, energy conservation and the like, with 78 per cent going to projects involving a single university and the balance going to cooperative projects proposed by two or more institutions.<sup>334</sup>

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<sup>332</sup>Letter from R. Allen to college presidents, university executive heads, and college and university roundtables, January 21, 1992, COU Arch. MF 136.

<sup>333</sup>Letter from P. George to B. Graham, January 27, 1992, COU Arch. D2 R37; COU Council minutes, February 7, 1992, COU Arch. MF 136; memorandum of meeting of R. Allen, P. George and B. Segal, February 28, 1992, COU Arch. MF 136.

<sup>334</sup>OCUA (1993), 197-236 and 389-390; quotation at 198. A follow-up study by OCUA  
(continued...)

Having missed the opportunity to spend this money in support of a long-term restructuring plan, the ministry issued in August 1992 the terms of reference for the University Restructuring Steering Committee. The committee's task was "to reshape the postsecondary sector" to reflect the need for lifelong learning and the government's equity and access agenda within constrained resources. The terms of reference specifically raised the issues of:

- opportunities for institutional specialization, e.g. in professional education
- program rationalization
- whether some programs should be "full cost recovery" – that is, funded solely through tuition fees, with no government grant, and
- "what are the appropriate relative roles of the private and public sectors."

The steering committee was asked to prepare a final report by December 1993 – a one-year extension of the original date.<sup>335</sup>

After regular meetings throughout the late summer and fall, the University Restructuring Steering Committee produced an interim report – a 29-page agenda of items to be examined by December 1993. In effect the committee took Minister Allen's agenda for specialization and rationalization and expanded it to a wide-ranging research project. The interim report described eleven major research projects and proposed that, for each, a working committee would be established. Most working groups would be expected to produce their own interim reports, hold consultations and then produce final reports. Most of the final reports would appear in the period November 1993 to January 1994; one would be ready sooner, and two in spring 1994.<sup>336</sup>

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<sup>334</sup>(...continued)

found that most of the projects did effect cost savings, restructuring and improved service, but it faulted the ministry for not requiring each university to supply quantitative measures of the results achieved. (OCUA 1994b, ii)

<sup>335</sup>MCU, Terms of Reference, University Restructuring Steering Committee, August 1992, COU Arch. MF 136.

<sup>336</sup>University Restructuring Steering Committee, "Interim Report," December 1992, COU  
(continued...)



At his meeting with the college and university restructuring committees in December 1992, Minister Allen proposed a substantially revised agenda. Despite protests from OCUFA, CUPE and others, the revised agenda, with Allen's name on the cover, was published in January 1993. The scope of this agenda was even broader than that proposed by the committee, setting out a herculean set of research tasks for the postsecondary education sector.<sup>337</sup>

This history suggests the magnitude of the management challenges the government faced in this exercise. The government's agenda in January 1992 reiterated the same hopes

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<sup>336</sup>(...continued)

Arch. D2 R8. The 11 projects were: technologically-mediated instruction, technologically-aided research, transferability of credits, joint programs, other interinstitutional cooperation, enhanced public and private support of the university system, enhancing equity, access, climate, and inclusiveness of the curriculum, student aid, equity databases, strengthening research and scholarship, and improved teaching and instruction.

<sup>337</sup>Several college-university projects were contemplated: an open learning system to increase access by using telecommunications to link institutions and to undertake workplace-based training; a postsecondary database to facilitate planning and policy development, with equity-related data as one priority; an inventory of institutional restructuring initiatives; a review of student assistance, including a federal-provincial working group to look at an income-contingent loan repayment plan. Additional university-only projects in Minister Allen's agenda included: a review of university credit transfer; a regional or provincial initiative to improve instruction; a review of curricula to ensure they were inclusive of underrepresented groups; a review of ways to use technologically-mediated instruction "that would lead to decreased per-student costs"; opportunities for faculty to undertake "externships" and exchanges with industry; opportunities to use technology, especially high-performance computing, to promote collaborative research and graduate programs; completion of OCUA's project on how to do regular quality reviews of undergraduate programs, similar to those already done for graduate programs; how best to use \$17 million being made available in 1993-94 for one-time restructuring projects focussed on "reducing the per-unit costs of delivering university services"; interinstitutional resource sharing: to identify opportunities to share resources among universities in a way that "would result in cost savings" – e.g. joint purchasing, employee benefits, information technology; a review by OCUA of how universities allocate their resources "to ensure that the funding formula supports the new directions which emerge from the restructuring process"; and a review by OCUA of opportunities to rationalize professional programs – looking at demand, the number of programs offered, "the role of self-funded professional programs," and strategies for achieving savings from rationalization if appropriate". (Honourable Richard Allen, "Postsecondary Restructuring Agenda," January 1993, COU Arch. D2 R8)

that had fuelled the Fisher Commission and the Bovey Commission – that a restructuring of the universities into more specialized roles could maintain broad accessibility while achieving better value for public dollars – without providing any specific direction on how this was to be achieved. This agenda was put aside for six months due to an unexpected intervention by the Ministry of Finance, which led the government to disburse funding to universities for short-term restructuring measures with negligible system-wide impact. Once the restructuring agenda was picked up again, committee members reworked it to include a large number of projects whose link to the original mission was in some cases questionable. Frustrated by this effort, Minister Allen then proposed his own agenda – which, half-way through the government’s mandate, began to sketch out some major restructuring initiatives, but again with only occasional links to the original mission of maintaining access in a resource-constrained environment.

Within four months, the University Restructuring Steering Committee was effectively dead. The government’s fiscal situation continued to deteriorate in the winter of 1993; Minister Allen was replaced by Minister Cooke in February; and Premier Rae announced the Social Contract and other expenditure control measures at the end of March. In May, Minister Cooke suspended the committee pending the conclusion of Social Contract, telling the co-chairs that

...many of the projects do not directly address restructuring to effect cost reduction. I understand that this type of restructuring was only one aspect the committee was trying to address in crafting the agenda. Fiscal developments, however, have made it even more critical that restructuring now be focussed more explicitly on the goal of cost reduction.<sup>338</sup>

The committee did not meet again. The chair of OCUA, Joy Cohnstaedt, who had replaced Dr. Nelles in September 1992, subsequently recorded that:

The underlying premise for the establishment of URSC by the Ministry was a limit on public sector funding. This premise proved to be very controversial

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<sup>338</sup>Letter from D. Cooke to C. Pascal and J. Cohnstaedt, May 7, 1993, COU Arch. D2 R8.

and in 1994 [*sic*] the work of the Committee was suspended.<sup>339</sup>

*Developing a new paradigm: a second try*

Despite the demise of the University Restructuring Steering Committee, Minister Cooke chose to press forward with one of Minister Allen's planned initiatives, a review of how universities allocate their resources. Minister Cooke argued that the number of young people wishing to enter university was expected to grow starting in the second half of the 1990s and that the quality of their instruction required greater attention. He saw greater differentiation and increased interdependence among universities as creating the potential for deploying scarce resources in a way that would improve quality and accessibility. With these goals in mind, Minister Cooke asked OCUA to review the funding system for universities by the end of 1994:

In the course of this analysis I would ask the council to examine issues in achieving an appropriate balance among teaching, administration, research, and community services and in developing mechanisms for accountability in the use of resources in these areas. The funding system must contain mechanisms and incentives for achieving the necessary combination of efficiency, economy and reallocation to achieve the priorities we have identified earlier.<sup>340</sup>

From the start, the university presidents challenged Minister Cooke on the need for such a review. As early as September 1993, a senior COU official had argued that Cooke was initiating a review without identifying a specific problem. Cooke had argued that reviewing university funding was a reasonable complement to other reviews then taking place of elementary and secondary education and of colleges. Deputy Minister Pascal later explained that Minister Cooke did not believe there had been much "genuine restructuring"

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<sup>339</sup>Letter from J. Cohnstaedt to D. Cooke, January 3, 1995, in OCUA (1994), 1.

<sup>340</sup>Letter from D. Cooke to J. Cohnstaedt, November 24, 1993, reprinted in OCUA (1996), 133-137; quotation at 136. As evidence of universities' indifference to instructional quality, Cooke cited the report of Dr. Stuart Smith's Commission of Inquiry on Canadian University Education (1991).

in the university sector and had concerns about whether there were enough rewards for restructuring.<sup>341</sup>

Anxieties among the universities were heightened when, following an initial round of consultations, OCUA published a discussion paper in August 1994 outlining three options for modifying the funding formula to meet Minister Cooke's objectives. The first option was similar to the status quo. The second option was to repeal the corridor system and return to a formula that divided available funding based on actual enrolments – in effect encouraging universities to grow even if that growth led to a reduction in average funding per student. The third option – a “purchase of service system” – envisaged that the government would allocate funds separately for teaching, research and community service, based on the government's view of how much of each of these it wished to purchase from each university, and with appropriate accountability mechanisms for each service. According to the discussion paper, the third option:

...would require that government make a more explicit statement about what its priorities are in funding universities. It would also encourage and facilitate a more explicit delineation of public expectations of university behaviour and performance. By implication, it could lead to a more explicit diversity of missions for the institution, academic unit or individual faculty member.<sup>342</sup>

Put another way, the first option would allow the government to set minimum enrolment levels; the second option would encourage continuous enrolment growth; and the third option would allow the government to regulate a host of university issues – not only enrolment levels, but also potentially the balance of teaching and research within each university, the disciplinary priorities for each, and the price the government was prepared to pay for each service at each university. If the third option were adopted, the government's historic interest in increased accessibility would be broadened to include an explicit government role

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<sup>341</sup>Letter from P. George to D. Cooke, September 7, 1993, COU Arch. D3 R3; “Notes from a workshop on OCUA Resource Allocation Review,” March 4, 1994, COU Arch. D2 R37 (this document is a summary and so quotations may not be verbatim).

<sup>342</sup>OCUA (1995), 124.

in planning the university system and the role of each university within it.

In the view of the universities, the Resource Allocation Review was premised on the unproven claim that universities had failed to use public resources to meet the public's objectives for the university system. A senior COU official enumerated some implicit government expectations for universities that were inadequately addressed in the OCUA's research plan:

The inadequate attention to educational quality, the omission of graduate education, the superficial consideration of research and its relationship to teaching and supervision, the implicit prejudgement of the need to change the existing 'balance' of teaching and research, indeed the failure to begin the inquiry with a thorough assessment of future enrolment demand and the exact nature of the accessibility 'problem' and to allow the research agenda to follow from those fundamental results, are all glaring examples of gaps in the proposed research agenda...<sup>343</sup>

Elsewhere COU noted that the objectives of university autonomy and institutional diversity were both absent from the government's charge to OCUA.<sup>344</sup>

Michael Skolnik has observed that the distinctive feature of the OCUA's third option was that it would have created a direct role for government in setting university priorities in the face of reduced per-student funding:

The OCUA discussion paper was unique in saying that 'efficiency' alone was not the way to increase enrollments [by a projected]19 per cent with no more money. 'Less research' was the answer.<sup>345</sup>

The denouement of the Resource Allocation Review came under the Progressive Conservative government, which received the OCUA's advice at the time it took office and immediately released it for further comment. OCUA's widely-expected recommendation of

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<sup>343</sup>Letter from P. George to J. Cohnstaedt, April 12, 1994, COU Arch. D3 R7.

<sup>344</sup>“Notes from a workshop on OCUA Resource Allocation Review,” March 4, 1994, COU Arch. D2 R37.

<sup>345</sup>Skolnik (1995), 9.

government-mandated system planning, with some modifications,<sup>346</sup> continued to draw fire from all university administrations, including that of the University of Toronto, which did not accept the proposed intrusion into local decision-making.

The university administrations were joined by faculty and students. According to the Ontario Confederation of University Faculty Associations:

The Advisory Memorandum makes it strikingly apparent that the real goal in separating teaching and research is to be able to control or steer how much of each goes on....

It would improve accountability only if one prefers the command economies formerly practiced in Eastern Europe.<sup>347</sup>

The OCUA's advice, said the Canadian Federation of Students - Ontario, was "predicated on the notion that changes to the funding formula can not only compensate for chronic underfunding, but also improve accessibility and quality." The advice was said to be "designed to align university policy with government policy" and "would introduce a system-wide level of instability."<sup>348</sup>

The Progressive Conservative government – focussed on deficit reduction, willing to increase tuition sharply, and with no immediate agenda for reshaping universities' mandates – rejected the advice for changing the funding formula and, as we saw in chapter 5, simply imposed funding reductions coupled with tuition increases.<sup>349</sup>

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<sup>346</sup>In particular, the final advice gave more recognition to the principle of equal funding per student than did the discussion paper. The principle of equal funding for every student, weighted by program, would be retained for teaching only. Funding to support research at each university would be negotiated with the government. Subject to a basic minimum of research at every university, the government would determine the balance between teaching and research at each university, and this balance might change over time for each university and for the system as a whole. (OCUA 1996, 99-107)

<sup>347</sup>"OCUFA Response to the Ontario Council on University Affairs' Advisory Memorandum 95-III," September 29, 1995, 6, 9, COU Arch. D2 R35.

<sup>348</sup>CFS-O, Brief to J. Snobelen, September 1995, COU Arch. D3 R48.

<sup>349</sup>Letter from J. Snobelen to J.S. Dupre, November 30, 1995, COU Arch. D3 R7.

A further casualty of the Resource Allocation Review was the OCUA itself. The criticism of the review quickly became intertwined with criticism of the OCUA for its role in undertaking the review. Since its creation in 1974, OCUA had been charged with providing an independent source of advice to the government on university affairs. Yet over the years the role of OCUA was widely understood in the university community to be that of a “buffer body,” protecting the universities from the abrasions of government, and there was disappointment that the OCUA was not playing this role. A COU official told a workshop organized by OCUA:

I think OCUA has changed character over the past few years from being perceived as a strong independent buffer body to a body that is more an administrative arm of the Minister of Education and Training. There is a widespread perception in the university system that OCUA now thinks that universities aren't responsive to the social agenda, aren't good managers, aren't accountable, over-allocate resources to research and so forth.<sup>350</sup>

In a rare intervention in provincial policy, the Canadian Association of University Teachers joined in this critique, saying that OCUA has “fail[ed] to distance itself from the Ontario New Democratic government's overt financial and disguised political agenda and from the desire of the bureaucracy to micromanage the system.”<sup>351</sup>

In OCUA's defence, the chair advised the universities that “[a]lthough Council is often described as a buffer body[,] in the strictly legal sense, it is unable to shield universities from the actions of government.”<sup>352</sup> As this reality became apparent to all members of the university community, support for the OCUA as an entity dwindled. When the Progressive Conservative government abolished it in May 1996 – as part of a government-wide review that saw the elimination of twenty agencies, boards and

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<sup>350</sup>“Notes from a workshop on OCUA Resource Allocation Review,” March 4, 1994, COU Arch. D2 R37.

<sup>351</sup>CAUT brief to OCUA, November 1994, COU Arch. D2 R31.

<sup>352</sup>“Notes from a workshop on OCUA Resource Allocation Review,” March 4, 1994, COU Arch. D2 R37.

commissions in favour of more direct ministerial control – the universities debated among themselves for a year whether to seek reconsideration.<sup>353</sup> In the end, they made no formal objection.

*Restructuring at a small scale*

The New Democratic government achieved greater success in its one foray into merging postsecondary institutions to reduce administrative costs. In 1994, Minister Cooke invited the University of Toronto and the Ontario Institute for Studies in Education to negotiate an agreement by which OISE would become part of the university. In the years since the attempt of the Liberal government to decree a merger in 1985, OISE's financial situation had deteriorated, as had the perceived willingness of the government to bail out public sector institutions. As the leader of OISE's negotiating team explained:

...[a]s a stand-alone institution in the anticipated financial climate, we would be placing the Institute in jeopardy as we might be unable to hire sufficient new faculty to continue support for all of our OCGS [Ontario Council of Graduate Studies] programs. This would lead to loss of students and set us in a downward spiral that would be difficult to halt.<sup>354</sup>

An agreement was reached by the end of the year. By virtue of the expected reduction in the administrative costs associated with OISE, the government was able to reduce its operating grant to OISE by 8.6 per cent (about \$2.5 million annually at that time). The government agreed to provide a \$10 million transition fund and to reduce a special \$1.6 million annual research grant by half (in lieu of its earlier plan to eliminate it entirely). The legislation giving effect to the merger was passed under the Progressive Conservative government in 1996.<sup>355</sup>

Several factors argued in favour of the success of this merger at a time when the university system as a whole was resisting government-initiated restructuring. OISE was a

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<sup>353</sup>Confidential interview.

<sup>354</sup>Quoted in Eastman and Lang (2001), 88.

<sup>355</sup>Eastman and Lang (2001), 200-201.



small institution with a large deficit and so was vulnerable. All of OISE's programs were at the graduate level and so were required to undergo regular external quality reviews, ruling out the option of continuing to operate at a much-reduced level of quality. The University of Toronto was a large institution with the capacity to absorb OISE's accumulated debt and with a faculty of education that – because of the availability of graduate programs in education nearby at OISE – had been denied the right to receive funding for master's and doctoral degrees in education, with their associated funding and prestige. The government feared being held responsible for both the costs and any public outcry if OISE ceased to be viable, and it valued the potential savings to government – however long-delayed – that would arise from the merger. The proximity of the two institutions facilitated a merger of administrative support and avoided political issues that might have arisen if the institutions had been in different ridings or regions.

The fact that no other Ontario university approached bankruptcy in the period 1985 to 2002 makes it impossible to compare cases or to know if this model of restructuring would have been viable at other universities. What is notable for our purposes is that, while savings to government were achieved, the outcome respected the principle that per-student funding should be the same as for students in similar programs at other universities. The outcome also marginally enhanced the formal equality of every university by giving the University of Toronto the right to receive funding for graduate programs in education. Thus the Access and Equality Paradigm remained unchallenged.

### ***The Progressive Conservative government***

Following its decision to reject the OCUA's advice on the Resource Allocation Review, the Progressive Conservative government launched two reviews of postsecondary education that looked at whether increased specialization or other forms of restructuring would assist universities in meeting public objectives at an affordable cost. We saw in chapter 5 that the Advisory Panel on Future Directions in Postsecondary Education, chaired by David Smith (1996) and the Task Force on Investing in Students, chaired by Jalynn Bennett (2001) gave little support to the government in its search for ways to reduce per-student spending. Here we look specifically at the advice from these reviews on expanding the government's role in system planning in order to reduce duplication and unnecessary

costs.

The government's plans for the Smith panel had an eight-month gestation period before the panel was actually appointed. Initially Minister Snobelen told university board chairs that the panel would lead a focussed discussion on future directions and policies for postsecondary education, saying this would be better than simply cutting funding and letting universities cope.<sup>356</sup> Two weeks later, Minister Eves announced a reduction in operating grants and increases in university tuition fees as part of a broad-based deficit reduction plan.

The funding reduction created a new urgency for consideration of how the university system might be reshaped in this new environment. A Toronto Star editorial questioned whether grants should be reduced across-the-board to every university. It asked whether highly-ranked universities like Toronto or Queen's should receive the same cuts as Carleton or Nipissing.

For that matter, do we really need 17 universities? Or should we be closing some and converting them to community colleges and concentrating our dwindling public resources to maintain quality among the rest? Within those 17, do we really need six law schools and 11 faculties of education?... It remains to be seen whether the government will follow through [by setting new policy priorities] or take the easy way out.<sup>357</sup>

With similar urgency, the president of the University of Western Ontario encouraged the government to remove regulatory impediments to restructuring, saying that there was only a six-month window to do so while universities were coping with the effects of the new funding reductions.<sup>358</sup>

By the time the Smith panel was finally appointed in July 1996, the government's stated mandate for the panel glossed over the question of how universities might be

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<sup>356</sup>Letter from J. Snobelen to university board chairs, November 8, 1995; quoted in Royce (1998), 237-238.

<sup>357</sup>Toronto Star (1995).

<sup>358</sup>P. Davenport, Speech to the Canadian Institute's Conference on Restructuring Postsecondary Education, May 1, 1996; cited in Royce (1998), 239.

restructured to encourage differentiation or specialization in the face of reduced funding. The panel nevertheless chose to address the question directly, finding that “the basic structure of Ontario’s postsecondary sector is sound. There is no need to impose a grand new design.” Much as the Bovey Commission had done twelve years earlier, it recommended a policy framework that would permit differentiation in strengths to emerge across the postsecondary system, in the expectation that the sum of the strengths of each college and university would meet the multiple purposes expected of the postsecondary system. It further recommended a less regulated environment, with boards of governors taking greater responsibility for defining areas of strength and for using resources effectively. Given its broad mandate, ambitious schedule of consultations and five-month time frame, the Smith panel did not undertake a detailed review of university spending patterns or practices. Rather than seeing differentiation as an opportunity to maximize quality within constrained resources, the Advisory Panel argued that improving the level of resources for universities and colleges was “of overwhelming importance.”<sup>359</sup> The university response to this advice was highly favourable, with the chair of COU calling it “a marvellous holiday gift” and the president of the University of Toronto saying it was “the best document in 25 years on universities and colleges”.<sup>360</sup>

If the government hoped to find in the Smith report an agenda for restructuring universities to achieve better value with existing levels of funding, it was disappointed. The nagging sense that universities had avoided significant change can be heard in the remarks of Premier Harris to a conference of university and business leaders the following year:

But I ask, is there more that could be done? Are there further questions of system-wide service, value and efficiency that you yourselves can address? Who in the university system will decide to reduce enrollments or close programs when there are few jobs available in a profession, like certain professional or PhD programs? Who is responsible for opening and

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<sup>359</sup>Advisory Panel (1996), 2, 3.

<sup>360</sup>Lewington (1996), A1.

expanding programs in fields where there are significant shortages, like computer science and software engineering?

Our government respects the autonomy of universities in our education system. But I suggest that there are no avenues for change to rule out as we face the challenges of the next century. We need universities on side as a willing partner in addressing questions about their future – questions that, to a large degree, should find their answers from within the system.<sup>361</sup>

*Restructuring in response to pressure from outside the policy network*

The reference to the shortage of spaces in computer science and software engineering foreshadowed an intervention in 1998 by the Progressive Conservative government to adjust the disciplinary focus of the university system. Unlike the attempt of the Progressive Conservatives to develop a restructuring agenda through an advisory committee and in consultation with the policy network, this initiative came in response to an external actor, and it led the government to take some specific actions.

In February 1998, the chief executive officer of Nortel presented Premier Harris with a document noting the large number of unfilled positions in high-technology companies and the shortage of graduates in electrical and computer engineering and computer science in Ontario. The document attributed this situation to excessively high university admission requirements, with minimum entry averages of 85 to 95 per cent for some programs; low provincial operating grants compared to the rest of Canada; underweighting of these programs in the funding formula, so the combination of grant and fee revenue was less than the cost of delivering the program; and a corridor funding system that paid universities no extra grant when they enrolled extra students. The Nortel paper recommended a selective increase to the funding corridor in electrical and computer engineering and computer science, targeted to universities with a strong track record in these areas. In return, it suggested, the private sector should support the programs by providing co-op placements, scholarships, the loan of staff to serve as part-time faculty, and “active participation in university direction

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<sup>361</sup>Office of the Premier (1997), COU Arch. D2 R13.

setting/curriculum development.”<sup>362</sup> A similar proposal to “double the pipeline” was put forward by the Canadian Advanced Technology Alliance, also in February 1998.<sup>363</sup>

The Access to Opportunities Program (ATOP) approved by the government differed from the Nortel and CATA proposals in placing substantially more responsibility on industry to fund the cost of expanding these programs. The program provided start-up funding of \$9,800 for each new space in electrical engineering and \$6,800 for each new space in computer science on the condition that universities raise an equal amount in cash or in kind from private donors. In addition, the program provided permanent increases in operating funding of \$5,000 annually for each new space in electrical engineering and \$3,500 per space in computer science, with no matching required. This funding amounted to \$57 million annually by 2002-03 – equal to a 3 per cent increase in university operating grants. The enrolments were also counted for purposes of base funding (although the corridor funding system meant that the extra enrolments did not bring extra base funding for most universities). In addition, the government offered to deregulate tuition fees in these programs at participating universities.<sup>364</sup>

In approving the ATOP program, the Progressive Conservative government implicitly answered some of the questions in Premier Harris’s 1997 speech:

- The responsibility for deciding whether or not to expand high-demand programs fell at least partly to the government. While universities had expanded their engineering and computer science programs in the period 1995 to 1998, the government believed that intervention was necessary to respond fully to student and employer demand.
- The decision to expand high-demand program was not accompanied by decisions to contract programs with limited demand. At heart, the government preferred to

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<sup>362</sup>John D. Roth, “The Supply of High-Technology Professionals: An Issue for Ontario’s and Canada’s Future” February 1998, COU Arch. D2 R16.

<sup>363</sup>MTCU, “Access to opportunities program time line of significant events,” Media Backgrounder, undated [February 11, 1999].

<sup>364</sup>Letter from B.J. Mackay to executive heads, May 5, 1998, COU D2 R17; letter from C. King to university executive heads and college presidents, July 17, 1998, COU D2 R17.

- provide incremental new funding rather than take responsibility for identifying redundant programs to be closed.
- The offer to participate in ATOP was made to all universities, and all universities accepted it. While Nortel's proposal suggested that the program be limited to universities with a strong record in these program areas, the government rejected this approach. All universities chose to participate, including Waterloo (which did not wish to expand to the level originally required by the government and was able to negotiate a reduced threshold) and Nipissing (which prior to ATOP did not offer computer science at all).

Whether the effect of ATOP was to change the nature of the university system fundamentally is more difficult to prove. Axelrod raises the issue but acknowledges that it is a question of degree:

University enrolments normally fluctuate by program, and over the past decade, interest in the applied sciences has grown; if attractive market opportunities in high-tech areas are sustained, further such increases can be expected. But too great a shift in university priorities and resources to the commercially driven utilitarian areas at the expense of the liberal arts will erode the core of higher learning..., and universities will, more and more, resemble training centres with a narrow, non-academic focus. (Axelrod 2002, 81)

Table 6.1 lends modest support to Axelrod's position. The table shows the distribution of full-time undergraduate programs by field of study for selected years from 1987 to 2003. (I focus on distribution because it indicates the relative importance of the field of study within the universities' overall teaching activities.) Enrolments in computer science and engineering grew more quickly than those in other disciplines, and so they increased their share of total enrolments, growing to a combined 13.0 per cent of the total by 2003.

While the trend line is consistent with Axelrod's concerns, the liberal arts remained the dominant part of university enrolments at the end of the period. Programs in social sciences, general arts and science, humanities, and fine and applied arts – what we might call the “liberal arts” – accounted for 52.2 per cent of enrolments at the start of the period and

49.7 per cent at the end. Even at this slightly reduced state, they enrolled four times as many students as engineering and computer science. We also recall from chapter 4 that in planning for the double cohort – potentially an enormous opportunity to reshape the university system by field of study – the government gave no direction to the universities about which programs to expand, and it simply accepted their five-year plans as submitted. As table 6.1 shows, the distribution of students in 2003, the first year of the double cohort, was little different from that in prior years.

An additional consideration is that the university statutes give each university – normally through its senate – the power to determine whether its programs are degree-worthy. Axelrod’s argument tends to elide the differences between “applied sciences,” “commercially driven utilitarian areas,” and “training centres with a narrow non-academic focus.” In practice, the statutory powers of internal self-governance give each university the ability to correct or cancel programs that do not meet the university’s own standards.

**Table 6.1: Distribution of full-time undergraduate enrolments by field of study, selected years, 1987 to 2003 (per cent)**

|  | 1987    | 1990    | 1995    | 2000    | 2003    | cumulative change (percentage points) |
|--|---------|---------|---------|---------|---------|---------------------------------------|
| Social sciences (excluding business), humanities, general arts and science, fine arts and applied arts | 52.2    | 55.3    | 53.1    | 49.6    | 49.7    | -2.5                                  |
| Business   | 10.5    | 9.9     | 9.3     | 9.7     | 11.8    | 1.3                                   |
| Engineering, applied sciences and computer science   | 10.4    | 9.7     | 11.3    | 14.8    | 13.0    | 2.6                                   |
| Education and health professions   | 12.7    | 13.0    | 13.4    | 13.8    | 13.8    | 1.1                                   |
| Agriculture, biological sciences, mathematics and physical sciences (excluding computer science)       | 11.8    | 10.9    | 11.4    | 10.2    | 10.0    | -1.8                                  |
| Unknown, not reported  | 2.4     | 1.2     | 1.4     | 1.9     | 1.7     | -0.7                                  |
| TOTAL  | 100.0   | 100.0   | 100.0   | 100.0   | 100.0   | -                                     |
| <i>n</i>   | 174,185 | 195,082 | 203,341 | 215,846 | 280,218 | +106,033                              |

SOURCE: 1987 to 2000: COU Committee on Enrolment Statistics, Projections and Analysis, "Enrolment Review," September 2001, Table 4. 2003: Personal communication, COU secretariat, February 2005.

Based on this evidence, it seems reasonable to interpret the Progressive Conservative government decision to create ATOP as an attempt to respond to business concerns about a bottleneck in the labour market, rather than as an effort to reorient the nature or purpose of the university system. Government programs in 1999 and 2000 to expand the number of students in teacher education, nursing and medicine – though smaller in scale – suggest that the government felt vulnerable to labour market bottlenecks in the public sector as well as those in the business community

The remaining question from Premier Harris's speech – whether there were "questions of system-wide service, value and efficiency" that universities and colleges could



address – was still unanswered. We have seen that the Smith panel was originally intended by Minister Snobelen to look at how system-wide restructuring might help universities to cope with funding reductions in 1996-97, but that, by the time the government finalized the panel’s mandate, the value-for-money mandate was hard to discern.

The same pattern can be seen in the Task Force on Investing in Students, which Minister Cunningham appointed in September 2000. The government’s lengthy mandate for the task force called on it to “advise the Minister on ways to ensure that public funds supporting postsecondary education are directed at providing the highest quality of education, while ensuring access for students, affordability and accountability.” At the same time, the mandate effectively directed the task force not to recommend the reduction of access in any local community and to seek the views of all stakeholders<sup>365</sup>. The task force was given less than five months to accomplish its mission. Given this broad mission and brief time frame, the task force in its report shied away from system-wide restructuring in favour of reducing regulations so that institutions could differentiate themselves.

*The quiet demise of mission-specific universities*

One manifestation of the Access and Equality Paradigm has been the reluctance of Ontario governments to assign specific missions to individual universities. During the period under study, both Ryerson and Nipissing universities evolved from mission-specific institutions to universities with a formal status equal to that of every other university.

Ryerson – established in 1948 as a training institution with the name Ryerson Institute of Technology – was granted the statutory right to grant bachelor’s degrees in applied arts and technology in 1971 and in business management in 1977. At Ryerson’s request, the Liberal government in 1989 introduced amendments allowing Ryerson to grant other bachelor’s degrees prescribed by regulation, such as degrees in engineering and social work. Soon after the New Democratic government took office, Minister Allen expressed his interest in allowing Ryerson to use the name “polytechnic university” – “recognizing the

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<sup>365</sup>Task Force on Investing in Students (2001), ix.

great importance of polytechnic education in Ontario.”<sup>366</sup> The Ontario Council on University Affairs expressed some reservations about this proposed change, noting that Ryerson’s proposal carried with it a request to be funded like all other universities, at an additional cost of \$17 million annually – money which would be used primarily to reduce faculty teaching hours to a level similar to that of other universities. OCUA also expressed concern “about the long-term implications of encouraging all institutions to be more and more alike, pursuing research and graduate teaching in the traditional areas as the *summum bonum*.”<sup>367</sup>

Nevertheless, amendments to rename the institution as “Ryerson Polytechnic University” and to give it the right to confer “any and all degrees” – the same right that other universities possessed – were passed in 1993. Again at Ryerson’s request, the Progressive Conservative government introduced amendments to rename Ryerson as “Ryerson University” in 2002.<sup>368</sup> Through this series of steps, all three governments acted to reduce legislated restrictions that had given Ryerson a differentiated mission and status in Ontario’s university system.

A similar pattern can be seen with Nipissing University. Nipissing College, which had its origins as a teacher training college and which had functioned as an affiliate of Laurentian University since 1973, approached the Liberal government in 1988 seeking independent university status with its own degree-granting powers. Action on this request was deferred until 1992, when the New Democratic government passed legislation establishing “Nipissing University” and giving it the power to grant bachelor’s degrees and the Master of Education degree. At Nipissing’s request, the Progressive Conservative government went the final step in 2001 by passing amendments giving Nipissing University

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<sup>366</sup>Letter from R. Allen to H.V. Nelles, March 27, 1991, cited in OCUA (1992), 177.

<sup>367</sup>OCUA (1992), 193.

<sup>368</sup>*An Act to Amend the Ryerson Polytechnical Institute Act, 1977*, Royal Assent, June 1, 1993; *Keeping the Promise for Growth and Prosperity Act (2002 Budget)*, Royal Assent, June 27, 2002.

the right to grant “any and all degrees.”<sup>369</sup> Unlike the Ryerson case, Nipissing was already funded on the same basis as other universities prior to 1992, so these changes did not impose an immediate additional cost on the government.

These cases demonstrate how institutions operating outside the normal policy network<sup>370</sup> used the established paradigm to argue for outcomes that appeared to defy the government’s search for a more cost-effective university system. While governments from all three parties were committed to the Access and Equality Paradigm, there is no indication that they would have acted to confer formal equality on Ryerson and Nipissing without the persistence of the institutions involved. The institutions used the paradigm to argue that their limited status was a stepping stone to the formal equality that the paradigm promised. Governments made the changes knowing that (in the case of Ryerson) there would be immediate direct costs, and that (in both cases) the newly-acquired right to grant graduate degrees would eventually lead to requests for funding for graduate students and for research.<sup>371</sup>

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<sup>369</sup>*Nipissing University Act, 1992; Nipissing University Act 2001*, Royal Assent, December 13, 2001.

<sup>370</sup>Ryerson belonged to COU, as did Nipissing after its 1992 statute was passed. COU submitted a brief to OCUA questioning Nipissing’s original application in 1988, but was silent on Ryerson’s. The normal ministry-COU policy network was not used to address the status of individual members of COU – a reflection of the way COU’s consensus-based decision-making makes it difficult for COU to address questions relating to the formal equality of its own members. It was widely noted in the policy community that, in the early 1990s, the president of Ryerson was an active member of the New Democratic Party whose spouse was a Cabinet minister, while Nipissing was represented in the legislature by the leader of the Progressive Conservative Party, who subsequently became Premier.

<sup>371</sup>It is too soon to determine whether the University of Ontario Institute of Technology will be an exception to this pattern. The Progressive Conservative government created UOIT in 2002 with a special mission to “provide career-oriented university programs and to design and offer programs with a view to creating opportunities for college graduates to complete a university degree.” However, its statute also creates powers – not yet proclaimed – to confer degrees “in any and all areas of study.” (*University of Ontario Institute of Technology Act, 2002*, Royal Assent June, 27, 2002) It was widely noted in the policy community that, when the government decided to create UOIT, Oshawa was represented in the legislature by two

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### **Degree-granting**

The power to grant degrees and the power to use the word “university” are prized assets in postsecondary education. These powers are in effect a form of intellectual property, and students see them as an indicator of quality and prestige in the education they will receive. This perception in turn has significant implications for an institution’s finances and prestige. An important aspect of the regulatory framework in postsecondary education in any jurisdiction is to define which institutions do or do not have these powers. During the period under review, Ontario moved from a regulatory regime which in effect granted to the publicly-supported universities a near-monopoly on these two powers, to a regime in which these powers were partly shared with publicly-supported colleges and with private universities.

This section examines evolution of degree-granting under three governments. We will note that the pressure to expand the right to grant degrees started as early as the mid-1980s and that the Liberal and New Democratic governments side-stepped the issue rather than directly opposing change. We will also see that the Progressive Conservative government introduced changes in response to actors outside the policy network – some religious-based, some business-based – whose positions reinforced the party’s predisposition to favour the creation of privately-funded institutions. When it became apparent that changes were in the offing that had the potential to change the structure of the postsecondary education system, COU took the lead in negotiating a model that facilitated change while addressing the concerns of the publicly-funded universities.

#### ***The Liberal government***

The Liberal government faced pressure on two fronts to adopt a more expansive approach to degree-granting. In both cases, the government took the approach of referring the matter to advisory bodies which did not report until shortly before the 1990 election.

The first pressure on the Liberal government to modify the Robarts policy prohibiting the establishment of new Ontario-based universities came in the form of an application from

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<sup>371</sup>(...continued)  
senior Cabinet ministers.

Redeemer Reformed Christian College, one of several religious-based institutions in Ontario established by private legislation that authorized it to grant religious degrees. Redeemer requested an amendment to its incorporating statute to permit it to call itself a university and to grant non-religious degrees. In September 1985 the government referred this request to OCUA for advice. Following an unusually long period of consultation and reflection, OCUA provided its advice to the government in September 1990 – after the Liberals’ loss in the 1990 election, and nine days before the transfer of power to the New Democratic government. OCUA’s advice was to maintain the status quo and to encourage any new institutions to affiliate with universities that already had degree-granting authority. No government ever responded to this advice, which remained confidential until 1996.<sup>372</sup>

The second pressure came from publicly-supported colleges, which from their inception had been precluded from granting degrees. Recognizing the changes in the labour market since the colleges were conceived in the 1960s, and also the growing share of students who were choosing university rather than college, Minister McLeod commissioned in October 1988 a wide-ranging and highly consultative review of the mandate of the colleges. The *Vision 2000* report – released in July 1990, a few days before the election was called – recommended greater opportunities for “advanced training,” defined as “education that combines the strong applied focus of college career-oriented programs with a strong foundation of theory and analytical skills.” The report envisaged that some advanced training would be undertaken by colleges alone, and that a “unique college credential” would be created for these programs. Other advanced training programs would be offered jointly with universities and would lead to a university degree. However, recognizing the great reluctance that many universities had shown in working with colleges, the report recommended that if no university displayed interest within eighteen months, the government should confer degree-granting powers on a provincial institute of advanced training which would grant degrees to students who had completed appropriate programs offered by

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<sup>372</sup>OCUA (1996), 243-273.

colleges.<sup>373</sup>

***The New Democratic government***

The *Vision 2000* advice on degree-granting powers for colleges lay dormant until 1991, when Minister Allen appointed a Task Force on Advanced Training to provide a more detailed assessment of the opportunities. In its 1993 report, the Task Force – chaired by Walter Pitman, former president of Ryerson Institute of Technology – “note[d] that there are many opportunities for advanced training in Ontario today. The problem with these is that they are isolated and not part of an integrated and planned system of advanced training, with equitable student access.” The report cited Ryerson as an example, but noted that Ryerson had no formal link to any college. It recommended an Ontario Institute for Advanced Training to “initiate, negotiate, coordinate, promote and allocate funds for “advanced training, and it recommended that “the OIAT be granted specific designated degree-granting power.”<sup>374</sup>

The prospect of losing their collective monopoly on degree-granting was troubling to the universities, who saw degree-granting by colleges as a potential threat to the reputation of Ontario university degrees and as a potential source of additional competition for students and for higher government funding. COU initiated discussions with ACAATO in December 1990 “to explore the development of a more formal structure” to improve communication and cooperation between the two sets of institutions, and the participants agreed that a one-day meeting would be held to look at whether to establish a permanent steering committee. By April 1992, the two organizations had agreed to work on “custom-made schemes for degree completion of college graduates” and “mechanisms to ensure transferability of arts and science credits.”<sup>375</sup>

This outbreak of voluntary cooperation between colleges and universities, coupled with the lack of government resources for new initiatives, appears to have discouraged the

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<sup>373</sup>Vision 2000 Steering Committee (1990), 16-17; quotation at 16.

<sup>374</sup> Task Force on Advanced Training (1993), 11-13.

<sup>375</sup>Minutes of COU-ACAATO meetings, December 17, 1990 and April 2, 1992, COU Arch. D3 R60.

New Democratic government from adopting Pitman's recommendation for a new degree-granting institution. In 1994, the ministry announced in response to the Pitman report its intention to establish a voluntary consortium of colleges and universities that would promote cooperation and would publish a guide for students on credit-transfer arrangements. Originally this organization – to be known as the College-University Consortium Council – was to have involved a selected group of universities who were especially interested in working with colleges. However, some universities feared that the non-participants would be perceived by the minister as uncooperative, and so all universities agreed to be participants. As the price of creating the consortium, COU won ACAATO's agreement to a statement that only universities grant degrees – effectively quashing Pitman's proposal.<sup>376</sup> The new Progressive Conservative government continued with this initiative, and following endorsements from both COU and ACAATO, the CUCC held its first meeting in April 1996.

### *The Progressive Conservative government*

Even as it encouraged cooperation between the publicly-supported universities and colleges, the Progressive Conservative government was more disposed than its predecessors to permit private degree-granting universities in Ontario. As early as 1992, the Progressive Conservative caucus had endorsed private universities on the condition that they offered high-quality programs, were financially self-supporting and focussed on areas of emerging need.<sup>377</sup> Premier Harris elaborated on this view in 1996, telling a media scrum that:

...we may have private-sector universities in Ontario. Philosophically, I personally think that could be a good thing....

I don't see that at the expense of our publicly funded institutions. They will be the pillar, or the backbone, of universities here in Ontario....

There seems to be a willingness and a desire to fund them 100 per cent, no

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<sup>376</sup>Royce (1998), 199; memorandum from G. Hamel to P. George, July 11, 1995, COU Arch. D2 R12.

<sup>377</sup>Ontario Progressive Conservative Caucus, "New Directions II - A blueprint for Learning in Ontario," October 1992, cited in Royce (1998), 232.

cost to the taxpayer... Why wouldn't we look at that?<sup>378</sup>

Support for Premier Harris's position came from the business community and religious groups and was reinforced by opinion polls showing majority support from those who tended to support the government.

The Ontario Chamber of Commerce urged the government to permit private for-profit degree-granting institutions in Ontario on the condition that they have the financial strength to guarantee that programs continue in future and can meet "the same high standards of educational quality that Ontario universities presently deliver." The chamber's rationale was that private for-profit institutions were successful elsewhere, they operated at no cost to the public, they were potentially more innovative in serving students who are employed, their presence would inspire public institutions to innovate, and they would be more likely to serve unserved markets. The chamber noted that every other part of the education system featured for-profit institutions.<sup>379</sup>

The immediate pressure to permit a private institution to confer secular degrees came from Redeemer College – which, as we have seen, first pressed its case in 1985. Recognizing the potential for the government to say yes to Redeemer in a way that would set a precedent for other institutions, the chair of COU's government relations committee negotiated an arrangement by which COU would not oppose Redeemer's request provided that Redeemer agreed to certain conditions, notably that it would not seek public funding, that it would undertake an independent peer review of each of its programs "to ensure that the academic quality of the programs is consistent with the standards in place at Ontario's publicly funded universities," and that it would submit to regular reviews comparable to those undertaken by publicly-funded universities. He advised Minister Johnson that "my judgement is that he [Redeemer's president] would be prepared to accept the conditions that I

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<sup>378</sup>Globe and Mail (1996).

<sup>379</sup>Letter from J. Douglas M. Robson, Ontario Chamber of Commerce, to D. Johnson, October 28, 1997, COU Arch. D2 R26.



have set out above if you were to suggest them to him.”<sup>380</sup> With this arrangement in place, the legislature passed amendments in June 1998 making Redeemer College the first private institution in Ontario authorized to grant the secular degrees of Bachelor of Arts and Bachelor of Science.<sup>381</sup>

The government’s next step – from passing a little-noticed statute affecting one religious-based institution to establishing a policy framework for private universities – took place in an environment where public opinion was divided. An Angus Reid poll in December 1999 asked:

Some people say that allowing private universities to operate in Ontario is a good thing. It will create more spaces for students, more choice and greater competition that will serve the student better and cost the tax payer less.

Other people say that allowing private universities in Ontario is a bad thing. It will eventually lead to a two-tiered American-style education system – one system for the rich and another one for everyone else. Which of these arguments is closest to your point of view?

Forty-two per cent of respondents said private universities would be a good thing, 56 per cent a bad thing, and 2 per cent did not know. However, the share saying they would be a good thing was 60 per cent among the government’s supporters – those saying the government was “on the right track.”<sup>382</sup>

Another Angus Reid poll, released in March 2000, posed a different question and received an evenly divided response. Forty-eight per cent of respondents said they would favour “encouraging the establishment of one or more privately owned and operated

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<sup>380</sup>Letter from R. Prichard to D. Johnson, April 27, 1998, COU Arch. D2 R16.

<sup>381</sup>A subsequent amendment in 2000 changed the institution’s name to Redeemer University College, and another in 2003 created a university senate. (*Redeemer University College Act, 2000*, Royal Assent, June 23, 2000, and *Redeemer University College Act, 2003*, Royal Assent, June 26, 2003)

<sup>382</sup>Angus Reid 2000a.

universities in Canada,” while 49 per cent were opposed, and 3 per cent did not know.<sup>383</sup>

While the Progressive Conservative government was finding support for private universities among the business community, religious groups and its supporters, the publicly-supported universities were weakening in their long-standing opposition to new degree-granting competitors. The Smith advisory panel recommended in favour of allowing privately-financed universities to operate in Ontario under strict conditions relating to governance, quality, financial responsibility, and protection of students in the event of financial failure. COU did not oppose this recommendation, and we have seen that COU was instrumental in negotiating these conditions as part of the government’s decision to permit Redeemer College to grant secular degrees. A COU task force in October 1998 urged the government to clarify the criteria by which private universities could gain approval to operate in Ontario, with particular emphasis on upholding quality standards, ensuring that private institutions did not gain access to public funds, and barring for-profit universities.<sup>384</sup>

The last piece of the puzzle was the government’s decision to permit colleges to grant applied degrees. Unlike the case of private universities, the Progressive Conservative Party does not appear to have made any pre-election commitments on this issue. There was no broad pressure from the business community, and in fact the position of the Ontario Chamber of Commerce was that colleges should not offer degrees and should instead focus on teaching employability skills.<sup>385</sup> The Smith panel recommended against giving colleges degree-granting powers, while saying there should be a process by which individual colleges could evolve into polytechnics and then into degree-granting institutions.<sup>386</sup> The colleges themselves were divided, with some colleges concerned that a degree credential would undercut the value of other college credentials.

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<sup>383</sup> Angus Reid 2000b.

<sup>384</sup> Advisory Panel (1996), 56-60; Monahan (2004), 197-198.

<sup>385</sup> Ontario Chamber of Commerce, Brief to Advisory Panel on Future Directions for Postsecondary Education, October 3, 1996, COU Arch. D2 R27.

<sup>386</sup> Advisory Panel (1996), 46.

Public opinion polling in the late 1990s showed a high level of support for the type of education colleges offered. A widely-reported Angus Reid poll taken in May 1998 asked: “What do you think would be the most valuable type of education to have in the workforce ten years from now?” A plurality – 35 per cent – favoured a “college diploma in a technical occupation,” and another 24 per cent supported “apprenticeship in a skilled trade”. Only 26 per cent supported university education, including 18 per cent who favoured a “university degree in science,” 5 per cent a “professional degree such as law/social work,” and 3 per cent a “university degree in arts”. Thirteen per cent favoured “high school education and lots of on-the-job training.”<sup>387</sup> Similarly, a February 2000 poll found that 51 per cent of respondents said they would encourage young people to get a trade or skill at a college, while 38 per cent favoured getting a general education at a university, with 12 per cent undecided. However, public opinion on this issue was sensitive to the wording of the polling question: a 1999 poll found that 62 per cent of respondents thought universities did a better job than colleges in “providing a better chance for a long-term career” (with 29 per cent favouring colleges), while 74 per cent said colleges do a better job of “preparing students for the workforce” (with 18 per cent favouring universities). Asked whether they agreed that “[i]n the long run, university graduates will enjoy higher salaries and a better chance of promotion than college graduates,” the mean response was 7.0 on a scale of 1 to 10, with 10 indicating strong agreement.<sup>388</sup>

With strong but not unqualified public support for colleges, and – as we saw in chapter 5 – with the government at loggerheads with universities on the issue of creating

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<sup>387</sup> Angus Reid (1998). These opinions were at odds with the actual experience of graduates in the labour market. Riddell and Sweetman (2000) provide data for Canada for 1998 showing that, for each age and gender group, university baccalaureate graduates earned 35-60 per cent more than high school graduates, while college graduates earned 10-20 per cent more than high school graduates. They show that, for both sexes and all age groups, more years of education are associated with higher wages and lower unemployment rates. They also show that earnings differentials by level of education were roughly constant in the 1980s and 1990s, suggesting that the growth in supply of workers with higher education roughly matched the growth in employer demand for these workers.

<sup>388</sup> Angus Reid (2000).

spaces for additional enrolments, the government decided in favour of granting highly restricted degree-granting powers to colleges.

The government's new policy framework, as set out in a discussion paper on degree-granting released in 2000, emphasized the theme of student choice. The paper said the government's three objectives were to provide more opportunities for Ontarians to seek degrees, with a broader choice of fields of study and locations, to ensure that all degree programs in Ontario offer a high-quality education, and to protect students at private institutions from the risk of financial loss.<sup>389</sup>

A supporting argument was that the rules governing degree-granting at that time were unfair. Publicly-supported universities could grant degrees; colleges could not; Redeemer College could grant secular degrees; other religious institutions could only grant theological degrees, or none at all; out-of-province institutions could grant degrees with the minister's consent; in-province private institutions could not; and distance education programs based outside Ontario were unregulated. The government felt unable to continue to defend these rules as serving the public interest.

Part of the new policy was to create a Postsecondary Education Quality Assessment Board, composed of people with an interest in educational quality but not necessarily from a university background, to provide advice to the minister on whether requests for degree-granting powers should be granted. The government stipulated that private institutions would not be eligible for capital or operating grants. It proposed regulations that would protect students financially if a private institution ceased to operate and would ensure that their transcripts remained available. And it proposed a pilot project, modelled on a similar project in Alberta, by which twenty-four degree programs would be approved in Ontario over three years at colleges in applied fields of study not normally offered by universities. Legislation to this effect was enacted in December 2000.<sup>390</sup>

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<sup>389</sup>Ministry of Training, Colleges and Universities (2000), 1.

<sup>390</sup>*Ministry of Training, Colleges and Universities Statute Law Amendment Act, 2000*, establishing the *Post-secondary Education Choice and Excellence Act*; Royal Assent,

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In effect, the new policy took the agreement that COU negotiated between the ministry and Redeemer College and institutionalized it so that it could apply to all potential private universities – broadening it to permit for-profit as well as not-for-profit institutions. In addition, the policy established a limited degree-granting role for colleges. The impetus for policy change came from institutions outside the government-university policy network. Their requests found receptive ears in a government that was ideologically averse to protecting public institutions from private competition. Once the government decided that change was required, it adopted a policy whose details represented an implicit compromise between government and the universities – recognizing their shared interest in protecting educational quality and minimizing additional demands on the public purse, but ending a monopoly that the universities conceded was no longer essential to their future success. The compromise was implicit and was not directly negotiated, but in the end, COU’s fundamental interests were addressed. Its residual concerns were largely to ensure that the legislation did not authorize changes that went beyond the government’s stated policy intent.<sup>391</sup>

### **Accountability**

In this section we look at the efforts of governments during the period under study to expand the accountability framework. Two issues were of particular prominence: whether universities were achieving good value for the funds they were spending, and whether boards of governors were effectively carrying out their responsibilities.

#### ***The Liberal government***

The Liberal government showed no special interest in expanding universities’ accountability to government, but events during the Liberal mandate foreshadowed some issues that gained greater attention under their successors in the 1990s. The protagonist in these events was the Provincial Auditor, an independent officer of the Legislative Assembly. As early as 1983, the Provincial Auditor had hinted that his activities should expand to include audits of publicly-supported universities. In late 1986 he announced his intention to

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<sup>390</sup>(...continued)  
December 21, 2000.

<sup>391</sup>Council of Ontario Universities (2000a, 2000b).

conduct “inspection audits” at universities, causing COU members to investigate alternatives that they would find less intrusive. Legal advice available to COU said that the *Audit Act* authorized the Provincial Auditor to examine financial matters at universities but not academic matters. Universities were concerned that this distinction would inevitably be difficult to apply.

In May 1987, the Provincial Auditor chose Trent University as the object of the first university inspection audit. After failing to negotiate a less intrusive alternative, COU assisted Trent in the development of a list of financial accounts that the university would make available. The Trent audit, published in the 1988 report of the Provincial Auditor, criticized a financial settlement with one of Trent’s former presidents and also found fault in Trent’s practice of recording certain general students as honours students, thereby gaining higher provincial funding. (Trent’s defence was that the ministry had authorized the practice many years earlier, although the documentation was unclear.) Subsequent audits at Guelph and Toronto found minor errors.<sup>392</sup>

What is noteworthy during the Liberal government is that the government showed no special support for the Provincial Auditor’s initiative. The position of the government essentially reflected the view that universities were accountable to their boards rather than to the legislature.

### ***The New Democratic government***

This dispute carried over into the early years of the New Democratic government. In December 1990, the Provincial Auditor wrote to the Deputy Minister of Colleges and Universities setting out his understanding of the ministry’s position on accountability:

In the case of universities, the issue of accountability has never been adequately addressed. In particular, the enabling acts for universities place responsibility for the government, conduct, management and control of universities with their governing bodies. To whom these governing bodies are accountable is an issue that remains in limbo. Since the Ministry provides universities with most of their funds, one would logically expect that

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<sup>392</sup>Monahan (2004), 151-153.

accountability would be to the Ministry. The Ministry, however, maintains that it lacks the legislative authority to establish such a relationship. Instead, the Ministry believes that the governing bodies are accountable directly to the public. Accordingly, it has encouraged universities to report publicly on their performance and stewardship of public funds. No meaningful reporting has as yet been forthcoming.<sup>393</sup>

With the findings of the Provincial Auditor about Trent, Guelph and Toronto in hand, and following public hearings, the Legislative Assembly's Public Accounts Committee recommended in favour of Provincial Auditor's request that he be empowered to do value-for-money audits at universities and other transfer payment recipients.<sup>394</sup>

By the time this advice was received, the ministry was already at work with COU on a review of university accountability that would pay greater respect to the government's practice since 1967 of not involving itself in the details of how universities spent their money. COU's position was that any amendments to the *Audit Act*

must recognize the important bond between university autonomy and academic freedom and that this can best be achieved within the context of a broad review of university accountability. Council stands ready to undertake such a review and would welcome the participation of the Ministry (and the government and legislature more generally) in carrying such a review forward.<sup>395</sup>

Implicit in this position was a message that universities wished to see any accountability measures custom-tailored to universities' circumstances and negotiated with the ministry. The government agreed to establish the Task Force on University Accountability as a substitute for amending the *Audit Act* to expand the powers of the Provincial Auditor. The task force was chaired by OCUA member William Broadhurst and

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<sup>393</sup>Letter from D. Archer to T. Brzustowski, December 20, 1990, COU Arch. D3 R6.

<sup>394</sup>Ontario Legislative Assembly, Standing Committee on Public Accounts Report No.1, July 1991; reprinted in Task Force on University Accountability (1993), appendix A.

<sup>395</sup>Letter from P. George to B. Shapiro, August 28, 1991, COU Arch. D3 R6.

included representatives from the ministry, the Ontario Federation of Students, COU, the Ontario Confederation of University Faculty Associations, the Confederation of Ontario University Staff Associations, the Ontario Graduates Association, and the Council of Chairs of Ontario Universities.

The principal theme of the task force's report in May 1993 was that governing bodies at each university should approve policies and procedures and should then monitor their results. Too often, it found, the monitoring process was not adequate. It recommended that each governing body adopt a set of management indicators, while rejecting the option of establishing "indices whose prime purpose would be to establish norms to be applied uniformly to all universities and used to rank them." It also recommended the establishment of an Accountability Review Committee, within OCUA but independent of OCUA control, to monitor and report on the effectiveness of the accountability frameworks for Ontario universities.<sup>396</sup>

While the task force was in progress, Minister Allen introduced a new issue in accountability: whether the composition of university boards should be regulated to ensure that boards were representative of the community as a whole. This issue was raised in a report by Stephen Lewis on race relations in Ontario in 1992. Minister Allen proposed that every university board should have thirty-six members, that twenty-two of these should be external to the university, that at least six of the twenty-two external members should be appointed by Cabinet, and that there should be gender balance, linguistic and ethnocultural balance, and representatives of students, faculty and staff on all boards.<sup>397</sup>

This proposal was not well received by university presidents. The president of COU told the minister it was an "arbitrary and substantial intervention" in a matter that boards were already handling. The Broadhurst Task Force urged the minister to be flexible about the number of board members, agreed that the majority of them should be external to the university, agreed that faculty, staff and students should be represented, and was silent on the

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<sup>396</sup>Task Force (1993), 54, 72-76; quotation at 54.

<sup>397</sup>Letter from R. Allen to executive heads and board chairs, October 15, 1992, COU Arch. MF 136.



issue of demographic balance.<sup>398</sup>

This issue was finally resolved in October 1993 when Minister Cooke asked each university to establish a protocol regarding board membership and said that ministry staff would monitor actual appointments against these protocols. He set two objectives: (1) faculty, students and staff should be full voting members of all boards, and (2) there should be community representation reflecting gender, visible minorities, aboriginals, francophones and persons with disabilities. The issue of establishing a uniform size for all boards was dropped.<sup>399</sup>

An additional accountability issue introduced by Minister Allen was the quality of academic programs. Minister Allen expressed interest in creating a task force on undergraduate teaching, led by the Ontario Federation of Students. The president of the University of Toronto and the head of the University of Toronto Faculty Association both discouraged this idea, arguing that it would appear to “piling on” to the professoriate who had recently been criticized in the Stuart Smith report and in *Maclean's*.<sup>400</sup>

Instead, Allen asked OCUA to look at how to improve accountability for program quality. OCUA reported in July 1993 that the Ontario Council on Graduate Studies had been overseeing quality appraisals of each university’s graduate programs since 1968, but that there was no comparable undergraduate process. It recommended a system of “monitored self-regulation” by each university that would be subject to audit by an “Academic Quality Audit Committee” whose members would be publicly appointed. This committee was never appointed. Instead, COU’s Council of Academic Vice Presidents began an audit process in

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<sup>398</sup>Letter from P. George to R. Allen, December 18, 1992, COU Arch. MF 136; letter from W. Broadhurst to R. Allen, December 18, 1992, reprinted in Task Force on University Accountability (1993), Appendix D.

<sup>399</sup>Letter from D. Cooke to executive heads and board chairs, October 1, 1993, COU Arch. D2.

<sup>400</sup>Memorandum from R. Prichard to P. George, October 4, 1991, COU Arch. MF124.

1997, without a monitoring body independent of COU.<sup>401</sup>

A final accountability initiative of the New Democratic government was the establishment of the Education Quality and Accountability Office in 1995. Minister Cooke said the EQAO would have “responsibility for addressing issues of educational quality and accountability in the elementary/secondary sector and the postsecondary sector...” He said he would consult with the postsecondary sector in the spring on the mandate of EQAO and would build on the recommendations of the Task Force on University Accountability, which called for the creation of an arm’s-length agency to monitor university accountability. While the EQAO grew to play a major role in measuring and improving educational quality in the elementary and secondary sectors, its proposed postsecondary role was not supported by university presidents, and no action was taken to develop this role.<sup>402</sup>

### ***The Progressive Conservative government***

While the Progressive Conservative government introduced many changes to improve accountability in elementary and secondary education, its changes to university accountability were minor.

The Progressive Conservative government included universities in measures to improve accountability across the public sector. Notably, universities were included in the *Public Sector Salary Disclosure Act*, which required publicly-funded bodies to disclose annually the names, salaries and benefits of employees whose salaries exceeded \$100,000.<sup>403</sup>

In addition, the government planned to include universities in the proposed Public Sector Accountability Act, which would have required every publicly-funded body to publish an annual business plan with measurable objectives and with a report on its success in achieving the preceding year’s targets. Such legislation would have been broadly consistent with the recommendations of the Broadhurst report and with a 1996 report by the Ontario Undergraduate Students Alliance (which also urged that students’ share of university board

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<sup>401</sup>OCUA (1994a), 246-274; Royce (1998), 208-209.

<sup>402</sup>Letter from D. Cooke to executive heads, February 17, 1995, COU Arch. D2 R17; Royce (1998), 209.

<sup>403</sup>Ministry of Finance news release, November 23, 1995.

seats be more reflective of their contribution to university revenues). However, the legislation was never introduced, for reasons unrelated to universities, although the commitment to introducing it was restated in the 2001 Budget.<sup>404</sup>

### *Faculty tenure*

During the 1995 election campaign, the Progressive Conservative leader suggested that a Progressive Conservative government would require universities to change or end tenure for senior faculty.

As premier, I am going to indicate that to the universities, that the tenured [*sic*] system as it exists today, that guarantees a job whether you're pulling your weight or not, is passé.<sup>405</sup>

If the Progressive Conservative government had wished to reform tenure, it might have found common cause with both the Ontario Undergraduate Student Alliance and the Smith Advisory Panel. An OUSA-sponsored discussion paper in 1996 found that “teaching activities are undersponsored, and teaching performance is ineffectively assessed, especially when compared with the research activities of a tenured university professor.”<sup>406</sup> The paper called for five-year reviews of tenured faculty, leading where necessary to monitored reviews or release from employment. It called on universities to disclose their means for reviewing performance and the consequences of poor reviews. In a similar vein, the Smith Panel – while explicitly urging Ontario not to ban tenure, given the need to compete with other jurisdictions for faculty – urged governing bodies of universities and colleges to ensure that

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<sup>404</sup>Minister of Finance (1997), Budget Papers, 42; OUSA, “Improving Accountability at Canadian Universities,” May 1996, COU Arch. D3 R36; Ministry of Finance, “Accountability: Progress Through Performance,” May 2001.

<sup>405</sup>Quoted in Campbell *et al.* (1995), A3. In a subsequent exchange of letters with COU, Mr. Harris explained: “I stated that tenure ‘should be up for review’ in the process of examining how cost-efficiencies can be found in postsecondary education. Any such review, would provide an opportunity for the points ...[raised by COU] to be thoroughly analyzed. My party and I do support the important principle of academic freedom for both tenured and non-tenured professors and will work with universities to maintain these freedoms.” (Letter from M. Harris to P. George, May 5, 1995, COU Arch. D4 R5)

<sup>406</sup>Ormrod (1996), 3.

faculty performance was evaluated and was considered in awarding compensation increases.<sup>407</sup>

Despite this opening created by OUSA and the Smith Panel, the Progressive Conservative government took no action on tenure during its term of office.

*Performance measurement and performance-based funding*

The final area where the Progressive Conservative government attempted to change university accountability was in the development of performance measurement and performance-based funding. Even here, the government's actions were quite limited compared to the range of options that were discussed within the policy network. The Broadhurst Task Force in 1993 had asked a COU staff committee to develop some benchmarks and indicators that boards might adopt in assessing each university's performance, and this list was published as part of the report of the task force.<sup>408</sup>

COU chose to develop this work further in 1994, and staff prepared a further report proposing seventeen core indicators that could be adopted by each university for each of its programs. COU staff also proposed that every university publish a description of its key procedures and policies (e.g. how tenure is awarded and how teaching is evaluated) and that system indicators be published that would compare Ontario's universities as a group with those of other jurisdictions. The university presidents approved this proposal in principle and agreed in January 1995 that all of these indicators should be collected for all institutions, with a view to publication. Over the next two years momentum was lost – in part due to disagreements on how the indicators should be defined, and in part due to the priority given to managing reduced government grants. By October 1996 – with the Smith advisory panel about to endorse a more differentiated university system – staff were questioning whether it

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<sup>407</sup> Advisory Panel (1996), 54-55.

<sup>408</sup> "Report of the Committee on Accountability, Performance Indicators and Outcomes Assessment to the Minister's Task Force on University Accountability," March 12, 1993, reprinted in Task Force (1993), appendix G.

was reasonable to publish a uniform set of indicators for all universities.<sup>409</sup> Thus the universities' initiative to develop and publish their own performance measures, without ministry involvement, came to a halt.

The issue might have ended there except that the 1996 report of the Provincial Auditor criticized the ministry for not having clear objectives for universities and recommended that measurable objectives be developed. This led the ministry to include in its 1997-98 business plan a promise to "establish a baseline, targets and options for university performance measures in consultation with stakeholders". In contrast to the measures proposed by university staff, which focussed almost exclusively on the quality of incoming students and the use of resources in the university (such as average class size and library spending per student), the ministry adopted three measures that focussed on students' progress during and after university:

- graduation rates (that is, the share of students entering university who graduate in any program within seven years)
- employment rates six months after graduation and two years after graduation (that is, the share of graduates who are seeking work and have any kind of employment; additional data were also collected on whether the employment was full-time and was related to the student's studies, but these data are not commonly published)
- student loan default rates (that is, the share of OSAP recipients who defaulted on their loans within two years after graduation).

In announcing these measures – which, with some variations, applied as well to public colleges and to private career colleges – Minister Johnson emphasized the importance of providing consumer information for students: "Students may use this information as a guide as they consider in which schools and programs to invest their money."<sup>410</sup>

Two years later, when the first full set of indicators were available, the government raised the stakes by providing a 1 per cent increase in university funding that was distributed

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<sup>409</sup>“Report to the Executive Committee: COU Core Indicators Project,” October 1997, 3, COU Arch. D3 R19.

<sup>410</sup>Ministry of Education and Training news release, February 13, 1998.

according to each university's performance in graduation rates and job placement rates. This decision was made at the height of the government's stand-off with COU about additional operating funding for the double cohort, and the government's distribution formula for performance-based funding was perceived by many universities to be arbitrary and to exaggerate small differences in institutional performance. The ministry amended the formula the following year so that – given the very modest differences among institutions in their performance on these measures, especially in employment rates – the actual distribution of funding was very close to what each university would have received if the money were part of the general operating grant. Additional funds were provided beginning in 2001-02 so that performance-based funding rose to 1⅓ per cent of total government funding for universities.<sup>411</sup>

The outcome of this exercise was that students, governments, and other users began to have detailed information about the generally high performance of every university program in supporting students to graduation and in preparing students for employment, and the universities received 1⅓ per cent more funding annually. Whether the intended users found the information valuable is open to question.<sup>412</sup> Meanwhile, the original pressure for change – which came from the Provincial Auditor, both directly and through the Broadhurst Task Force – remained largely unsatisfied. Apart from the three indicators introduced in 1998, the ministry remained reluctant to set out measurable objectives for universities other than the accessibility measurements that are embedded in the operating grants formula. Other measures developed by university staff that could be applied system-wide remained confidential and were not approved by COU as a body.<sup>413</sup>

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<sup>411</sup>Ministry of Training, Colleges and Universities news releases, March 14, 2000 and February 8, 2002.

<sup>412</sup>For a critique of the government's unclear and shifting directions in the introduction of these performance indicators, see Lang (2005).

<sup>413</sup>In 2004 the Liberal government announced that the mandate of the Provincial Auditor would be expanded to include value-for-money audits of universities.

### **Conclusions of this chapter**

Government-university relations in the area of system planning and accountability have taken the form of a large number of discrete episodes in which the government attempted to achieve one of several related outcomes. (Thus they differ from the area of funding, where the relationship has been continuous and centres on a single measurable outcome). For most of the episodes, the government's intended outcome was to reduce per-student costs through better system planning, or to provide better value by encouraging competition and responsiveness to student demands, or to improve universities' effectiveness by introducing strong and transparent governance processes.

In table 6.2 the twenty-four episodes described in this chapter are grouped by two characteristics. First, what was the source of change? Each episode is classified as change that was government-driven (which may be a characteristic of either Hall's model or Pierson's model), or driven by pressures from actors outside the policy network who succeeded in placing the issue on the government's agenda (consistent with Baumgartner and Jones' model), or negotiated within the policy network (consistent with Coleman, Skogstad and Atkinson's model). Second, the episodes are classified according to the government's stated objective – to reduce costs through system planning, to encourage greater responsiveness and choice for students, to make university governance stronger and more transparent, or to ensure the formal equality of each university. This second classification is pertinent in light of Pierson's claim that the politics of retrenchment (such as cost reduction) is different from politics with other objectives.

To distinguish between continuity and change, the episodes where the government achieved its stated objectives for change are shown in boldface type, and the episodes where the government's objectives were heavily compromised or the initiative was abandoned are shown in regular type.

**Table 6.2: Government actions on system planning, degree-granting and accountability, by government objective and source of change**

| GOVERNMENT OBJECTIVE                        | SOURCE OF CHANGE   |   |  |
|---|--|---|--|
|   | Government-initiated   | Initiated outside the policy network  | Negotiated within the policy network   |
| <b>Reduce costs through system planning</b> | <p>Greater efficiency and specialization (L)</p> <p>OISE merger with UofT (L)</p> <p><b>OISE merger with UofT (NDP/PC)</b></p>                       |   | <p>Program Adjustment Envelope (L)</p> <p>Restructuring transition funding (NDP)</p> <p>Steering Committee on University Restructuring (NDP)</p> <p>Resource Allocation Review (NDP)</p> <p>(Smith) Advisory Panel on Future Directions for Postsecondary Education (PC)</p> <p>Task Force on Investing in Students (PC)</p> |
| <b>Responsiveness and choice</b>            | <p><b>Expansion of spaces in health professions and education (L)</b></p> <p><b>Expansion of spaces in health professions and education (PC)</b></p> | <p><b>Expansion of spaces in science and engineering (L)</b></p> <p><b>Expansion of spaces in engineering and computer science (PC)</b></p> <p><b>Publication of Key Performance Indicators (PC)</b></p> <p><b>Expansion of degree-granting rights (PC)</b></p> | <p>Funding tied to Key Performance Indicators (PC)</p>   |



|  |   |  |  |
|--|---|--|--|
| <b>Strong and transparent governance processes</b> | <b>Public sector salary disclosure (PC)</b><br><b>Abolition of OCUA, transfer of responsibilities to ministry (PC)</b><br>Changes to university board composition (NDP)<br>Education Quality and Accountability Office application to universities (NDP)<br>Public Sector Accountability Act (PC) | (Broadhurst) Task Force on University Accountability (NDP)   |  |
| <b>Formal equality of each university</b>          |   | <b>Change to status of Ryerson University (L/NDP/PC)</b><br><b>Change to status of Nipissing University (NDP/PC)</b> |  |

Episodes where the government achieved its stated objectives for change are shown in **boldface**. Episodes where the government's objectives were heavily compromised or the initiative was abandoned are shown in regular type.

Classifying policy episodes is difficult, as we noted in our discussion of Howlett's model in chapter 2. Policy episodes may be driven by more than one cause, depending on how far back one looks for causal connections. Whether governments succeeded or failed may be open to interpretation, especially where governments have adapted their proposals in response to concerns from actors inside or outside the policy network. Nevertheless, I believe these classifications can be justified based on the empirical descriptions in this chapter.

### ***The triumph of formal equality over system planning and cost reduction***

A number of observations arise from Table 6.2. First, governments had almost no success in using system planning measures to reduce government costs. Efforts to find savings by assigning specialized roles or functions to individual universities or by centralizing administrative functions across universities bore no fruit. The Liberal and New Democratic governments created small funds to assist restructuring, without defining their system planning objectives; the New Democratic government launched two consultations

with universities about restructuring, both of which the universities resisted; and the Progressive Conservative initiated two task forces to find ways of saving money through restructuring, neither of which produced recommendations satisfactory to the government.<sup>414</sup> These experiences confirm the argument in chapter 5 about the power of the dominant paradigm, with its strong institutional base, to carry forward a system of formally equal universities, even in times of fiscal constraint. They also confirm Pierson's observation that, when governments need to reduce spending, they find little success in seeking voluntary cooperation from the beneficiaries of the welfare state.<sup>415</sup> The model of effective policy development within the policy network to respond to changing environmental factors, as proposed by Coleman, Skogstad and Atkinson, finds no support in these episodes; instead we witness a form of nondecision-making, as governments attempted to put issues on the agenda, sometimes without careful planning or clear objectives, and the universities' response led to a tacit agreement to withdraw the issue or to resolve it in a non-threatening way.<sup>416</sup>

The substantial political capital and time that the New Democratic and Progressive Conservative government put into working with stakeholders to find cost-saving ways of restructuring the university system bore essentially no return. While it is easy to see that the beneficiaries of government spending may have had little incentive to assist in these exercises, a more puzzling question is why both governments did not recognize this sooner. The answer may be that both governments had objectives that went beyond simply saving money. Both wished to design and build support for a remodelled university system, providing high-quality education and research at a lower unit cost, and both were searching for the advice and expertise that would make this happen. For reasons that we have seen, the

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<sup>414</sup>To this list can be added two episodes where the universities declined opportunities offered by the government to become more differentiated: the universities decided that they all wished to be involved in the College-University Cooperation Consortium and that they all wished to expand their enrolments through the Access to Opportunities Program.

<sup>415</sup>This statement may be true more broadly, but Pierson confines his discussion to the welfare state.

<sup>416</sup>On nondecision-making, see Bachrach and Baratz (1962 and 1963).

ministry responsible for universities in Ontario did not develop expertise on universities' internal expenditure decisions and so could contribute little to this objective. Lacking internal institutional capacity, the New Democratic and Progressive Conservative governments turned to stakeholders and external advisors for expertise and advice, and were disappointed. The most effective cost-saving measures by these governments were across-the-board cuts in 1993 and 1996, partially offset by tuition increases, that left it to individual universities to decide what would be reduced, with no government control over the overall outcome.

These episodes call into question Pierson's assertion that retrenchment does not require a sophisticated and experienced bureaucracy. I believe it is more reasonable to observe that governments that want to control the outcomes of retrenchment (beyond simply saving money) will benefit from established bureaucratic expertise. If such expertise is not available internally and cannot be obtained externally, governments have little basis on which to articulate either a new policy paradigm or a new set of policy instruments within the existing paradigm. Thus lack of institutional capacity contributes to policy continuity at the government level. Without a sophisticated and experienced bureaucracy, governments use blunt instruments such as across-the-board cuts, and any resulting policy innovation happens at the level of individual universities.

***The impact of external actors: a partisan difference***

When we turn to the episodes in table 6.2 relating to the government objective of increasing university responsiveness and choice, we observe one of the few areas in government-university relations in the period under study where there appears to be a clear difference among political parties. Greater university responsiveness and choice was a central objective during the Progressive Conservative government's term, while featuring only modestly on the Liberal government's agenda and not at all on the New Democratic government's. Selected actors from outside the policy network were more successful under the Progressive Conservative government in placing issues on the government agenda and finding that the government was willing to listen to them. The Progressive Conservative government was more favourably predisposed to listen to the demands of religious-based groups and colleges for wider degree-granting powers than were its predecessors. Based on

its political platform, it is reasonable to infer that it was also more likely than its predecessors to listen to the call of the Provincial Auditor for measurable outcomes throughout the public sector and to the demand from the information technology industry for more spaces for students wishing to enter that industry. A more modest example of this phenomenon – affecting about one-quarter as many students – can be found in the Liberal government’s willingness to listen to its Premier’s Council on the need for more spaces in science and engineering. These episodes strongly resemble Baumgartner and Jones’s description of policy change: new political actors are elected with a new perspective about who should be listened to and how issues should be viewed, actors outside the established policy network seize the opportunity to place their issue on the government’s agenda, and new policy outcomes result.

***Accountability: rhetoric and indifference***

Several of the episodes in table 6.2 relating to improving university governance, like those relating to system planning, show the effects of government initiatives that were not based on internal expertise or clear objectives. Governments simply abandoned several of these initiatives – sometimes because of university opposition, and sometimes because they simply lost interest. The two initiatives that were brought to their intended conclusion – disclosing salaries and eliminating an advisory body – were part of government-wide efforts. These initiatives demonstrate how universities can be affected by decisions of government central agencies, especially where these decisions require no special knowledge of university affairs.

The decisions to elevate Nipissing and Ryerson to the same status as the other universities demonstrate the ability of arguments based on the Access and Equality Paradigm to trump government retrenchment objectives. Over time, all three governments were involved in these decisions. While governments in the 1990s were searching for ways to restructure universities to reduce costs, they agreed in these cases that the value of institutional equality outweighed the real or potential ongoing costs to government.

It is apparent that, despite the many initiatives taken in the areas of system planning, degree-granting and accountability during the period under study, the ability of all three governments to bring initiatives to fruition was limited. Governments from all three parties

had difficulty mustering the political resources to advance initiatives that were not essential to the Access and Equality Paradigm. Few of the initiatives reviewed in this chapter could be tied to improving accessibility, and the ones that did – notably the creation of more spaces in selected professions – were brought to fruition. Likewise, few of the initiatives related to the principle of the formal equality of every university. The ones that did were approved (to the benefit of Ryerson and Nipissing), while the one that posed the greatest threat to equality – the Resource Allocation Review – was most strongly opposed by the universities.

Thus the evidence in this chapter lends weight to the argument that the Access and Equality Paradigm has dominated government-university relations throughout the period of this study. Even at the height of the public sector fiscal challenges, no actor questioned the value of high levels of accessibility, and no actor was prepared to advance an argument to show that the formal equality of all universities could be changed without detracting from the public's objectives for the university system. At the same time, we see in this chapter evidence to support Pierson's observation that institutions of the welfare state, once created, may have significant political resources to defend themselves against state-imposed change. We also note that, within the dominant paradigm, there are examples of important changes in policy instruments that came about because individual actors succeeded in elevating an issue on the government's agenda.

Thus three of the four models that we examined in chapter 2 are useful in explaining the behaviour in this chapter. While universities played a significant role in shaping some of the policies that came to fruition, we do not find evidence in this chapter of policy development generated from within the government-university policy network. Instead we find repeated instances of nondecision-making: governments attempted to pursue cost-reduction or accountability objectives that required more expertise than the government itself could supply; universities adopted strategies to defend their resources; and the outcome was a quiet agreement to maintain the status quo.

## **PART THREE: THE POLITICS OF RETRENCHMENT**

### **CHAPTER 7: TUITION AND STUDENT AID**

#### **Overview of this chapter**

In this chapter we look at the politics of how governments changed student aid and tuition policies. The structure of these policies in the early 1990s would have been highly recognizable in the late 1960s: students paid tuition fees that funded a moderate share of the cost of their education and that were uniform across the province, and an integrated federal-provincial student aid program provided income-tested support to enable all students to meet the cost of tuition and living expenses, regardless of financial circumstances. The promise of the Access and Equality Paradigm to students – that there would be a place for every qualified student – remained intact, even for students with low family incomes.

During the course of the 1990s, governments succeeded in changing this part of the Access and Equality Paradigm. The promise of access to all students regardless of financial need was increasingly called into question. By 2002, tuition and related fees accounted for nearly half the cost of an average student's education, tuition had become differentiated by program, the responsibility for providing student aid had been fragmented among the two levels of government and the universities, the majority of students requiring aid received repayable loans without grants, and the maximum financial assistance available from the two levels of government was several thousand dollars less than the actual cost of attending university away from home. For the first time since the paradigm was formed in the 1960s, low-income students were unable to rely on government grants and loans to provide the full up-front costs of attending postsecondary education – causing many to turn to part-time employment, university financial aid offices, or private loans to fill the gap.

To say that these new policies were a political success requires qualification. The New Democratic government was of course defeated in 1995, and the Progressive Conservative government was defeated in 2003 by a party whose platform promised a two-year freeze on tuition fees. Yet the winning Progressive Conservative platform in 1995 called for higher tuition fees than those already introduced under the New Democratic

government, and the re-election of the Progressive Conservatives in 1999 came on the heels of four years of tuition growth and retrenchment in student aid programs. These electoral wins occurred despite the common wisdom that it is politically unwise to retrench universally available subsidies (such as subsidized tuition fees) or to remove middle-class beneficiaries from income-tested programs (such as OSAP).

In this chapter we will examine Ontario's move to a relatively high-tuition environment and the evolution of student aid into a collection of programs that, taken together, did not necessarily provide sufficient funding for a low-income student to attend postsecondary education. We will do so from the perspective of the models of policy continuity and change set out in chapter 2.

I will argue that there is much evidence in support of Pierson's argument that the politics of retrenchment in the welfare state is different from the politics of expansion. The evidence confirms his finding that the social forces that were important in creating the welfare state are typically less relevant in periods of retrenchment, in which welfare state programs are defended by those who benefit from programs or who provide them and believe in them. It also confirms his finding that the beneficiaries of retrenchment play little direct role in the management of program changes, and that government strategies are strongly affected by whatever opportunities are created by the design of existing programs. I will suggest that Pierson's account gives inadequate attention to the time constraints faced by governments which wish to replace legacy programs with new programs, and I will argue that his account of information strategies – which focuses on government efforts to obscure change and avoid responsibility – gives too little attention to the information strategies available to defenders of legacy programs. I will argue that some of Pierson's descriptions of retrenchment ascribe motives to government that are difficult or impossible to prove. Finally, I will take issue with his argument that “policy learning” – the accumulation of knowledge and experience over time that allows officials to adapt programs to meet objectives – is relatively unimportant in periods of retrenchment, suggesting instead that, where retrenchment involves complex and interlocking programs, policy learning is essential to ensure that retrenchment measures with unintended consequences are corrected so that government objectives are achieved.

The events of this decade raise questions about Hall's account of how paradigms change. Hall describes a sequence in which there is increased dissatisfaction with the dominant paradigm, an alternative paradigm is developed externally, and political actors determine over time which paradigm is authoritative. We will see that, in the case of tuition fees and student aid, the dominant paradigm was significantly weakened by incremental government actions over the decade, but without any explicit statement by governments that the paradigm was being revised, and without any new paradigm to replace it. In Hall's terms, the paradigm was changed through a series of changes in policy instruments (such as new student aid programs) and instrument settings (such as eligibility requirements).

We will also see that the role of actors inside and outside the policy network in developing the changes described in this chapter is problematic. Universities were highly effective in persuading governments to permit higher tuition fees, as a way of compensating for revenues lost from reduced provincial operating grants. But the policy network for tuition and student assistance was larger than the usual ministry-COU closed network, involving organized student groups, and with large numbers of individual students, parents, and parents of future students as interested observers. The role of government was to mediate between advocates of higher tuition and advocates of low tuition and low student debt, as well as to advance its own interest in reducing the cost of student assistance programs in order to reduce the deficit. The network of actors in this chapter is therefore much less well-defined than in the two preceding chapters. Efforts to involve external actors in government efforts to reduce the cost of student assistance were not productive – much as we found with the efforts to involve them in university restructuring in chapter 6. The policy outcomes as they relate to student assistance were almost entirely government-driven – consistent with Pierson's account. Baumgartner and Jones's model provides little insight into these events.

### **What happened to tuition fees and student aid expenditures between 1985 and 2002?**

#### ***Tuition fees***

Tuition fees rose every year during the period under review. Table 7.1 shows the average tuition fee for an undergraduate arts and science student each year. (I focus on this program to exclude the effects of fee deregulation in medicine, law and other programs; deregulation is discussed later in this chapter.) Since consumer prices rose at different rates



during the years under study, the table also shows tuition fees adjusted for CPI inflation.

We can see that, factoring out CPI inflation, tuition fees were 5.8 per cent higher at the end of the Liberal government's term of office than at the start of their term of office; 35.5 per cent higher in the New Democratic government's last year in office than in the Liberals' last year; and 45.6 per cent higher in the Progressive Conservative government's last year of office than in the New Democratic government's last year.<sup>417</sup>

Table 7.1 also shows the share of university operating revenue that comes from tuition and miscellaneous fees. (These figures are simply the inverse of the government share shown in Table 5.1.) We can see that the contribution of tuition and fees was almost constant during the Liberal government's term, with the share rising by 0.9 percentage points. Tuition's share rose by 9.4 percentage points during the New Democratic government's term of office, to 29.0 per cent, and by a further 15.3 percentage points during the Progressive Conservatives' term to 2002-03, to 46.4 per cent. In other words, during the period under review, the share paid by students rose from about one-fifth to almost one-half.<sup>418</sup>

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<sup>417</sup>Tuition fees are normally set during the year preceding the start of the academic year, so I attribute responsibility to the government making the decision. In 1985, 1990 and 1995, the party in office changed during the year.

<sup>418</sup>These figures are averages for all students, including those who are not eligible to be counted for purposes of ministry grants. In particular, international students became ineligible to be counted for ministry grants starting in 1996-97. The ratio for eligible domestic students would be somewhat lower, although precise data are not available.

**Table 7.1: Average university tuition fees in arts and science, and tuition revenues as a share of total university operating revenues, 1985-86 to 2002-03**

|         | tuition fees in current dollars |                          | tuition fees in constant (2002) dollars |                      |  | tuition and miscellaneous fee revenues as a share of total university operating revenues |   |
|---------|---------------------------------|--------------------------|---|----------------------|--|--|---|
|         | fee                             | annual change (per cent) | fee                                     | index (2002 = 100.0) | change during the government term (per cent) | share (per cent)   | change during the government term (percentage points) |
| 1985-86 | 1,216                           |                          | 1,967                                   | 47.9                 | +5.8   | 21.0%  | 0.8   |
| 1986-87 | 1,264                           | 3.9%                     | 1,958                                   | 47.7                 |  | 20.8%  |   |
| 1987-88 | 1,350                           | 6.8%                     | 1,990                                   | 48.5                 |  | 20.1%  |   |
| 1988-89 | 1,411                           | 4.5%                     | 1,987                                   | 48.4                 |  | 20.7%  |   |
| 1989-90 | 1,518                           | 7.6%                     | 2,022                                   | 49.2                 |  | 21.1%  |   |
| 1990-91 | 1,639                           | 8.0%                     | 2,081                                   | 50.7                 |  | 21.8%  |   |
| 1991-92 | 1,770                           | 8.0%                     | 2,147                                   | 52.3                 | +35.5  | 22.7%  | 9.2   |
| 1992-93 | 1,894                           | 7.0%                     | 2,274                                   | 55.4                 |  | 24.2%  |   |
| 1993-94 | 2,026                           | 7.0%                     | 2,390                                   | 58.2                 |  | 27.1%  |   |
| 1994-95 | 2,228                           | 10.0%                    | 2,628                                   | 64.0                 |  | 28.9%  |   |
| 1995-96 | 2,451                           | 10.0%                    | 2,820                                   | 68.7                 |  | 31.0%  |   |
| 1996-97 | 2,935                           | 19.7%                    | 3,328                                   | 81.0                 |  | +45.6  |   |
| 1997-98 | 3,228                           | 10.0%                    | 3,591                                   | 87.5                 | 38.7%  |  |   |
| 1998-99 | 3,551                           | 10.0%                    | 3,916                                   | 95.4                 | 40.7%  |  |   |
| 1999-00 | 3,874                           | 9.1%                     | 4,192                                   | 102.1                | 43.1%  |  |   |
| 2000-01 | 3,951                           | 2.0%                     | 4,155                                   | 101.2                | 43.4%  |  |   |
| 2001-02 | 4,028                           | 2.0%                     | 4,109                                   | 100.1                | 45.6%  |  |   |
| 2002-03 | 4,106                           | 1.9%                     | 4,106                                   | 100.0                | 46.7%  |  |   |

SOURCE: Tuition fee data from Ministry of Training, Colleges and Universities. Tuition revenue as share of total revenues is derived from Table 5.1 and includes all students, whether or not they are eligible to be counted for purposes of ministry grants.

### *Participation rates*

Even as tuition was rising, university participation rates held constant or grew each year during the period under review. Table 7.2 shows the participation rate, measured as the total number of full-time students (of any age) divided by the total Ontario population age 18-24.

Governments in Ontario have typically reserved to themselves how to measure whether the promise of “a place for every qualified student” was being realized. The participation rate – in other words, the number of students enrolled divided by the student-age population – is the single most commonly-used measure of participation and is reported in various ways by Statistics Canada and independent researchers.<sup>419</sup> By itself it is not a full measure of accessibility. For example, it does not capture changes in participation by socio-economic status, so it has the potential to mask an exodus of less-advantaged students if they are replaced by an equal number of more-advantaged students. It also does not capture change in participation by demographic characteristics (such as the participation of women, adult learners, francophones, aboriginals and immigrants). I nevertheless focus on the participation rate because it is the broadest measure of participation and was used by all three governments during the period under study. Its political salience was heightened in the 1990s as tuition rose and student assistance was changed.<sup>420</sup>

We can see that the participation rate grew rapidly during the Liberal government’s term of office and continued to grow, somewhat less rapidly, during the New Democratic and Progressive Conservative governments’ terms of office. The upswing in participation in 2002-03 may be distorted by a wave of students who chose to complete the old five-year secondary school curriculum on an accelerated basis in order to enter university before the double cohort; the largest wave of the double cohort entered university in 2003-04.

Even leaving this unusual year aside, we can see that by 2001-02 the number of full-

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<sup>419</sup>For example, Junor and Usher (2002), 41-47.

<sup>420</sup>For example, Premier Harris used rising participation rates as evidence that higher tuition fees were not hurting accessibility. (Mackie 1998, A4)

time university students equalled 23.3 per cent of the population age 18-24, up from 15.3 per cent in 1985-86.<sup>421</sup> Despite the many changes to tuition and student aid, the participation rate did not decline in any year during this period.

**Table 7.2: University participation rates, 1985-86 to 2002-03**

|          | enrolment (full-time headcount) as a share of the population age 18-24 (per cent) | change during the government's term (percentage points) |
|----------|---|---|
| 1985-86  | 15.3%   | 4.0   |
| 1986-87  | 15.6%   |   |
| 1987-88  | 16.5%   |   |
| 1988-89  | 17.5%   |   |
| 1989-90  | 18.2%   |   |
| 1990-91  | 19.3%   |   |
| 1991-92  | 20.6%   | 2.4   |
| 1992-93  | 21.3%   |   |
| 1993-04  | 21.6%   |   |
| 1994-95  | 21.7%   |   |
| 1995-96  | 21.7%   |   |
| 1996-97  | 21.9%   |   |
| 1997-98  | 21.9%   |   |
| 1998-99  | 22.0%   |   |
| 1999-00  | 22.4%   |   |
| 2000-01  | 22.8%   |   |
| 2001-02e | 23.3%   |   |
| 2002-03e | 24.9%*  |   |

e = estimate

\*Data for 2002-03 may be distorted by the arrival of the early wave of double cohort students.

SOURCE: Ministry of Training, Colleges and Universities and Council of Ontario Universities.

<sup>421</sup>Stenton (1992, 274), using a slightly different methodology, shows that the rate of increase was much slower in the 1970s and early 1980s, growing from 12.8 per cent in 1973-74 to 14.7 per cent in 1985-86.

### *Student aid expenditures*

Interpreting data on student aid expenditures is difficult for several reasons. First, Ontario's student support program embraces all parts of postsecondary education – universities, CAATs and private career colleges – and most of the available data on student aid do not allow us to focus on universities exclusively. Second, since my interest is the Ontario government's expansion and retrenchment of the program over time, I focus on provincial expenditure data only. For a complete picture from students' perspective, one would also wish to look at student assistance provided by the federal government, universities and other sources. Third, expenditure data show only the cost of the program to the taxpayers. The amount of support to students is higher, since much of the support takes the form of subsidized loans that are repaid. Fourth, the figures available to us show cash expenditures during the fiscal year. Cash reporting may obscure important lags between the time a program change is made and the time government spending occurs: for example, the lag between issuing a loan to a student and repaying a defaulted loan on the student's behalf may be five to ten years, or sometimes longer.

With these caveats, we can use the data in table 7.3 to show the general pattern of student aid expansion and retrenchment over time. During the Liberal government, the number of students receiving OSAP support was fairly constant, but the cost to government grew as average support levels rose over time. During the New Democratic government, the number of students receiving OSAP doubled, reflecting a weaker economy and possibly the effects of higher tuition fees and more generous administrative practices. The cost of OSAP to the government nevertheless plummeted by more than two-thirds in 1993-94, reflecting reforms that increased student debt and deferred cash costs until after students graduated. The cost deferrals, and the impact of bad debt expense as many students graduated with higher debts than they were able to repay, can be seen in the sharp rise in costs from 1994-95 to 1999-2000. This period was also a time of rapid tuition increases, although the impact of these on government costs was limited by the ceiling on the support available to each student. The number of students receiving support fell sharply after 1996-97, reflecting the Progressive Conservative government's tighter eligibility and administrative practices and

possibly the strengthening of the economy, but it took several years before the reduced number of clients was reflected in reduced spending.

Available data on repayable debt held by graduating university students are patchy. As can be seen in table 7.3, the average repayable debt for a graduate from a four-year university program who received OSAP at any time during his or her program was \$11,400 in 1993, when the first major wave of OSAP reform took effect. This figure rose rapidly during the remainder of the end of the decade and then appears to have levelled off at between \$21,000 and \$22,000.

**Table 7.3: Indicators of Ontario government student aid expenditure, 1985-86 to 2002-03**

|         | provincial expenditure<br>(\$ million) | number of students<br>assisted | Average repayable<br>CSL/OSL debt for a<br>graduate from a four-year<br>university program who<br>has received OSAP<br>assistance |
|---------|--|--------------------------------|---|
| 1985-86 | 148.8                                  | 109,652                        | n.a.  |
| 1986-87 | 161.1                                  | 108,163                        | n.a.  |
| 1987-88 | 181.2                                  | 104,787                        | n.a.  |
| 1988-89 | 185.2                                  | 99,824                         | n.a.  |
| 1989-90 | 188.7                                  | 100,384                        | n.a.  |
| 1990-91 | 203.4                                  | 113,213                        | n.a.  |
| 1991-92 | 270.2                                  | 142,260                        | n.a.  |
| 1992-93 | 327.0                                  | 160,768                        | n.a.  |
| 1993-94 | 101.4                                  | 180,171                        | \$11,400  |
| 1994-95 | 139.7                                  | 202,460                        | n.a.  |
| 1995-96 | 230.5                                  | 212,189                        | n.a.  |
| 1996-97 | 327.7                                  | 213,524                        | \$17,200  |
| 1997-98 | 524.1                                  | 201,014                        | \$19,200  |
| 1998-99 | 629.8                                  | 190,802                        | \$20,496  |
| 1999-00 | 760.8                                  | 170,312                        | \$21,268  |
| 2000-01 | 464.7                                  | 158,256                        | \$21,700  |
| 2001-02 | 366.4                                  | n.a.                           | \$21,500  |
| 2002-03 | 338.7                                  | 132,730                        | n.a.  |

SOURCE: Provincial expenditure: 1985-86 and 1986-87: MTCU; 1987-88 to 2001-02: COU (2004), table 6.1; 2002-03: Ontario Public Accounts (2003), I. 1999-2000 and 2000-01 exclude \$107 million from Canada Millennium Scholarship Foundation.

Number of students: MTCU and Junor and Usher (2004).

Average repayable debt : MTCU, Junor and Usher (2004) and Ontario Postsecondary Review (2004), 8.

Between 1992-93 – the last year before reforms to convert OSAP to primarily a loan-based program – and 2002-03, total government expenditure fell by 13.6 per cent, adjusted for CPI inflation, and the number of program beneficiaries fell by 17.4 per cent. During this

same period, total university enrolments grew by 17.3 per cent. These expenditure figures suggest that the effect of changes in the 1990s was not simply to manage a temporary upturn in student aid costs, but in fact to reduce the provincial government role in student aid below historical levels. The figures provide *prima facie* evidence of the retrenchment which is the subject of this chapter.

## **Prologue to 1985**

### ***The role of tuition and student aid in the Access and Equality Paradigm***

The commitment of the Frost and Robarts governments to provide a space in university for every qualified and motivated student carried with it a responsibility to make university education financially affordable for students with limited resources. The measures put in place in the 1960s to carry out this responsibility helped define the financial accessibility aspect of the Access and Equality Paradigm. At the same time they helped lock into place the financial equality of each university and students' expectation that each university would provide approximately the same quality of education. Three elements are of particular importance: expecting students to pay a portion of the cost of their education, with the exact percentage to be politically negotiated over time; establishing equal fees at every university, while allowing higher fees for a small number of programs; and establishing a needs-tested program of loans and grants as the primary source of student financial aid, with uniform rules across the province.

#### *Tuition fees to contribute to the cost of students' education*

The first element of the paradigm relating to tuition and student assistance was that students, with their families, should contribute to the cost of their own education. The older universities were funded through students' tuition (and private donations) before they began to receive government operating grants, so this element of the paradigm was well established before the 1960s and never seriously questioned.

The paradigm included no clear principle, however, to determine the size of the student's contribution relative to that of government. Historically the ratio varied widely. The Massey Commission found that university students' share of the cost of their education



in Canada rose from 34.3 per cent in 1943-44 to 48.0 per cent in 1948-49.<sup>422</sup> Students' share in Ontario fell to 28.9 per cent by 1964-65 and to 18.9 per cent by 1967-68, the first year that the provincial operating grants formula was in place.<sup>423</sup> Neither the formula nor the statements of political actors in the 1960s suggested that students' fees should be a fixed percentage of total costs. Instead, fee-setting was a decision for governments to negotiate politically over time.

*Equal fees at every university, with some differentiation by program*

An important effect of the operating grant formula was to establish equal fees at every university – reinforcing the Access and Equality Paradigm by providing equal funding per student to every university and by promoting an expectation among students that the quality of education should be approximately equal at every university. The formula incorporated a so-called “standard fee,” set by the government. A university board could charge a lower or higher fee, but the formula strongly discouraged this: the arithmetic of the formula created a financial disincentive to charge less than the standard fee, and the provincial government's policy was to reduce a university's operating grant by one dollar for every dollar charged above the standard fee. Thus the government used its grants policy to override an area where universities had been autonomous, without amending any university statutes.

The funding formula also created equal fees across the university system. Fees were the same for most university students regardless of program. There were a few exceptions: fees for engineering, architecture, optometry, medicine and dentistry were somewhat higher than those for other programs.<sup>424</sup>

*A province-wide income-tested system of loans and grants*

Until the late 1950s, assistance for low-income students – where they were assisted at all – came largely from the universities or from private philanthropy. Apart from some

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<sup>422</sup>Royal Commission (1951), 141.

<sup>423</sup>Commission on Post-secondary Education (1972), 222.

<sup>424</sup>For example, in 1967 tuition in medicine was 43 per cent higher than tuition in arts, and tuition in engineering was 24 per cent higher. (COU 1998, 39)

minor special-purpose programs, the first federal and provincial student aid programs were introduced during the Second World War, providing loans and grants for a few hundred students annually.<sup>425</sup> The Massey Commission recommended a national program of scholarships coupled with “a loan fund open to all students whose work is acceptable to the authorities of their universities.”<sup>426</sup> This recommendation led to the establishment of the Canada Student Loan Program in 1964.

In the meantime, the Ontario government established a loan program known as the Ontario Student-Aid Loan Fund in 1957 and supplemented this with grants and bursaries under the Ontario Scholarship and Bursary Assistance Fund in 1963.<sup>427</sup> The legislation creating the Canada Student Loans program encouraged each province to harmonize its programs with that of the federal government, and Ontario did so beginning in 1966. Subject to an income test, a student could receive the first \$150 of assistance in the form of a loan, with 60 per cent of the amount above that level provided as a loan and 40 per cent as a grant.

Thus by 1966, the basic elements of the student assistance programs in Ontario in the period under study were established. Implicitly these elements, coupled with tuition fee policy, defined the financial aspect of accessibility that forms part of the Access and Equality Paradigm.

A key element of the new program was the principle of aid based on need rather than on academic merit: the Canada-Ontario programs had no academic requirement other than that the student be admitted to an approved institution and be eligible to continue in his or her studies. Smaller programs of scholarships and awards based on academic merit continued to exist, funded outside of the Canada-Ontario program, usually by universities or philanthropists. Other elements of the new Canada-Ontario program included:

- a single needs test, with few or no differences in how the two governments defined need

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<sup>425</sup>Fleming (1971) IV, 408.

<sup>426</sup>Royal Commission (1951), 362.

<sup>427</sup>Commission on Post-Secondary Education (1972), 146.

- an expectation, expressed through the needs test, that students and their parents would make a contribution to the cost of education and living expenses, with governments providing the balance
- assistance provided in the form of a loan from a chartered bank guaranteed by the federal government, a separate loan from the same bank guaranteed by the provincial government, and in some cases a grant from the provincial government
- provisions for students who received scholarships or other grants – either from government programs or from non-government sources – to retain some or all of the additional funding
- special eligibility criteria for students who were defined to be independent of their parents
- interest that was to be paid by the government while the student was in school and for a short period after graduation, and by the student thereafter
- repayment of the loan by the student to the bank through a series of equal monthly payments after the student left school.

The provision of assistance through loans rather than grants was controversial from the beginning of the programs. Ontario's Loan Fund was criticized for creating student debt, which was seen by some as an impediment to higher education for low-income students, a disincentive for those wishing to pursue graduate studies or to follow worthwhile but low-paying careers, and a potential "negative dowry" for female students. Likewise the use of a needs test was inherently controversial, as it required governments to make judgements about how much students and their parents – in a wide variety of circumstances – should be required to contribute from their own resources before government student aid was provided. In its first year the Canada Student Loan program operated without a needs test, providing a loan of up to \$1,000 to any student requesting it. However, the perception that some loans were being used frivolously led to the introduction of a needs test the following year.<sup>428</sup>

### ***Challenges to the paradigm***

Beginning in the early 1970s, the tuition and student assistance policies established in

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<sup>428</sup>Fleming (1971) IV, 409, 415.

the 1960s began to be challenged by advocates who saw higher tuition fees as a way of maintaining or increasing university revenues in the face of the government's straitened fiscal circumstances.<sup>429</sup> These advocates accepted most elements of the Access and Equality Paradigm in principle, but proposed new solutions that would raise tuition while increasing needs-tested aid for low-income students – in effect transferring more money from middle- and upper-income students to universities. They also proposed substantial hikes in tuition fees for certain professional programs – building on the fee inequality that was locked into the 1967 funding formula.

The Commission on Post-Secondary Education in Ontario was the first major body to recommend the introduction of an income-contingent loan repayment program (ICLRP) – a program whereby a student's obligation to repay his or her loan after graduation would be calculated as a percentage of his or her income, thus protecting students with high debts who experienced low incomes after graduation.<sup>430</sup> The commission saw an ICLRP as part of a three-part program of student aid, incorporating scholarships for students with high academic achievement, grants for students with high financial need (including, at the maximum, grants to cover the full amount of tuition and living expense for up to 5 years), and a loan program available to all students regardless of need. Repayment of student loans would be based on a graduate's income. “[I]f through lack of personal income a student is unable to repay his loan during a period of from 20 to 30 years after graduation, the loan should be forgiven,” the commission recommended, adding – almost as an afterthought – that “[i]nstitutions should be free to set their own tuition fees.”<sup>431</sup> The commission proposed that fees should be

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<sup>429</sup>The decline in universities' per-student operating revenue from grants and fees in the 1970s and early 1980s, after inflation, is shown in Table 4.2.

<sup>430</sup>The elements of such a program were first articulated by Milton Friedman and Simon Kuznets (1945). A subcommittee of the Council of Ministers of Education, chaired by Ontario, began a study of an ICLRP in 1969-70, in response to the growing costs of student aid and the concerns of students who were not receiving aid because they studied part-time or were deemed to be receiving adequate support from their families. See Ontario Minister of University Affairs (1970), 16-17.

<sup>431</sup>Commission on Post-secondary Education in Ontario (1972), 147, 164.

somewhere between one-third and one-half of the cost of a student's education. In the commission's view, this recommendation would lead to higher fees in professional programs but would not significantly affect tuition for most undergraduate programs, since the latter was already within the proposed range of one-third to one-half of total costs. The commission did not say how this range would be enforced in a deregulated environment.

While these recommendations were not accepted by the government, they established a link between ICLRP and higher tuition fees that was repeated in the report of the Bovey Commission in 1984. Specifically, the Bovey Commission recommended that tuition (including ancillary fees) be increased to 25 per cent of the costs of students' education. It recommended that the government continue to regulate fees, but that fee differentiation by program be sharply expanded, so (for example) a student in law would pay twice as much as a student in an undergraduate arts or science program, and a student in medicine or dentistry would pay three times as much.

To ensure accessibility, the Bovey Commission recommended the introduction of an ICLRP, open to all students without a means test. It recommended that the program initially cover only the increased cost of tuition – sharpening the impression that the program's main purpose was to facilitate higher tuition fees – and that it be expanded over time to replace the Canada and Ontario Student Loans programs, with Ontario continuing to offer its existing grants programs.

Recognizing the sensitivity of higher tuition fees, the commission took pains to cite the support of the Ontario Federation of Labour for its recommendations. While the OFL in principle supported free tuition, its leadership recognized that in practice low-cost tuition was serving as a transfer of tax revenues from lower- and middle-income families who were unlikely to attend university to higher-income families who were more likely to do so. On this basis the commission argued that its recommendations were socially progressive.<sup>432</sup>

### **The Liberal government**

The Bovey Commission's recommendations on tuition were immediately rejected by the election-bound Progressive Conservative government of Premier Frank Miller, and again

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<sup>432</sup>Commission on the Future Development of Ontario Universities (1984), 24-25.

by the incoming Liberal government, as were similar recommendations from the Macdonald Royal Commission.<sup>433</sup> Minister Sorbara announced in October 1985 that “[f]uture fee increases will be moderate and reasonable” – eliminating much of the impetus for an enhanced student aid program.<sup>434</sup> During the course of the Liberal mandate, the only nod in the direction of an ICLRP was the introduction of a plan by which the government would help pay the interest on a student’s debt if the student’s income after graduation was temporarily very low.<sup>435</sup>

In retrospect, these years marked a period of relative calm prior to the years of retrenchment. Under the Liberal government, total university funding per student kept pace with consumer price inflation, participation rates increased, tuition rose only slightly faster than inflation, and the contribution of tuition to total university operating revenues was nearly constant. Yet the Liberals’ financial decisions for 1989-90 and 1990-91 show that this picture was becoming increasingly difficult to sustain: during these last two years, tuition outpaced inflation and tuition’s share of university revenues began to climb. The provincial government’s precipitous slide into deficit financing starting in 1990 suggests that the Liberal government’s financial policies – including, presumably, its policies on how to finance universities – could not be sustained.

### **The New Democratic government**

#### ***Attempting to reform student aid from within the policy network***

During the first three years of the New Democratic government’s mandate, there was extended debate within the government about the future of OSAP, fuelled by the general deterioration in the government’s finances and also by the accelerating cost of OSAP itself. Between 1990-91 and 1992-93, the cost to government of student support programs grew from \$205 million to \$329 million, while the number of students receiving support grew from 113,000 to 161,000.

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<sup>433</sup>Royal Commission on the Economic Union and Canada’s Development Prospects (1985).

<sup>434</sup>G. Sorbara, “Universities in a contemporary context: Issues for government,” speaking notes, October 21, 1985, COU Arch. MF 97.

<sup>435</sup>Treasurer of Ontario (1987), 6.

The first strategy attempted by the New Democratic government was to work with the policy network to find ways to restrain or reduce OSAP costs. Within days after Minister Laughren's controversial 1991 budget, Deputy Minister Shapiro convened the first meeting of the government's Student Financial Assistance Review.<sup>436</sup> This group was established by Minister Allen in April as "a comprehensive review of financial assistance programs for postsecondary students," with a view to action in 1992-93. Its membership – with a total of nineteen invited members<sup>437</sup> – reflects an important difference between student aid and other university policy issues. We have seen that the policy network for university operating grants and for system planning issues was heavily dominated by COU and the ministry responsible for universities. The policy network for student aid was far broader, with representatives from province-wide student groups, and also from the administrations of the publicly-supported colleges (CAATs) and the private career colleges, since OSAP serves students from all types of postsecondary institutions. Governments from all three parties were more likely to consult student groups about student aid than about any other university issue.

The government developed four short-term options for consideration by the Student Financial Aid Review, three of which involved saving money by asking students to accept higher debts and reduced grants:

- Change OSAP to a loan-first program, so that most students would receive only a

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<sup>436</sup>Letter from B. Shapiro to Student Financial Assistance Review members, May 9, 1991, COU Arch. MF124.

<sup>437</sup>Invited participants were the colleges' Council of Regents, COU, university and college board chairs, the colleges' Committee of Presidents, Ontario Council on Graduate Studies, Ontario Committee on Student Affairs, Ontario Association of Student Financial Aid Administrators, Ontario Confederation of University Faculty Associations, Ontario Public Service Employees Union, Confederation of Ontario University Staff Associations, Friends of Ontario Universities, Ontario Federation of Labour, Private Career Education Council, Ontario Federation of Students, Ontario Community College Students Parliamentary Association, Ontario Graduates Association, Canadian Organization of Part-time University Students, and the National Educational Association of Disabled Students. (Letter from R. Allen to invitees, April 25, 1991, COU Arch. MF 124)

- loan, and high-need students would also receive a grant.<sup>438</sup>
- Change OSAP to a loan-only program, with the government paying down (that is, “remitting”) some loans at graduation so that no student would be asked to repay more than \$14,500 of his or her total loan.
  - Keep the program as is, but with a smaller grant component and a larger loan component.
  - Keep the program as is.

The participants told the government that their first choice was to keep the program as is, or else to move to a loan-first program. There was “unanimous rejection” of the option to make OSAP a loan-only program with a remission feature – the option that the government finally chose a year later.<sup>439</sup> But the inability to find stakeholder support for options that would produce significant savings led the government not to introduce changes to OSAP in 1992-93.

### *Searching for potential allies*

During 1992, both the government and COU were actively trying to keep open the possibility of an ICLRP. While some of the other stakeholders strongly opposed an ICLRP – including the OFS, OCUFA, OPSEU and (in a reversal of its position at the time of the Bovey Commission) the Ontario Federation of Labour,<sup>440</sup> there were nevertheless reports that

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<sup>438</sup>At that time, the reverse was true: most students received a provincial grant and a federal loan, and only high-need students also received a provincial loan. In 1991-92, a single student could receive a repayable federal loan of up to \$3,360 and a provincial grant of up to \$5,100 per academic year. For most eligible students, the grant was larger than the loan. In addition, high-need students – such as a married student whose spouse had a low income – could receive a repayable provincial loan of up to \$2,000. (Ontario Ministry of Colleges and Universities 1990 and 1992)

<sup>439</sup>Student Financial Aid Review, minutes, December 5, 1991, COU Arch. MF124.

<sup>440</sup>Minister’s Advisory Group on University Funding, minutes January 3, 1991, COU Arch. MF 136; letter from Bill Graham (OCUFA), Gord Wilson (OFL), Fred Uphaw (OPSEU) and T. Jackson (OFS) to Minister Laughren, January 10, 1991, COU Arch. MF124.



the ICLRP concept had “a good deal of support in Cabinet.”<sup>441</sup> Both the government and COU attempted to win support for an ICLRP from the federal government and other provinces. However, other governments appeared uninterested.<sup>442</sup>

A more promising potential ally was a new student organization whose views on tuition and student aid were similar to those of COU, and to which COU gave substantial encouragement.<sup>443</sup> The Ontario Undergraduate Student Alliance – a partnership of the elected representatives of undergraduate students from Brock, Toronto, Waterloo, Laurier, and Queen’s who had chosen not to be members of the Canadian Federation of Students or its Ontario affiliate – was launched in November 1992, vowing a new approach to funding postsecondary education. Key components of its initial platform were:

- an increase of \$160 million annually in government grants to universities, phased in over three years, beginning with an increase of 1.75 per cent in 1993-94
- an increase of \$160 million annually in student tuition fees, beginning with an increase of 10 per cent in 1993-94
- an outreach program for underrepresented groups, based on the premise that “lack of funds are [*sic*] just one of many factors which discourage people from going on to university”
- an ICLRP to cover the cost of tuition and books, available to any student with no means test, with loans to be repaid over 15 years, supplemented by a downsized OSAP in the short run to cover living costs until a full ICLRP could be phased in.<sup>444</sup>

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<sup>441</sup>P. George, record of meeting with B. Shapiro, November 14, 1991, COU Arch. MF 124, November 26, 1991.

<sup>442</sup>Record of meeting between MCU and COU staff, May 5, 1992 COU Arch. MF 136; record of meeting between P. George and B. Shapiro, October 29, 1992 COU Arch. MF 136; letter from P. George to Jacques Bourdeau, director general, Conference des recteurs and des principaux des universités de Québec, November 12, 1992, COU Arch. D2 R32.

<sup>443</sup>Letters from OUSA leadership to David Smith and Peter George, November 19, 1992, COU Arch. D3 R36.

<sup>444</sup>OUSA news release, November 17, 1992, COU Arch. D3 R36. The gap between the positions of OUSA and CFS can be seen in a later CFS document which called for the

(continued...)

OUSA's platform, and its approach to political action, created a strong basis for a potential alliance with COU and possibly with the New Democratic government. OUSA's proposed *quid pro quo* – an immediate 10 per cent increase in students' tuition fees in return for an immediate 1.75 per cent increase in government operating grants and reforms to OSAP – was consistent with COU policy and potentially more attractive to government than the no-change consensus of the policy network as a whole. The organization's operating principles called for it “to manifest a non-confrontational approach in its relations with all groups and persons” and “to endeavour always to pursue and promote realistic, workable solutions and ideas” – an implicit slap at the more confrontational strategies of the Canadian Federation of Students and its Ontario affiliate. OUSA's principal organizer, Titch Dharamsi, a Liberal party activist, urged OUSA leaders to be cautious about expecting government to solve the problem of higher quality in university education: “Recent polling (by Decima) tells us that the public is neither aware of the crisis in postsecondary education nor, more importantly, does it have much sympathy for the sector.”<sup>445</sup>

***Reducing student grants, deferring government costs***

Yet OUSA's support for an ICLRP came too late for the New Democratic government, which needed immediate expenditure reductions in the face of a growing deficit. A week after OUSA's launch, the government confirmed that grants to universities would rise by 2 per cent and that tuition fees would increase by 7 per cent – similar to the proposals in OUSA's platform. But the approach of the New Democratic government to reforming OSAP bypassed the conceptual attraction of an ICLRP in favour of a restructuring of OSAP guaranteed to produce short-term savings – savings estimated at \$178 million in

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<sup>444</sup>(...continued)

elimination of all tuition and ancillary fees, to be replaced by increased federal transfers through a more progressive income tax system, with a tax on wealth, an excess profits tax on financial institutions and the elimination of tax deferrals. CFS's “Strategy for Change” (4<sup>th</sup> edition), September 1997, COU Arch. D3 R35.

<sup>445</sup>OUSA “Operating Principles,” August 1992; memo from Titch Dharamsi to OUSA leadership, September 4, 1992, COU Arch. D3 R36.

1993-94, or more than two-thirds of OSAP's cost to taxpayers.<sup>446</sup> At the same time, the reforms launched an increase in student debt that would see some students graduating with debts of up to \$24,000 within four years.

These outcomes were achieved by measures that provided students with more loan assistance and fewer grants and that, in effect, gave the government a short-term holiday from the cost of providing grants to students. Upfront grants to students were abolished. Beginning in 1993-94, all assistance was provided in the form of loans. These loans could be as high as \$9,350 for a single student for a normal academic year (or \$17,000 for a sole-support parent). When a student graduated or left school, his or her repayable debt was capped at \$6,000 per year. Any amount above this level was to be forgiven by the government after the student graduated or otherwise completed his or her studies.<sup>447</sup>

The new loan forgiveness measure – effectively a grant – did not cost the government anything in 1993-94 because the students receiving OSAP that year did not graduate until after the end of the government's fiscal year. Over the subsequent four years, the temporary holiday gradually came to an end: the cost of loan forgiveness rose sharply each year as students graduated who had spent more years in the new program. For example, in 1994-95, the only students receiving loan forgiveness were those who left school in 1994, who had received loans for only one year under the new program; in 1995-96, the only recipients were those leaving in 1995, with only two years under the new program; and so on. Thus the full cost of the new grant program did not materialize until 1997-98.

At the same time, these measures set the stage for the high levels of student debt recorded in the late 1990s. By the end of 1996-97, the first students were graduating who had spent four years under the new program and so had a repayable debt of up to \$24,000. In other words, the rise in student debt and in the cost of OSAP that attracted public attention in the mid-1990s was the foreseeable result of the decisions taken by the New Democratic

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<sup>446</sup>Ontario Minister of Finance (1993a).

<sup>447</sup>Treasurer of Ontario (1992b), 3, and Minister Allen, statement to the Legislative Assembly, November 26, 1992. The loan forgiveness level was initially set at \$5,570 and was raised to \$6,000 in Minister Cooke's statement to the legislature of March 23, 1994.

government in the fall of 1992. Little of the increase in debt for students graduating in the mid-1990s was directly related to increased tuition fees; in fact, almost all of the rise in debt can be attributed to the decision to change OSAP from a grant-first program to a loan program that provided partial loan forgiveness for some students when they left school. The driving force for these changes to OSAP was not the university presidents or other members of the policy network; instead, change was driven by the government's need to find short-term ways to reduce spending in the face of unprecedented high deficits.

### *Raising tuition fees*

The remainder of the term of the New Democratic government was dominated by a campaign by the university presidents for higher tuition fees to compensate for grant reductions – which was largely successful – and for an ICLRP, which fell victim to the pressures of federal-provincial politics and students' concern about growing debt.

The university presidents initiated their campaign for higher tuition fees with a public discussion paper in August 1993, on the heels of their Social Contract agreements. This paper was followed by a conference on “provincial renewal” and a series of one-on-one meetings with members of the legislature. By January 1994 the presidents had reached a consensus on the need for a 25 per cent increase over two years in fees for most programs, and for increases of up to 44 per cent over two years in fees for professional programs.<sup>448</sup>

The government did not accept this advice, but it did choose to accelerate the upward trend in tuition fees. In March Minister Cooke announced that tuition fees would increase by 10 per cent – the highest percentage increase since 1977-78. Minister Cooke defended this decision on the grounds of students' future earnings potential, the need to maintain educational quality, and the need to increase access:

Graduates of colleges and universities are more likely to have jobs, and earn higher incomes than people who do not have postsecondary degrees or diplomas....

The contribution of tuition fees to postsecondary education will ensure that

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<sup>448</sup>Monahan (2004), 172; letter from P. George to D. Cooke, January 4, 1994, COU Arch. D3 R16.

students get excellent value for their postsecondary investments and a lifetime of dividends from their college or university education....

This increase is aimed at assisting colleges and universities to make additional spaces available and protecting the quality of postsecondary education.<sup>449</sup>

While the government side-stepped COU's request for extra fees in professional programs, COU staff saw the announcement as a significant victory for the university presidents, demonstrating "the value of a concerted lobbying effort involving COU and all of the universities in this province." Without it, staff speculated, there would probably have been a one-year announcement of 1 or 2 per cent, near the rate of inflation.<sup>450</sup>

In addition, Minister Cooke took a first step towards allowing universities to set their own fee levels through internal processes. He did so by addressing the issue of "ancillary" fees – mandatory fees that some universities wished to charge, in addition to tuition, for services such as athletics and access to computers.<sup>451</sup> He announced that every university would be required to develop a protocol with its students governing how students would be involved in decisions on ancillary fees, after which the university could increase ancillary fees to whatever level was approved by students under the protocol. This decision had the effect of empowering student governments while creating a low-visibility source of revenue for universities. While mandatory ancillary fees varied widely by institution, they typically added between 10 and 15 per cent to students' tuition costs by the end of the period under study.

***Federal-provincial income-contingent student loans: a first attempt***

At the same time that he announced higher tuition fees for 1994-95 and 1995-96,

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<sup>449</sup>D. Cooke, Statement to the Legislative Assembly, March 23, 1994, COU Arch. D3 R7.

<sup>450</sup>Letter from J. McAllister to P. George, March 24, 1994, COU Arch. D3 R16.

<sup>451</sup>The Liberal government in 1987 prohibited compulsory ancillary fees for operating purposes, arguing that in effect these fees were an increase in tuition. The New Democratic government followed up in 1991 by prohibiting compulsory ancillary fees for capital purposes, such as paying the mortgage on an academic building. In both cases the government enforced the ban by threatening a dollar-for-dollar reduction in the university's operating grant. See Ministry of Training, Colleges and Universities (1999), 54.

Minister Cooke also informed the legislature that:

[w]e have called on the federal government to work with the provinces to develop a system whereby graduates pay back student loans based on their income once they're in the work-force.<sup>452</sup>

But, while tuition fees were rising, progress towards an ICLRP was slow. A very limited pilot project initiated by the ministry had few takers among students.<sup>453</sup> Recognizing that most student debt was owed to the federal government, and knowing that the new Liberal federal government was interested in a national ICLRP, COU urged the New Democratic government to work with the federal government on a national program.<sup>454</sup> As a result, the prospects for an ICLRP in Ontario became entangled in the efforts of the federal government to balance its budget.

The intention of the federal government, announced in its 1994 budget, was to merge cash transfers to the provinces for postsecondary education under the Established Programs Financing program with transfers under the Canada Assistance Plan and reduce the total by \$1.54 billion in 1996-97. Minister Axworthy planned to implement the reduction by reducing or eliminating transfers for postsecondary education, saving \$2.3 billion. It was assumed that the provinces would reduce grants to universities by this same amount and allow universities to increase tuition accordingly. To ensure accessibility, the federal government would introduce an "ICRed voucher" – in effect, a loan to the student that would be repaid after graduation based on the graduate's income. The long-term cost to the federal government of the voucher was estimated at \$500-700 million annually.<sup>455</sup>

Universities estimated that, under the Axworthy plan, they would need to increase

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<sup>452</sup>D. Cooke, Statement to the Legislative Assembly, March 23, 1994, COU Arch. D3 R7.

<sup>453</sup>The project offered income-contingent loans only to students in the final year of their programs who had applied for OSAP, had been refused and had appealed. The maximum provided was \$2,500. A survey completed by 70 per cent of financial aid offices showed that loans had been offered to only 226 students province-wide, and only sixty of those students had accepted. (Letter from J. McAllister to P. George, March 2, 1994, COU Arch. D3 R 20)

<sup>454</sup>Letter from P. George to D. Waininger, MPP, April 5, 1994, COU Arch. D3 R16.

<sup>455</sup>Letter from C. Lajeunesse to AUCC members, September 21, 1994, COU Arch. D2 R47.

tuition fees by \$3,000 to maintain their revenues. The prospect of doubling fees simply to maintain current revenues apparently found no support among the university presidents, faculty, or students. The Ontario Confederation of University Faculty Associations argued that, if implemented, the federal proposal would cause Ontario students to be paying 49 per cent of the cost of their education and would be regressive, since middle-income students would pay the largest amount of interest on their loans.

Minister Cooke joined in this concern. While Ontario had looked at an ICLRP, he said, “using income-contingent loan repayment as an excuse for boosting tuition fees or for deregulating fees to let postsecondary institutions charge whatever they want would not be acceptable to the Ontario government.” He advised Minister Axworthy that, to make up the lost revenue, Ontario would need to increase tuition by 105 per cent. “These proposals, if enacted, would cause irreparable damage to the post-secondary education system in Ontario.” Minister Axworthy replied that, under the design of the EPF program, cash transfers to the province would decline even if no action was taken, and that Minister Cooke could minimize tuition increases by looking at “the cost structure of the institutions you are responsible for.”<sup>456</sup>

With this exchange, the prospects for federal-Ontario cooperation on an ICLRP were effectively poisoned. COU was left to weakly urge Prime Minister Chretien to support the introduction of an ICLRP independently of any changes to federal transfer programs.<sup>457</sup> But the decision of the federal government, as announced in the February 1995 budget, was to set aside the Axworthy proposals in favour of simply cutting transfers to the provinces and letting provinces decide how to manage the consequences.

In sum, during the term of the New Democratic government, accessibility as measured by full-time participation rates increased modestly, despite tuition increases that outpaced inflation by 35.5 per cent and a sharp increase in the share of funding coming from

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<sup>456</sup>Letter from D. Cooke to executive heads, November 17, 1994, COU Arch. D3 R20; letter from D. Cooke to L. Axworthy, December 8, 1994, COU Arch. D2 R34; letter from L. Axworthy to D. Cooke, December 14, 1994, COU Arch. D2 R34.

<sup>457</sup>Letter from P. George to J. Chretien, February 1, 1995, COU Arch. D2 R33.

students' tuition and fees. Tuition and fee revenues accounted for 31 per cent of university operating revenues at the end of the New Democratic government's mandate, up from 22 per cent at the start. But the price of maintaining accessibility was a much-changed student loan program, with higher debts for students and public costs that would mostly come due after the 1995 election.

### **The Progressive Conservative government**

Faced with an annual deficit of \$11 billion and a promise to reduce taxes and balance the provincial budget within four years, the Progressive Conservative government adopted strategies to increase students' contribution to the cost of university operations and to reduce the cost to government of financial assistance for students. These strategies included raising regulated tuition fees, transferring to universities the political responsibility for certain fee increases, sharing student assistance responsibilities with the universities and the federal government, freezing certain aspects of OSAP, and tightening OSAP rules and administration to focus spending on those with lowest incomes. In addition, the Progressive Conservative government attempted to work with the federal government to develop an ICLRP, but eventually settled for a more limited program to assist graduates having difficulty repaying their student loans.

The transfer of responsibility for some tuition increases and the proliferation of new student assistance programs, coupled with the introduction of overlapping federal government programs and measures to tighten eligibility for OSAP, meant that by the end of the period under study the responsibility for ensuring that qualified students could afford to attend university was becoming muddled and diffused. The government eventually adopted additional strategies to assure students, parents and others that the government remained committed to the financial accessibility aspect of the Access and Equality Paradigm.

### ***Raising tuition fees***

The Progressive Conservative party campaigned in 1995 on a platform of higher tuition fees, arguing – not unlike Minister Cooke in 1993 – that students benefit from their education and that it is fair to ask them to pay a higher share of the cost:

The remainder of the necessary funding [for colleges and universities, after they had reduced their operating costs] can be found by charging students a



fairer share of the costs of the education they receive. In 1992, tuition fees represented only 19% of the cost of a university education, down from 35% in the 1950s. We propose to partially de-regulate tuition over a two year period, enabling schools to charge appropriately for their services.<sup>458</sup>

Under the Progressive Conservative government, the university presidents worked to ensure that any reduction in government grants was balanced by a corresponding rise in fees. The universities were largely successful in meeting this objective over time, although as we saw in chapter 5, there was a three-year period starting in 1996-97 when revenues per student were significantly lower than at the start of the government's term.

Even before the 1995 election, COU advised all three parties that the universities would be seeking "a general, although modest, annual increase in tuition fees" and a "more significant increase" for second-entry professional programs, along with an ICLRP.<sup>459</sup> With the election of the Progressive Conservatives, the universities began to lobby in earnest for higher fees to compensate for the expected reduction in government grants. In their initial meetings, the university presidents considered annual increases in the range of 5 to 10 per cent, but when it became apparent that the government intended to reduce postsecondary grants by \$400 million in a single year – rather than phasing in the reductions, as the universities had expected – this agreement was dropped in favour of an agreement that increases in fees be matched to reductions in the operating grant.<sup>460</sup>

To fully offset the operating grant cut of 1996-97 in one year would have required a fee increase of about 50 per cent. The government's announcement fell short, but was nevertheless the largest one-year percentage increase in nearly two decades. Minister Eves announced in November that tuition would increase by 10 per cent, and that universities

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<sup>458</sup>Ontario Progressive Conservative Party (1994), 12.

<sup>459</sup>Letter from P. George to D. Cooke, April 7, 1995, COU Arch. D2 R17.

<sup>460</sup>Letter from B. Patterson to executive heads, September 5, 1995, COU Arch. D3 R16; letter from B. Patterson to all MPPs, "Government Grants, Tuition Fees and Student Aid," October 19, 1995, COU Arch. D2 R9.

would have the discretion to impose an additional 10 per cent.<sup>461</sup>

The universities sought another 20 per cent increase in fees the following year. “The continuous withdrawal of government support for universities that has characterized funding patterns over the past decade means that tuition fees must continue to rise...,” they argued.<sup>462</sup> Bruised by the reaction of stakeholders to 18 months of expenditure-cutting, the government decided to permit fees to rise by an average of 10 per cent, although it gave universities the discretion to increase fees by up to 20 per cent in any single program. COU “reacted with great disappointment,” saying the announcement meant “a maximum overall increase of 2.3% for teaching, learning and research” – an amount that “barely covers inflation” and “falls far short of what is needed for Ontario universities.”<sup>463</sup> In defence of this decision, Minister Snobelen noted that he had arrested the decline in operating grants (as recommended by the Smith panel) and had balanced accessibility, affordability, and institutional flexibility and responsibility.<sup>464</sup>

In 1998, the government agreed that tuition fees could rise by a further 10 per cent in each of the next two years – meaning that, by the time of an expected election, the cumulative growth in fees in arts and science would have outpaced inflation by 49 per cent. But by this time the political attention of the universities had turned to the prospect of gaining full autonomy to set tuition fees in some programs.

***Transferring responsibility for fee-setting to universities***

Universities’ interest in exploring deregulated tuition fees predated the election of the Progressive Conservative government. Longstanding ministry policy held that, where a university offered a program without seeking to count the program’s enrolments for funding purposes, the ministry made no attempt to regulate the fee for the program. On this basis several universities offered executive MBA or similar programs with deregulated fees.

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<sup>461</sup>Ontario Minister of Finance (1995b).

<sup>462</sup>Letter from executive heads to J. Snobelen, February 3, 1997, COU Arch. D3 R16.

<sup>463</sup>COU news release, “Universities Question Government’s Commitment to Postsecondary Education”, February 5, 1997, COU Arch. D3 R23.

<sup>464</sup>J. Snobelen to B. Patterson, April 28, 1997, COU Arch. D3.

Efforts to find loopholes in the ministry's policy increased following the reduction in grants associated with the Social Contract. In 1994 Minister Cooke felt obliged to clarify the policy, overturning one university's attempt to declare that some students in its education program would not be counted for purposes of operating grants (and so should pay deregulated fees) while other students in the same program would be counted (and so paid regulated fees). He rejected another university's plan to declare that all of its international students would not be counted for purposes of operating grants. Meanwhile, as we have seen, Minister Cooke transferred to university boards the responsibility for setting mandatory ancillary fees, provided that they followed procedures agreed to with their student governments.

The election of the Progressive Conservative government – with a campaign promise “to partially de-regulate tuition over a two year period, enabling schools to charge appropriately for their services”<sup>465</sup> – triggered a number of approaches from universities as they attempted to gauge how far the government was prepared to go. In November 1995 the government took the easiest step politically by fully deregulating tuition fees for international students.<sup>466</sup> By March 1996, the presidents of the two universities with dental schools had persuaded Minister Snobelen to approve a special increase in tuition of \$4,000 per student in dentistry programs. The conditions he attached suggested the government's interest in exploring ways to transfer to the universities the political responsibility as well as the financial benefits of raising fees: he required that the two universities provide supplementary student aid, manage all public communications, and track the effect on applications and acceptances. In explaining this decision, Minister Snobelen argued that the extra funding was necessary to permit the province's two dental schools to continue while the universities did a more formal assessment of their future and to reduce the cross-subsidization from other programs. He said COU had provided written assurances that no other special tuition arrangements were contemplated that year, and the two participating

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<sup>465</sup>Ontario Progressive Conservative Party (1994),12.

<sup>466</sup>Fees for international students had been regulated at a higher level than those for domestic students since 1977.

universities had agreed to join with the ministry in a study to determine the impacts of this policy.<sup>467</sup>

A proposal from another university to charge an additional \$500 to students in its optometry program was subsequently approved.<sup>468</sup> The following year an additional exception was approved for one university's MBA program, allowing it to phase in deregulated fees while phasing out the operating grant associated with students in the program.

Meanwhile, the report of the Smith panel in December 1996 recommended that each university and college be given full flexibility to set its own fees and described what it saw as the public benefits of such a policy:

We agree with those institutions that argue that the flexibility to determine tuition fees would encourage innovation and responsiveness, facilitate collaboration and cooperation between and among universities and colleges, support program differentiation as well as institutional differentiation and specialization, and assist institutions in expanding system capacity to meet increased demand. As well, institutional discretion to determine fees would increase incentives to curb costs and may result in lower fees in some programs than would otherwise be the case.<sup>469</sup>

An additional argument noted by some university presidents was that setting fees at the local level would require university boards to manage any public controversy about higher fees and so would remove the controversy from the domain of provincial politics.<sup>470</sup>

With support from the Smith panel and continued pressure from some universities, the government decided in December 1997 to move forward with its commitment to partial

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<sup>467</sup>Letter from J. Snobelen to R. Prichard and P. Davenport, March 6, 1996; letter from R. Prichard and P. Davenport to executive heads, March 15, 1996, COU Arch. D3 R16.

<sup>468</sup>Letter from J. Snobelen to J. Downey, undated [summer 1997], COU Arch. D3 R21.

<sup>469</sup>Advisory Panel (1996), 32.

<sup>470</sup>See for example letter from P. Davenport to J. Snobelen, March 25, 1997, COU Arch. D2 R26.

fee deregulation, authorizing institutions to set their own fees for “graduate and professional” programs.<sup>471</sup> While the definition of a graduate program was well understood, the ministry consulted with universities on which undergraduate professional programs were to be included. The list finally approved by the government included commerce, dentistry, law, medicine, optometry, pharmacy, and veterinary medicine, as well as engineering and computer science at universities participating in the ATOP program. The list excluded two large professions – teaching and nursing – without explanation.

In transferring authority over fees to the universities, the government also transferred to them some of the government’s responsibilities for ensuring financial accessibility. New regulations required universities that raised fees in deregulated programs to protect students already registered in these programs from major fee increases and to ensure that universities charging higher fees would also take responsibility for providing student aid in addition to what OSAP would normally provide.<sup>472</sup>

### ***Sharing responsibility for student assistance***

The link between higher tuition fees and higher OSAP costs presented a conundrum for the government. The cost of OSAP had already grown substantially under the former government, from \$205 million in 1990-91 to \$401 million in 1995-96 when the Progressive Conservative government took office. The number of students receiving support grew from 113,000 to 212,000 during those years. With the prospect of reduced operating grants to universities and higher tuition fees for students, the pressure on OSAP could be expected to

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<sup>471</sup>E. Eves, statement to the Legislative Assembly, December 15, 1997.

<sup>472</sup>Letter from D. Trick to university board chairs and presidents, May 6, 1998, COU Arch. D2 R39. Fee deregulation created the potential for an important deviation from the Access and Equality Paradigm, but the actual effect is difficult to measure. By 2002-03 there was much variation among universities in gross tuition fees for some deregulated programs (such as law, engineering and commerce) and little variation for others (such as dentistry, medicine and master of arts). (COU 2005, table 5.4.1) There is no information on how much of the gross tuition revenue was redirected to student assistance in these programs, or how much was made available to benefit the university as a whole rather than strictly the students in these programs. For these reasons, the effect of fee deregulation on universities’ ability to offer programs of approximately equal quality across the university system is difficult to demonstrate one way or the other.

continue. For a government committed to balancing the budget, a different approach to student assistance was required.

One strategy adopted by the government was to share the responsibility for student aid with universities. We have just seen that, in giving the universities the right to charge deregulated fees in certain programs, the government also gave them the responsibility to ensure that additional financial aid was available to students in those programs. In addition, the government adopted a policy in November 1995 that, for any fee increase in any program, the university should be required to set aside a percentage of the extra revenue for student aid. This policy was first proposed by the universities, who suggested that the set-aside be 10 per cent.<sup>473</sup> In 1997 the government adopted the advice of the Smith Advisory Panel that the set-aside should be increased to 30 per cent, based on the estimated marginal cost to OSAP of an increase in university tuition. Universities could make their own determinations of which students had financial need and could provide the funds as a bursary, a part-time campus job, or in some other form.<sup>474</sup> While initially a minor factor in student aid, the amount available annually from the set-aside grew over time to \$126 million in 2002-03 – a substantial sum compared with the provincial government’s own spending on student support of \$339 million that year.

An additional measure to transfer student aid responsibilities to universities (and colleges) was the Ontario Student Opportunity Trust Fund program, which matched dollar-for-dollar any donation or pledge to a postsecondary institution’s endowment fund for student aid. The government’s purpose was “to encourage companies and individuals to contribute to funds for Ontario’s students”<sup>475</sup> and, implicitly, to encourage private giving as a partial substitute for government-funded programs. Institutions raised \$301 million in the program’s initial year – triple the government’s original estimate – although there was substantial variation among institutions, in part reflecting the state of their fund-raising

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<sup>473</sup>Letter from B. Patterson to all MPPs, “Government Grants, Tuition Fees and Student Aid,” October 19, 1995, COU Arch. D2 R9.

<sup>474</sup>Letter from B.J.Mackay to executive heads, March 19, 1997, COU Arch. D3 R16.

<sup>475</sup>Minister of Finance (1996), 16.

infrastructures.<sup>476</sup> The annual pay-out to students from these funds was much smaller than the funding from the set-aside, at \$25 million in 2000-01.<sup>477</sup> Each university determined its own rules for eligibility, sometimes in negotiation with donors.

In a similar vein, the government began to share the responsibility for student grants with the federal government. The Canada Millennium Scholarships (CMS) program was the first generally available program of federally-funded grants for students since the inception of harmonized federal-Ontario student loans in 1966, and its design left open the question of how these grants should be integrated with existing provincial student support programs. The Ontario government decided in 1999 to use the CMS funding – totalling \$113 million annually in Ontario – primarily to replace existing provincial grants. Student complaints caused the government soften this stance the following year, so that every student would received a net benefit of at least \$500 from his or her \$3,000 CMS grant.<sup>478</sup> The effect of the new federal program – in addition to the savings to the provincial government – was to diffuse further the political accountability for providing student assistance: students received a cheque directly from the Canada Millennium Scholarship Foundation, rather than as part of an integrated federal-provincial package through OSAP.<sup>479</sup>

Responsibilities were further complicated by the government's decision in 2001 to establish a scholarship program separate from OSAP's grants. Eligibility criteria for the Aiming for the Top scholarships blended academic merit and financial need. Like the Canada Millennium Scholarship, this structure moved student aid further away from the harmonized federal-provincial program of loans and grants that was in place prior to 1993.

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<sup>476</sup>Rae (2005), 84.

<sup>477</sup>National Post, November 27, 2002. This amount includes the interest on both the funds raised by the university and those received from the government.

<sup>478</sup>Ontario Ministry of Training, Colleges and Universities (1999b, 2000).

<sup>479</sup>Cameron has argued that the “competitive character” of the Canada Millennium Scholarships was “a step in the wrong direction” and has led to “an increase in intergovernmental animosity, especially but by no means only, in Quebec.” (Cameron 2001, 4).

### ***Freezing aspects of OSAP***

Another retrenchment strategy – adopted by both levels of government – was to freeze the maximum payment available to each student under OSAP. Neither government had a regular process for adjusting the maximum to reflect inflation, and federal and provincial maximums were adjusted only intermittently in the 1970s and 1980s.<sup>480</sup> The federal government set the maximum Canada Student Loan payment to a single student at \$165 per week in 1993, and Ontario set the maximum Ontario Student Loan payment at \$110 per week at the same time. Neither level of government increased these limits during the remainder of the period under study. At a total of \$9,350 for a single student for a normal university year, this support was adequate for the neediest student in 1993, when tuition was \$2,026. By 2002-03, when average tuition in arts and science was \$4,106 and living costs had increased by 18 per cent, the maximum was several thousand dollars below most universities' estimate of a student's actual costs. Thirty-five per cent of students receiving OSAP were receiving the maximum amount.<sup>481</sup>

Within this overall limit, the Ontario government introduced a \$4,500 sub-limit in 1997 on the amount that a student could claim for tuition costs and mandatory fees. The purpose of this limit was to protect OSAP against higher costs as fees increased. Few students were affected in 1997, but the impact increased as fees rose and some were deregulated.

With these measures, the government's implicit expectation was that students with needs beyond the OSAP maximum would seek help from their universities' set-aside funds or would support themselves through part-time work – again diffusing the responsibility for maintaining financial accessibility.

### ***Targeting OSAP to low-income students and families***

Another strategy used by the government was to reduce the eligibility of students from middle-income families and focus the program on those with lowest incomes. This was achieved through a combination of rule changes and tightened administrative procedures.

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<sup>480</sup>Personal communication, Student Support Branch, MTCU, November 29, 2004.

<sup>481</sup>Rae (2005), 78.



The largest single rule change was to increase the maximum repayable loan to \$7,000 per annum, up from the New Democratic government's \$6,000 – effectively eliminating grants for all but the highest-need students, and meaning that a four-year graduate would have a maximum repayable debt of \$28,000.<sup>482</sup> Other rule changes reduced the amount a student could earn from part-time work before forfeiting part of his or her OSAP assistance so that it matched the federal amount, reduced eligibility for students with RSPs or with cars valued over \$5,000, increased parents' expected contribution to the cost of a student's education, required students and parents to consent to having the information they provided to OSAP verified against their income tax information, and made it more difficult for students to qualify as being independent of their parents.<sup>483</sup>

Cumulatively, these measures put more of the responsibility for financing postsecondary education onto middle-income parents, and they eliminated the honour-system administrative procedures that exposed the program to charges of unfairness and abuse.<sup>484</sup> At the same time, the measures left few options for those students whose parents would not provide the level of assistance that the government expected.

### ***Tightening administration***

The New Democratic government's 1993 decision to increase students' repayable debt saved the government money in the short term, but it triggered a new round of problems: no action was taken to improve collection procedures, so by 1996 a large share of the students who graduated were not repaying their OSAP loans. The banks which issued the loans were responsible for collecting payments from graduates but had little incentive to do so, since defaulted loans were fully guaranteed by the provincial government. In 1996 the ministry found that 18.5 per cent of OSAP recipients had defaulted on their loans within two years after leaving school. (This figure includes all postsecondary students; for university

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<sup>482</sup>Letter from J. Snobelen to executive heads, February 5, 1997, COU Arch. D3 R23.

<sup>483</sup>Letter from H. Zisser to financial aid administrators, June 16, 1997, COU Arch. D3 R21; letter from D. Trick to university executive heads, college presidents and private vocational school presidents, February 13, 1998, COU Arch. D2 R13.

<sup>484</sup>See, for example, Ontario Office of the Provincial Auditor (1997), 93-111.

students the figure was 11.5 per cent.)<sup>485</sup> The following year the default rates leaped to 23.5 per cent (13.9 per cent for university students.) As guarantor of the provincial portion of the loans, the government faced losses on the order of \$200 million per year – a figure that would likely grow as student debt increased.

To control the cost of defaults, the government began to check the credit histories of all new applicants, refusing OSAP to those with three or more unpaid debts over \$1,000, and it arranged with the federal government to withhold income tax refunds from graduates who had defaulted on their loans. The federal government assisted by amending bankruptcy legislation so that a student could not escape his or her student debt by declaring bankruptcy in the first ten years after leaving school. A more permanent solution was achieved in 2000 when the responsibility for collecting defaulted loans was given to a financial service agency whose contract provided a financial incentive for loan collection.

### ***Income Contingent Loan Repayment Plan***

The move to higher tuition fees proceeded even though the government was not yet in a position to introduce the promised ICLRP.

The government was deeply committed to the ICLRP concept. The program was promised in the Common Sense Revolution platform – a crucial consideration for a government that took pride in keeping its promises – and the promise was repeated in Minister Eves' 1995 Fiscal and Economic Statement (with a new recognition that federal help would be required). The Smith panel recommended in favour of such a program, the Ontario Chamber of Commerce endorsed it,<sup>486</sup> and the universities had advocated it for more than a decade. OUSA had endorsed the concept since its founding in 1992. Despite its experience with the Axworthy social policy review, the federal government – at Ontario's urging – stated in its 1997 budget that it was open to experimenting with income-based

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<sup>485</sup>Letter from H. Zisser to B. Patterson, September 27, 1996, COU Arch. D2 R10. Prior to 1996 there was no formal measurement of default rates. In 1992 Deputy Minister Shapiro estimated that the default rate on Ontario Student Loans was 2-3 per cent, about one-quarter of the default rate on Canada Student Loans. (Ontario Legislative Assembly 1992)

<sup>486</sup>Ontario Chamber of Commerce, brief to Advisory Panel on Future Directions for Postsecondary Education, October 3, 1996, COU Arch. D2 R27.

repayment of student loans:

[T]he federal government is ready to pursue with interested provinces, lenders and other groups, an additional option for repaying student loans. Students would be able to choose between current repayment arrangements and a repayment schedule tied directly to the individual's income. By tailoring payments to individual circumstances, the result would be a much more manageable debt.<sup>487</sup>

Three factors were significant in the provincial government's decision not to introduce a full-scale ICLRP: the lack of federal and provincial agreement in a policy field where the two governments' programs were closely interwoven, the technical difficulties of implementation, and the government's political recognition that introducing an ICLRP would feed increasing concerns among students and the public about higher tuition fees and higher student debt.

Federal concerns came from both Human Resources Development Canada and the Department of Finance:

- The majority of student debt was associated with the Canada Student Loan program, with the balance associated with the provincial program. The *Canada Student Loan Act* permitted a province to opt out of the CSL program with financial compensation, but the compensation formula imposed a temporary penalty on the province for opting out. This situation meant that, in practice, both levels of government would need to participate in an ICLRP if the full benefit of the ICLRP concept was to be realized. However, in 1995 the federal government entered into a five-year agreement with the chartered banks that soon proved to be financially advantageous to the government and disadvantageous to the banks. The federal government was therefore reluctant to tamper with the agreement.<sup>488</sup>
- Using the income tax system to collect loans – which would have significant

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<sup>487</sup>Canada Minister of Finance (1997).

<sup>488</sup>Letter from Martha Nixon, HRDC, to federal student loan stakeholders, August 16, 1995, COU Arch. D3 R20.

advantages in a program where repayment was geared to income – troubled the federal Department of Finance, where staff were concerned about increasing the incentive for individuals not to file tax returns. Without access to the tax system, Ontario would need to create its own means of assessing income and collecting payments – a difficult task, and even more so for graduates who moved outside Ontario.

The technical complexities of introducing an ICLRP were substantial:

- To implement the ICLRP concept required the government to make decisions about program design, each of which had the potential to lose support for the program among students and the public or to impose substantial costs on the government. For example, would students’ access to loans be limited by a means test, or could any student receive a loan? Would there be a ceiling on loans? Would the ceiling vary depending on tuition? While the student was in school, would the loan be subsidized? After the student left school, would the government continue its program to forgive a portion of the loan? Could students receive income-contingent loans for more than four years? What percent of income would a graduate be expected to devote to repaying the loan? Would “income” be defined to include the income of a spouse?<sup>489</sup>
- The chartered banks had deep reservations about the potential administrative costs of a program in which some graduates might still be repaying their student loans 20 or 25 years after graduation. These costs would include, for example, the cost of frequent interactions between the bank and graduates with high debts who had a long experience of low income.<sup>490</sup>
- The long-term cost to government was difficult to project, since it depended on a long-term forecast of students’ earning potential and of real interest rates. Staff from the ministry and from HRDC had done controversial preliminary estimates in early

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<sup>489</sup>Letter from B. Patterson to executive heads, October 4, 1996, COU Arch. D3 R23.

<sup>490</sup>Lewington (1997), A10.

1995 showing the cost to be prohibitive.<sup>491</sup>

These implementation concerns were accompanied by a gradual loss in political support for the ICLRP concept. Even OUSA – the most fervent backer of the concept among students – began opposing the government’s version of an ICLRP when it learned that the government was considering requiring graduates to endeavour to repay their loans for up to twenty-five years before any government subsidy or relief would be provided.<sup>492</sup>

OUSA’s critique appears to have reflected public opinion. An August 1997 poll that was available to the government asked respondents to assess different types of aid that the government might provide to students. Ninety-one per cent supported need-tested repayable loans. Of this group, 62 per cent favoured “monthly repayment geared to income over a fixed term with some government relief in hardship cases,” while only 21 per cent favoured “monthly repayment geared to income over a variable term with no government relief”. In other words, by a ratio of three to one, the respondents favoured the existing OSAP program over an ICLRP.<sup>493</sup>

A more fundamental criticism was put forward by the Canadian Federation of Students - Ontario. CFS-O noted that, whenever ICLRPs have been proposed in Canada, the proponents have never sought simply to provide a more flexible form of repayment. “[I]t is evident that the real agenda is to increase tuition fees,” they argued, citing proposals from the Council of Ministers of Education of Canada in 1969, the Bovey Commission in 1984, the Macdonald Commission in 1985, COU in 1989, Dr. Stuart Smith in 1991, and the federal Social Security Review in 1994.<sup>494</sup>

To the extent that the government’s plan for ICLRPs was associated with higher tuition fees, public support was falling. The August 1997 poll – taken a year prior to the

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<sup>491</sup>Memorandum from J. McAllister, “Ministry Analysis of ICRP Costs,” May 19, 1995 COU Arch. D3 R20.

<sup>492</sup>OUSA news release, September 4, 1997, COU Arch. D3 R35.

<sup>493</sup>Angus Reid (1998b).

<sup>494</sup>CFS-O, “Compromising Access: Executive Summary,” presented to COU October 24, 1997, COU Arch. D3 R35.

implementation of fee deregulation – showed that the public was evenly divided about the merits of asking graduates of professional programs such as medicine, law, dentistry and engineering to pay higher fees that reflected their future earning potential.<sup>495</sup> By December 1999, asked to state on a scale of 1 (disagreement) to 10 (agreement) whether “postsecondary education in Ontario is too expensive for the average person to afford,” respondents gave a mean response of 7.5.<sup>496</sup> Another poll available to the government, taken in January 2001, asked respondents to name “the biggest issue facing Ontario’s universities today”; the largest single response, at 37 per cent, was “tuition/costs too much.”<sup>497</sup>

With large technical issues unresolved and potentially significant long-term costs, with negligible cooperation from the federal government and the chartered banks, with its plans for partially deregulated tuition fees fully in place, and with diminished public support for any program associated with pushing fees even higher, the government had many reasons to scale back its plans for an ICLRP and few reasons to push ahead. Instead of pursuing its promised ICLRP, it chose to enhance its program to subsidize the interest costs facing students who experience low incomes in the first five years after graduation – a program introduced by the Liberal government in 1987. This measure was harmonized with a similar federal government program and was coupled with a new federal government program that would forgive a portion of graduates’ debt if they were still experiencing low incomes five years after leaving school. With these programs in place, the Progressive Conservative government determined that it had pushed the concept of income-contingent repayment as far as was practical and as far as was politically necessary.

### ***Consolidation and legitimation***

These changes to tuition policy and student aid were followed by a period in which the government consolidated its gains and attempted to rebuild bridges with the families of university students and with the student aid policy network.

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<sup>495</sup> Angus Reid (1998b).

<sup>496</sup> Angus Reid (2000).

<sup>497</sup> Environics (2001), 49-52.

Re-establishing relations with the policy network was largely symbolic and came at little cost to the government. As early as November 1997, OUSA had called for the establishment of a minister's advisory committee on OSAP, recognizing that the multitude of changes to means-testing and administration was affecting students in ways that stakeholder groups had difficulty in understanding or influencing. Minister Johnson agreed to establish such a committee and convened its first meeting in late 1998, involving students, postsecondary institutions, lenders and others.<sup>498</sup> By this date most of the Progressive Conservative government's reforms to student aid had been implemented, but the committee nevertheless provided a vehicle for information-sharing and for planning the introduction of Canada Millennium Scholarships, and its formation ended a period when stakeholders and government communicated about OSAP primarily through news releases.

Rebuilding relationships with the families of university students came at a much higher financial cost. Beginning in 1997, the federal government introduced or enhanced tax benefits to support postsecondary students or their parents. These benefits included grants for parents saving for their children's education, credits for tuition and student living costs, and credits for interest costs paid by graduates on government student loans. Tuition credits not needed by the student – which formerly would have been lost entirely – were made transferable to parents.

Like most provinces, Ontario automatically paralleled these measures. The combined federal and provincial tax expenditures for postsecondary education in Ontario grew from \$250 million in 1993 to \$700 million in 2002,<sup>499</sup> of which about one-third was paid by the provincial government. This increase substantially affects how we interpret the apparent savings in government student aid costs shown in Table 7.3. Governments were

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<sup>498</sup>OUSA news release November 21, 1997, COU Arch. D3 R35; letter from D. Johnson to I. Clark, October 29, 1998, COU Arch. D2 R2. Membership included the Ontario Undergraduate Student Alliance, the Ontario Community College Students Parliamentary Association, COU, the Association of Colleges of Applied Arts and Technology, the Ontario Association of Student Financial Aid Officers, the Ontario Association of Career Colleges, the Canadian Federation of Students - Ontario, the colleges' Council of Regents, banks that issued student loans, and the Ontario Parent Council.

<sup>499</sup>Rae (2005), 18.

able to retrench direct spending on student aid, but some of the savings were given up through increased tax expenditures. Unlike direct spending on student aid, most of which was income-tested and was focussed on current students and recent graduates, the benefits of these tax expenditures were available to taxpayers in every income bracket, and their design was intended to reduce the concerns of many middle-income and upper-income families about the rising cost of university education. Thus the progressive effect of higher tuition fees – putting more of the cost of university onto those who benefit from it, while helping those with low incomes – was in part countermanded by the need to help middle-income families.<sup>500</sup>

The final step in consolidating the government's gains came at the expense of the universities. The government decided in March 2000 to limit increases in regulated tuition fees to 2 per cent annually for five years. This measure was justified on the grounds that the Common Sense Revolution promise of restoring students' share to the "reasonable and affordable 35% level"<sup>501</sup> had been achieved, and a multi-year plan would give parents – who were already expressing anxiety about the expected effects of the double cohort – greater certainty about future tuition costs. The government continued to permit higher increases in programs where fees had been deregulated. With this decision, the government moved to defuse tuition and student aid as potential issues for the remainder of its mandate.

### **Conclusions of this chapter**

The events described in this chapter suggest that the accessibility aspect of the Access and Equality Paradigm was significantly weakened in the 1990s – and in particular, that low-income students could no longer depend on federal and provincial government programs for loans and grants that would fully finance the up-front costs of attending university. The provincial Progressive Conservative government transferred a portion of this responsibility to individual universities. This change occurred even as both levels of governments continued to affirm their commitment to financial accessibility.

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<sup>500</sup>Usher (2004) has shown that the combined effect of these tax expenditures is mildly regressive. For further details on tax expenditures, see Junor and Usher (2002), 169.

<sup>501</sup>Ontario Progressive Conservative Party (1999), 44.



We can see in these events the effect of institutions in protecting and carrying forward (or not) an established paradigm. In chapter 4 I argued that the Access and Equality Paradigm has been carried forward by three institutions established in the 1950s – the university statutes, the operating grants formula, and the closed COU-ministry policy network. Yet these institutions gave no specific protection to accessibility for low-income students: the level of tuition fees was subject to annual political negotiation since the 1960s, and OSAP assistance levels and eligibility rules were regularly adjusted over the years. Accessibility – as it relates to low-income students – was sustained principally by its deep resonance in the values of political actors, including those in the government-university policy network, and among the public at large. Yet public support for assistance to low-income students was not absolute and was shaped by perceptions about whether university students were privileged and whether they were working sufficiently hard at their studies.<sup>502</sup> Thus it is perhaps not surprising that these policies were vulnerable during a fiscal downturn.

Explaining the specifics of this course of events bring us back to Pierson's predictions about how different types of policy feedback may affect the success of retrenchment strategies. Table 7.4 compares Pierson's views with my findings in this case, which I discuss in the remainder of this chapter.

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<sup>502</sup>Polling in 1998 found that 67 per cent of respondents thought the current OSAP system was fair, and 75 per cent thought it was effective in making postsecondary education accessible to all Ontarians. (Angus Reid Group 1998c, 26-27) Respondents had mixed feelings about need-based grants to students. Fifty-three percent thought that government grants should be based on the need of students who would otherwise be unable to afford postsecondary education, while 44 per cent thought they should be based on merit as a reward for students with good grades (Angus Reid Group 1998c, 28) – a remarkable finding given that, since 1966, OSAP had devoted virtually all of its grants to students based solely on need. A separate poll showed that, while nine out of 10 respondents approved of government support for needs-tested repayable loans and for scholarships, only two-thirds supported needs-tested grants. (Angus Reid Group 1998b).

**Table 7.4: Effect of policy feedback on retrenchment in tuition and student aid**

| FEEDBACK TYPE           | PREDICTED IMPACT<br>(Pierson 1994)   | FINDINGS  |
|-------------------------|--|---|
| Interest group activity | Substantial impact, but there may be options to neutralize impacts (division of program supporters, compensation)        | <p>Student opposition to higher tuition and higher debt was neutralized in the short term due to unique structural characteristics of students, especially high turnover. Government strategies affected new and future students more than students nearing graduation.</p> <p>Student opposition was partly effective in the medium term in creating public concern about affordable access (but tempered by public reservations about grants to students).</p>  |
| Lock-in effects         | Substantial impact in specific sectors   | <p>Structure of OSAP created multiple vetoes (federal government, banks) that prevented implementation of ICLRP.</p> <p>Higher tuition fees created concerns among parents and students whose preparations for university were premised on lower tuition rates (leading to need to introduce new tax expenditures).</p>   |
| Policy learning         | Negligible impact  | High impact. Rapid learning about effects of 1993 reforms led to further reforms in 1997 and 1998 to tighten means-testing, reduce defaults and improve repayment rates.  |
| Information effects     | Substantial impact (creation of opportunities for retrenchment advocates to reduce visibility or obscure responsibility) | <p>Information effects can be seen, but government motives are difficult to prove and may have benign explanations. Some government strategies had the effect of delaying visibility (e.g. design of 1993 loan forgiveness program, freeze on weekly maximum assistance after 1993) and obscuring responsibility (e.g. integration of Canada Millennium Scholarships with OSAP, introduction of new provincial scholarships, requirements for universities to provide student aid).</p> <p>Defenders of existing programs used information strategies (e.g. \$25,000 student debt figure).</p> <p>Ability to use information strategies is heightened when information on policy impacts is difficult to obtain or takes a long time to gather.</p> |

### *The effect of interest groups*

The information in this chapter confirms Pierson's view that the task of defending programs against retrenchment falls mainly to program beneficiaries, with some assistance from program providers. The most active participant in defending low tuition fees and a

student aid program oriented to grants rather than loans was one of the two provincial associations of university students, along with its national counterpart. On specific program design issues, student organizations received occasional support from student financial aid administrators at universities and colleges and from banks participating in OSAP, who questioned the wisdom of an ICLRP premised on higher debt levels and repayment periods of twenty years or more. Other participants in the policy network urged the government to ensure that student aid programs continued to make university education affordable for low-income students, with COU advocating an ICLRP; however, these groups generally did not engage in program design issues or conduct an active advocacy campaign with respect to these issues.

The one attempt to develop a consensus on OSAP reforms that would reduce costs to government, in 1991-92, led to support for the status quo, an outcome unacceptable to government. A formal consultation process was re-established in late 1998, by which time the major retrenchment of OSAP and increases in tuition fees had already occurred. In the meantime, the defence of the status quo was left to province-wide student organizations and so was affected by the structural weaknesses of such organizations. In particular, the continuous turnover of students – as senior students graduated and new ones entered – worked in favour of retrenchment by reducing the impacts of policy changes on many students. Reforms had the greatest cumulative effect on new students and prospective students, while more senior students, who might have been expected to be more aware of student aid and tuition issues, could foresee that they might only be affected for a year or two. This turnover was in effect a partial automatic grandparenting of senior students from the effects of retrenchment. Student leaders, who themselves may or may not have had a multi-year commitment to student politics, faced the challenge of mobilizing support from a membership that was divided in this way. The deregulation of fees in specified programs created another division among students, as some students were affected far more than others by rising tuition fees.<sup>503</sup>

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<sup>503</sup>By 2003-04, 87.1 per cent of undergraduate university students were paying less than \$5,000 per year for tuition, while only 1.8 per cent were paying more than \$9,000. These

(continued...)

While student groups were not able to prevent the changes to tuition and student aid that happened in the 1990s, there is some evidence that they were eventually effective in persuading the public that increases in tuition and student debt had gone far enough or too far. By 1998 – after seven years during which tuition fees had more than doubled – polling showed that 87 per cent of respondents thought university and college tuition was too high. Fifty-nine per cent of those with children in elementary and secondary education thought it was “much too high” (compared with only 42 per cent of those attending postsecondary education or with a family member in postsecondary education).<sup>504</sup> Another poll in 2000 found 82 per cent opposed to “increasing tuition fees so that college and university students pay more of the actual costs of education,” with 63 per cent “strongly” opposed.<sup>505</sup>

There is also evidence that student groups were effective in communicating with the public about student debt levels. A September 1998 poll showed that half of the respondents estimated the average debt of an Ontario university graduate to be \$20,000 or more, with the average estimate being \$26,000.<sup>506</sup> These figures are in line with the estimate of \$25,000 that had been central to the communications campaign of the Canadian Federation of Students starting in 1996.<sup>507</sup> The government’s argument that its policies in its first term “brought

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<sup>503</sup>(...continued)

figures exclude master’s and doctoral students. See Rae (2005), 102.

<sup>504</sup>Angus Reid Group (1998c), 14, 28.

<sup>505</sup>Angus Reid Group (2000), 1.

<sup>506</sup>Angus Reid Group (1998c), 24.

<sup>507</sup>According to MTCU, the actual average repayable debt to OSAP for a four-year university graduate in 1998-99 was \$20,496; this average includes students who received OSAP at any time during their university studies, but excludes those who never used OSAP. According to the Association of Colleges and Universities of Canada, “[t]he figure of \$25,000 comes from Human Resources Development Canada, and was first printed in the Report of the Ministerial Task Force on Youth (July 1996), and subsequently in many departmental documents. The figure refers specifically to the average level of debt incurred by students who borrowed to finance their studies, graduating from a four-year program [in any province].” It originally was a projection for 1998 graduates but had since been deferred to 1999. (AUCC “President’s Letter,” April 2, 1998, COU Arch. D2 R49)

tuition fees back to the reasonable and affordable 35 per cent level [of the total cost of university]”<sup>508</sup> had mixed success. In a 1998 poll, respondents on average estimated that university students were paying 56.1 per cent of the cost of their education (with 14 per cent not venturing an estimate), and on average they proposed that students should be paying 50 per cent of the cost.<sup>509</sup> When informed in a poll in 2000 that university students were paying about 35 per cent of university costs, 45 per cent thought students should pay a smaller portion, 45 per cent about the same, and 7 per cent a greater portion.<sup>510</sup>

***Lock-in effects from legacy policies***

My findings demonstrate the barriers to reform that were presented by the structure of OSAP. The New Democratic and Progressive Conservative government both looked closely at an ICLRP but, faced with the complexities of implementation, opted instead for simpler changes that would produce immediate savings. (The same can be said for the federal Liberal government in 1994-95.)

The Progressive Conservative government made the strongest try, but made little headway against a complex federal-provincial program. The majority of student debt was owed under the federal program. The federal government was skittish about the ICLRP concept after 1995 and locked into a multi-year student loan collection agreement with the chartered banks that could only be broken at a significant cost. The federal government also controlled the income tax collection system and had reservations about using this system as a student loan collection device, for fear that this might discourage some new graduates from filing tax returns. The process of seeking cooperation from the federal government and the

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<sup>508</sup>Ontario Progressive Conservative Party (1999), 44. This claim may appear to be at odds with the data in table 7.1, but in fact there are numerous ways to calculate tuition’s share of university funding, depending on the treatment of international students, revenue sources other than tuition and MTCU grants, and student assistance expenditures. Premier Rae (2005, 103) determined that, netting out all of the tuition-related student aid and tax relief provided to students and their families, students on average were paying 25 per cent of universities’ operating costs.

<sup>509</sup>Angus Reid Group (1998c), 22-23.

<sup>510</sup>Environics (2000), 51.

banks consumed several years of the Progressive Conservative government's mandate, during which it also faced the rising costs of student loan defaults as the full impact of the 1993 reforms was felt. Rather than introduce new administrative processes to support an ICLRP that would affect only the Ontario portion of a student's loan, the government chose to adopt modest measures targeted at students who specifically requested assistance due to low incomes after graduation.

Changes to family finances engendered by higher tuition and retrenched student aid in the 1990s may have produced a different kind of lock-in effect. Rapid changes in public support for families sending their children to university – like changes in how people buy their first home or finance their retirement – raise the political problem of how to deal with opposition from those caught at the cusp of change. Prior to 1993, many middle-income families might reasonably have expected to pay the cost of their children's university education out of current cash flow, rather than by saving in advance. Policy changes in the 1990s effectively introduced a new expectation that middle-income families should save in advance for their children's education; indeed, the federal government enhanced Registered Education Savings Plans to subsidize this saving. But families with students entering university in the mid-1990s were caught off guard: the changes came too suddenly for many of them to build up savings, and so they had limited choices, one of which was to see their children graduating with high levels of debt. There is not enough information available from opinion polls or other data to prove the political impact of these families. We can nevertheless infer their political impact from the many tax measures introduced to assist families with the cost of postsecondary education.

### ***Policy learning***

Pierson found that policy learning by program administrators and other experts had little effect on the ability of government to retrench programs successfully. My finding is that policy learning can in fact be essential to ensure that the goals of retrenchment are achieved.

Policy learning may be relatively unimportant when the government's role is to establish an incremental increase or decrease in an established program – for instance, to decrease grants to universities by  $x$  per cent or increase tuition by  $y$  per cent. But policy

learning proved to be highly important in changing OSAP to emphasize loans rather than grants. The 1993 reforms obliged students to take on more debt, but appeared to assume that the debt collection mechanisms then in place would be adequate to ensure a high level of debt repayment. The rapid rise in loan default costs in the mid-1990s required officials to identify and gain approval for a complex menu of strategies to identify students at high risk of not repaying and either refuse to issue loans to them or strengthen their incentives to repay. Had these strategies not been put in place, the savings to government from reducing grants to postsecondary institutions might have been outweighed by the increase in bad debt expense. In general, we would expect that policy learning will be highly important in any retrenchment policy where the effects of retrenchment may come back to haunt the government in unintended ways.

### *Information effects*

Pierson found that governments engaged in retrenchment could be expected to adopt information strategies that delayed public understanding of the impacts of retrenchment and that obscured government responsibility. My finding is that, while governments in this case sometimes adopted strategies that fit Pierson's description, Pierson is too quick to attribute motives to governments for strategies that may have benign justifications. Pierson also gives little attention to the information strategies used by program beneficiaries. In my view, the process of shaping public opinion is better seen as a struggle among parties with limited resources and incomplete information about the future impacts of complex changes, rather than as a one-sided activity by government.

A number of government actions during this period fit Pierson's description of an information strategy that delays public understanding of the impact of retrenchment. Yet in some cases these decisions had a positive objective. For example, the 1993 reforms to OSAP had little immediate effect on student debt: not until four years later did any student graduate with the maximum repayable debt of \$24,000 for a four-year student. But it would be unreasonable to argue that the program was designed to delay public understanding. It is in the nature of student loan programs that many policy changes have a delayed effect: after the changes are announced, several years may pass as students receive loans and then eventually hold debt as graduates. A better example of the phenomenon that Pierson describes is the

freeze on OSAP's maximum support to students after 1993: by not raising the maximum, both levels of government avoided costs in a way that was largely invisible.

Likewise, Pierson's description of strategies that obscure responsibility ascribes motives that may not exist. The government's decision to partially deregulate tuition fees had the effect of directing some student protests to university boards of governors that might otherwise have been directed to the government. But to call this a strategy to obscure responsibility misses other possible rationales (such as encouraging greater differentiation and competition among universities) and requires an attribution of motives for which evidence may not be available. Likewise the introduction of new student assistance programs at both the federal and provincial level, and the requirement that universities devote additional resources to student aid, had the effect of increasing complexity and obscuring responsibility, but the motivation for each may have been to improve support for students in ways that governments felt were affordable and that would reflect public ambivalence about whether grants to students should be based on need or academic merit. Actions may have more than one motivation, and documenting motivation is extraordinarily difficult.

A better picture of the use of information to sway public opinion would take into account the opportunities that incomplete information creates for both supporters and opponents of retrenchment. Between the time that a government makes a decision and the time the decision actually affects program beneficiaries, supporters and opponents are both engaged in public predictions about the decision's impacts. For complex social programs that rely on both administrative rules and financial incentives to shape individual behaviour, proving impacts in advance is impossible, and so participants in public debate must resort to predictions that, at best, are informed as much as possible by comparable cases in other programs or other jurisdictions. The lag between decision and impact, and between impact and the measurement of impact, means there is a long period during which the absence of hard information creates opportunities for both supporters and opponents to sway public opinion through reason and emotion.

This lag overlaps with the normal election cycle: ideally a newly-elected government might wish to decide on program changes, implement them, gather data on the impacts, and



communicate the positive effects of the changes all within one mandate. But to do all of this for a complex program in a four-year mandate may preclude undertaking significant research and public consultation before decisions are made. An additional factor – crucial for governments that have committed to multi-year budget targets – is that the timing of change must be consistent with meeting these targets.

In the case of partial tuition deregulation and student aid reform, we have seen that changes in 1993 came after two years of consultations that produced no consensus on possible savings for government in the face of ever-increasing deficits, and changes in 1995 and 1996 were introduced without any consultation other than the 1995 election campaign itself. The first measurement of impacts on accessibility came each fall, when enrolment data made it possible for governments to calculate participation rates (which, as we saw in table 7.2, rose throughout the period under study). Yet this crude measure of accessibility left open many questions – for example, whether universities were admitting well-off students with lower marks to fill in for poorer students with higher marks who could no longer afford to attend – which take longer to answer or are virtually unanswerable.

I would argue that long periods of uncertainty about impacts are typical of most policies intended to affect individual behaviour, and that this uncertainty may work in favour or against government retrenchment strategies, depending on the relative effectiveness of supporters and opponents in taking advantage of uncertainty. The pressure of budget targets and election dates removes some of the opportunities for gathering information before decisions are made, and the gathering of information about impacts after decisions are implemented may or may not take place in a time frame that is helpful to retrenchment supporters. This account is different from the government-centred account of information strategies that Pierson adopts.

### *Systemic retrenchment*

Finally, Pierson notes that programmatic retrenchment is most effective when it takes the form of, or is accompanied by, systemic retrenchment – that is, by policy changes that increase the likelihood of future retrenchment. As examples, he lists policies that weaken future government revenues, weaken public opinion in favour of the welfare state, change political institutions in ways that change how future political decisions will be made (such as

by decentralizing decision-making or allowing private providers), or that weaken interest groups that support the welfare state.<sup>511</sup>

Again we would note the importance of distinguishing between government motive and policy impact. For example, it can reasonably be argued that reduced tax revenues in a jurisdiction have the impact of curbing the growth of welfare state programs; but to prove that a government's motive for tax cuts was to retrench the welfare state is more difficult.

With this said, I agree with Pierson that some forms of program retrenchment are more difficult to reverse than others and hence are more likely to outlast the government that introduced them. First, and most obviously, a policy of partially replacing government grants to universities with higher tuition fees can only be reversed if governments have the revenue to restore grants to previous levels and are willing to make this a priority in the face of intense competition from other programs. To "buy down" a mass program such as university tuition fees is expensive; to buy down only the most egregious cases (such as law school tuition fees) is less expensive, but concentrates the benefit on fewer students. In such a case, it is more likely that subsequent governments will freeze the effects of retrenchment rather than reverse them.<sup>512</sup>

Even more problematic is the task of reversing student aid responsibilities that have been devolved to individual universities. The government's program to encourage universities to raise trust funds for student aid was far more successful for some universities than others, amplifying the effect of differences among universities in their fund-raising capacities. Since the trust funds were to be owned by the universities, the effects of this program would be irreversible (unless a government wished to adjust its future grants to universities to equalize the impacts – an unlikely scenario that would discourage future philanthropy). Likewise the government's policy of requiring universities to set aside a portion of tuition increases for student aid meant that universities became a major provider of grants to students, without a clear integration between government programs and university

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<sup>511</sup>Pierson (1994), 146-163.

<sup>512</sup>The Liberal government elected in 2003 campaigned on, and implemented, a two-year freeze on regulated and deregulated fees, pending the development of a new policy.

programs. For a subsequent government to reverse this policy – by disentangling responsibilities for student aid, or by requiring universities to disburse their student aid money in a way that meets government objectives – would generate formidable challenges from universities that had become accustomed to autonomy in this area.

The other forms of systemic retrenchment that Pierson lists are not observable in this case. While governments sought public support for their policies, no evidence is available to show that they attempted to influence public opinion against universities as institutions or to undercut the organizational capacity of student groups that opposed government policy. It is not possible here to determine whether the Progressive Conservative government's tax cuts were a significant form of systemic retrenchment, since doing so would require a capacity to link tax rates, economic growth, government revenues and government expenditure decisions in a way that is beyond the scope of this research.

I find, then, that Pierson's description of retrenchment is helpful in explaining the effectiveness of governments in 1990s in significantly revising the Access and Equality Paradigm as it applies to tuition and student aid. While there was much continuity in total university funding and in the structure of the university system, the role of students in funding the system changed significantly, and government support for financial accessibility was revised in ways that reduced the accountability of the provincial government in favour of a more diffused system whose impacts on students remain difficult to measure.

## **PART FOUR: THE POLITICS OF RENEWAL**

### **8 UNIVERSITY RESEARCH**

#### **Overview of this chapter**

The evolution of university research policy during the period of this study conforms very closely to Hall's model of a paradigm shift. There was broad dissatisfaction with established strategies for economic development; policy innovators outside of government argued for a new approach to economic development that included a large role for university research; government experimented with the new approach while attempting to fix the old; and over time political actors declared the new paradigm to be authoritative and, based on it, introduced new university research programs valued in the hundreds of millions of dollars.

Yet the introduction of this new paradigm – what I will call the Research Excellence Paradigm – was more complex than Hall's model would suggest. The Research Excellence Paradigm was intended to replace an old paradigm of how governments should promote economic development. Its stated purpose was not to replace the universities' Access and Equality Paradigm; indeed, many of its proponents were simply unaware of the Access and Equality Paradigm, and so they layered the Research Excellence Paradigm over top of it. The two co-existed uneasily, and the conflicts between them were sometimes mediated by government and sometimes simply denied for lack of evidence. There was no reason to expect the new paradigm to replace the old; instead, its presence reshaped how government looked at universities and opened new debates about university policy issues that had remained settled since the 1960s.

The processes by which the new paradigm was introduced were also distinctive and in some ways more complex than in the cases on which Hall's model is based. The challenge faced by the provincial government was to introduce a paradigm that supported excellent research performance into a policy network that was founded on the formal equality of each university and that had repeatedly rejected efforts to impose specialized or differentiated roles in favour of consensus-based policies that benefited every university on a roughly equal basis. The provincial government made tentative approaches to resolving this conundrum in the 1980s that centred on taking university research policy out of the hands of

the established ministry-COU policy network and assigning it to other agencies for policy development and implementation. As the crisis of public sector finances deepened in the 1990s, for both governments and universities, new strategies became possible: as we shall see, the university community became fractured, with one fragment allying itself with the federal government to achieve a breakthrough that forced the provincial government's hand. This sequence suggests that – consistent with Baumgartner and Jones' observations about agenda-setting in federal states – the opportunities to challenge established paradigms and experiment with new ones may be more numerous in an federal state with overlapping areas of jurisdiction than in a unitary state.

I label these events “the politics of renewal” because they demonstrate how, after years of flat or reduced operating budgets, universities were able to gain access to substantial new resources to advance their research ambitions. I will suggest that the politics of renewal is different from the politics that established the welfare state. Even in a period when budgets are balanced, growth in public sector demands exceeds growth in revenues, and so governments are required to be selective about which areas of the public sector to renew. In this environment, governments are reluctant to create new institutions with long-term funding requirements, and so are more likely to look favourably on established institutions that governments believe can carry out new functions that are of broad public interest. They are also reluctant to re-establish a sense of entitlement on the part of publicly-supported institutions, and so notions of performance and accountability become more prominent. While this environment creates new opportunities for institutions that are able to align themselves with it, it also raises questions about the status of those which are less able to do so. In the conclusion to this chapter we will return to the question of how selective renewal affects the status of welfare state institutions.

### **What happened to university research funding between 1985 and 2002?**

We saw in chapter 4 that the Access and Equality Paradigm provided a single grant to each university to support both teaching and research, calculated as an equal amount per student, weighted by program. The premise of the grant was that every university should engage in both teaching and research and that students in every program should benefit from faculty whose teaching is informed by their direct participation in research. At the same

time, it was left to individual universities to decide the balance between teaching and research for the institution as a whole and for individual departments and faculty members. Additional federal funding was directed to university research, primarily through the three granting councils.

During the period of this study, the federal and provincial governments substantially increased their financial support for research across the university system. This change is important for several reasons. The size of the increase suggests a new-found priority for university research during years when both levels of government were fighting deficits and had little money for new initiatives. Coming during years when the provincial government was reducing per-student operating grants, and when total operating funding per student was pressed to keep up with inflation, the increase suggests a change in the provincial government's expectations for the university system. The distribution of the new provincial research funding by university mimicked the federal distribution and so was vastly different from the distribution of operating grants, representing a break with the principle of geographic equality in the distribution of public benefits that formed part of the Access and Equality Paradigm. The concentration of these new resources on some universities rather than others raises questions about whether the provincial government, in following the federal government's lead, was pulling back from the principle of providing students with access to a single tier of high-quality universities.

***Increase in government funding for research-related programs***

Federal government grants and contracts to Ontario universities – most of which are for research – totalled \$767.9 million in 2002-03.<sup>513</sup> In constant dollars, this amount was 128 per cent higher than in 1987-88. Almost all of the growth took place in the years after 1997-98.

To express this change in a different way, for every dollar the universities received from provincial operating grants and tuition and fees, federal grants and contracts added an extra 13 cents in 1987-88 and an extra 21 cents in 2002-03 – suggesting the increased importance of direct federal funding in university budgets. Provincial grants to universities

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<sup>513</sup>COU (2004a), 12.

for sponsored research provided an additional \$306 million in 2002-03.

***Distribution of government funding for research-related programs***

These increases reflect the effect of increased budgets for the three federal granting councils (the Natural Sciences and Engineering Granting Council, the Social Sciences and Humanities Research Council, and the Canadian Institutes for Health Research), the introduction of high-profile research-related programs at both the federal and provincial levels, and the expansion of other smaller programs.

Table 8.1 shows how federal funding has been distributed by university for the three largest new federal programs – the Canada Foundation for Innovation, the Canada Research Chairs, and the Indirect Costs Program – and for the three federal granting councils. The table is constructed using the same methodology as Table 5.6. The table shows each university's share of Basic Income Units – in other words, its share of enrolments, weighted by program, that formed the basis for distributing most operating grants and tuition income under the provincial formula established in 1967. It then shows each university's share of funding in Ontario under the federal program, and the ratio of the two shares. A ratio greater than 1.00 means that the university is receiving more from the federal research-related program than it would have received if those same dollars were distributed using the province's operating grants formula.

The ratios demonstrate that funding in the research-related programs has been distributed much differently than operating grant funding. Three universities consistently received at least 20 per cent more than their BIU share under the research-related programs (McMaster, Queen's and Toronto), and three others were not far behind (Guelph, Waterloo and Western). Seven universities consistently received less than 80 per cent of their BIU share under the research-related programs. The other five universities fell somewhere in between. It can also be seen that there has been a wide variance, with some universities receiving almost twice their BIU shares and some receiving little or nothing.

These outcomes reflect each university's ability to compete for funding within the rules established by the federal government for each program. Ability to compete is partly related to personnel (for example, the creativity and industriousness of individual faculty), but it is also related to program design and to structural factors in the university that are

difficult to change except in the long term.<sup>514</sup>

Table 8.2 shows comparable data for the two large Ontario government programs established in the late 1990s – the Ontario Research and Development Challenge Fund and the Ontario Innovation Trust. For these programs the distribution is similar to that for the federal programs: the same six universities received much more than their BIU share and were joined by Ottawa, while the same seven receive much less than their BIU share and were joined by Trent. As with the federal programs, there was a wide variance among the universities.

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<sup>514</sup>For example, the federal government decided to allocate 45 per cent of the funds for the three granting councils to the CIHR and 9 per cent to SSHRC. This decision made it highly likely that universities with medical schools would receive more money than those without. Ninety-six per cent of the CIHR funds in Ontario were awarded to the five universities with medical schools.



**Table 8.1: Distribution of federal research funding to Ontario universities**

| university      | share of BIUs (2002-03)(1) | Canada Foundation for Innovation (cumulative, to November 2004) |             | Canada Research Chairs (cumulative, to November 2004) |             | Indirect Costs (2003-04) |             | Research Granting Councils (2002-03) |             |
|-----------------|----------------------------|---|-------------|---|-------------|--------------------------|-------------|--------------------------------------|-------------|
|                 |                            | share   | ratio(2)    | share   | ratio(2)    | share                    | ratio(2)    | share                                | ratio(2)    |
| Brock           | 2.91%                      | 1.18%   | <i>0.40</i> | 1.00%   | <i>0.34</i> | 1.15%                    | <i>0.40</i> | 0.83%                                | <i>0.29</i> |
| Carleton        | 5.27%                      | 9.11%   | <b>1.73</b> | 3.73%   | <i>0.71</i> | 4.68%                    | 0.89        | 2.84%                                | <i>0.54</i> |
| Guelph          | 5.48%                      | 8.25%   | <b>1.50</b> | 5.00%   | 0.91        | 5.80%                    | 1.06        | 4.92%                                | 0.90        |
| Lakehead        | 1.77%                      | 0.78%   | <i>0.44</i> | 0.70%   | <i>0.40</i> | 0.89%                    | <i>0.50</i> | 0.59%                                | <i>0.33</i> |
| Laurentian      | 1.70%                      | 0.52%   | <i>0.30</i> | 1.47%   | 0.86        | 1.39%                    | 0.82        | 0.44%                                | <i>0.26</i> |
| McMaster        | 6.36%                      | 10.76%  | <b>1.69</b> | 11.38%  | <b>1.79</b> | 9.74%                    | <b>1.53</b> | 10.97%                               | <b>1.73</b> |
| Nipissing       | 0.78%                      | 0.03%   | <i>0.04</i> | 0.00%   | <i>0.00</i> | 0.01%                    | <i>0.02</i> | 0.02%                                | <i>0.03</i> |
| Ottawa          | 7.89%                      | 9.30%   | 1.18        | 7.23%   | 0.92        | 8.36%                    | 1.06        | 9.02%                                | 1.14        |
| Queen's         | 6.13%                      | 7.57%   | <b>1.24</b> | 7.34%   | <b>1.20</b> | 7.90%                    | <b>1.29</b> | 8.56%                                | <b>1.40</b> |
| Ryerson         | 6.06%                      | 0.51%   | <i>0.08</i> | 0.60%   | <i>0.10</i> | 1.04%                    | <i>0.17</i> | 0.69%                                | <i>0.11</i> |
| Toronto         | 19.60%                     | 24.30%  | <b>1.24</b> | 34.37%  | <b>1.75</b> | 31.86%                   | <b>1.63</b> | 40.63%                               | <b>2.07</b> |
| Trent           | 1.49%                      | 1.17%   | <i>0.79</i> | 1.20%   | 0.80        | 1.20%                    | 0.80        | 0.67%                                | <i>0.45</i> |
| UOIT            | 0.00%                      | 0.02%   | -           | 0.29%   | -           | 0.00%                    | -           | 0.00%                                | -           |
| Waterloo        | 7.37%                      | 9.04%   | <b>1.23</b> | 7.67%   | 1.04        | 7.79%                    | 1.06        | 6.38%                                | 0.87        |
| Western         | 9.31%                      | 12.80%  | <b>1.38</b> | 9.62%   | 1.03        | 9.75%                    | 1.05        | 7.78%                                | 0.84        |
| Wilfrid Laurier | 2.83%                      | 0.96%   | <i>0.34</i> | 1.08%   | <i>0.38</i> | 0.88%                    | <i>0.31</i> | 0.49%                                | <i>0.17</i> |
| Windsor         | 3.76%                      | 1.25%   | <i>0.33</i> | 1.78%   | <i>0.47</i> | 2.79%                    | <i>0.74</i> | 1.62%                                | <i>0.43</i> |
| York            | 10.68%                     | 2.44%   | <i>0.23</i> | 5.53%   | <i>0.52</i> | 4.77%                    | <i>0.45</i> | 3.53%                                | <i>0.33</i> |
| TOTAL           | 100.0%                     | 100.0%  |             | 100.0%  |             | 100.0%                   |             | 100.0%                               |             |
| <i>amount</i>   |                            | \$729.3 million   |             | \$482.4 million                                       |             | \$83.4 million           |             | \$408.9 million                      |             |

(1) "BIU" is Basic Income Units – i.e, the number of students, weighted by program, who are eligible to be counted under the MTCU operating grant formula. OCAD is not shown.

(2) "Ratio" is the ratio of a university's share of research funding to its BIU share. For convenience, ratios of 1.20 or greater are shown in **bold**; ratios under 0.80 are shown in *italics*.

SOURCES: BIUs: COU (2004b), 9.

CFI: <http://www.innovation.ca/projects/index.cfm> , accessed January 10, 2005. Excludes awards to teaching

hospitals and other institutions.

CRCs: [www.chairs.gc.ca/web/chairholders/reports/ViewReport\\_e.asp?id=138](http://www.chairs.gc.ca/web/chairholders/reports/ViewReport_e.asp?id=138) , accessed January 10, 2005.

Includes approved nominees only; additional chairs were allocated but the nominees not yet approved.

Indirect Costs:[http://www.indirectcosts.gc.ca/publications/Brief04\\_e.pdf](http://www.indirectcosts.gc.ca/publications/Brief04_e.pdf), accessed January 10, 2005.

Granting Councils: COU (2004b), 37.

Calculations by the author.

**Table 8.2: Distribution of provincial research funding to Ontario universities**

| university         | share of BIUs<br>(2002-03)(1) | Ontario Innovation Trust<br>(cumulative, to March 2003) |                 | Ontario R&D Challenge Fund<br>(cumulative, to February 2005) |                 |
|--------------------|-------------------------------|---|-----------------|--|-----------------|
|                    |                               | share   | ratio(2)        | share  | ratio(2)        |
| Brock              | 2.91%                         | 0.24%   | 0.08            | 0.00%  | 0.00            |
| Carleton           | 5.27%                         | 5.74%   | 1.09            | 1.27%  | 0.24            |
| Guelph             | 5.48%                         | 8.07%   | <b>1.47</b>     | 4.74%  | 0.87            |
| Lakehead           | 1.77%                         | 0.37%   | 0.21            | 0.00%  | 0.00            |
| Laurentian         | 1.70%                         | 0.53%   | 0.31            | 1.42%  | 0.83            |
| McMaster           | 6.36%                         | 10.01%  | <b>1.58</b>     | 14.56%   | <b>2.29</b>     |
| Nipissing          | 0.78%                         | 0.00%   | 0.00            | 0.00%  | 0.00            |
| Ottawa             | 7.89%                         | 11.90%  | <b>1.51</b>     | 13.05%   | <b>1.65</b>     |
| Queen's            | 6.13%                         | 10.33%  | <b>1.69</b>     | 8.05%  | <b>1.31</b>     |
| Ryerson            | 6.06%                         | 0.57%   | 0.09            | 0.28%  | 0.05            |
| Toronto            | 19.60%                        | 27.80%  | <b>1.42</b>     | 36.64%   | <b>1.87</b>     |
| Trent              | 1.49%                         | 0.52%   | 0.35            | 0.05%  | 0.04            |
| UOIT               | 0.00%                         | 0.00%   | -               | 0.00%  | -               |
| Waterloo           | 7.37%                         | 7.70%   | 1.04            | 9.03%  | <b>1.22</b>     |
| Western            | 9.31%                         | 12.13%  | <b>1.30</b>     | 10.01%   | 1.08            |
| Wilfrid<br>Laurier | 2.83%                         | 1.18%   | 0.42            | 0.00%  | 0.00            |
| Windsor            | 3.76%                         | 1.13%   | 0.30            | 0.46%  | 0.12            |
| York               | 10.68%                        | 1.79%   | 0.17            | 0.45%  | 0.04            |
| TOTAL              | 100.0%                        | 100.0%  |                 | 100.00%  |                 |
| <i>amount</i>      |                               |   | \$514.7 million |  | \$475.9 million |

(1) and (2): See Table 8.1.

SOURCE: OIT: <http://www.oit.on.ca/Pages/Projects.html>, accessed January 10, 2005. Excludes awards to teaching hospitals and other institutions.

ORDCF: Personal communication, ORDCF Secretariat, February 15, 2005. Excludes awards to teaching hospitals and other institutions.

Calculations by the author.

### *Implications for the Access and Equality Paradigm*

The appearance of these large government programs – of which only the federal granting councils existed prior to 1985 – demonstrates, at a minimum, that governments found an objective for universities during the period of this study that is not adequately explained by the Access and Equality Paradigm. The new funding was not related to enrolments and was not spread across all geographic areas of the province. It benefited universities that wished to differentiate themselves based on their strengths in high-cost research, during years when no comparable funding was available to universities that might have wished to differentiate themselves based on other strengths or ambitions. In sum, the new programs suggest that governments wished to layer a new paradigm on top of the Access and Equality Paradigm. For this reason alone, the rise of these programs is worth examining.

A *prima facie* argument can be made that the research-related paradigm was not simply a new layer on top of the established paradigm, but actively conflicted with it by establishing a set of universities that were better able than others to provide high-quality instruction. According to this argument, students at these universities benefit from higher-quality instruction: research informs teaching, and so institutions that are well-funded to do research in certain areas are able to offer a higher quality of instruction in related areas, compared with other institutions that teach in the same areas but receive less funding for research.<sup>515</sup> The benefits for students from higher research funding may also appear in the form of infrastructure that is available to both faculty and students, such as library materials and certain laboratory facilities. Further benefits arise from the fact that funding from the new research-related programs is not confined to direct research costs: for example, the Canada Research Chairs program provides fixed sums to universities that hire certain faculty, and these faculty teach as well as do research. The prestige associated with research grants may also confer a benefit on all of those associated with the recipient university, including the students.

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<sup>515</sup>For an argument in support of the contribution of research to undergraduate teaching, see Rosovsky (1990), 84-98.

In opposition to this view, recipients of funds from these research-related programs argue that in accepting the funds they have taken on equivalent costs in the form of certain research obligations, and so the funds are not directly available to support instruction or other services to students. (The costs may even exceed the revenues, if indirect costs of research are not funded.) Yet another argument is that the faculty attracted to universities with extensive research funding are more likely to demand reduced teaching loads, so that students are taught by less qualified staff;<sup>516</sup> if true, this suggests that research-related programs generate an inequality that works in favour of students at universities that do not receive research funding.

A large literature exists around this debate, and to settle it would require extensive empirical investigation that is beyond the scope of this research. (Indeed, one can imagine that each of the arguments cited might be true in some cases and not in others.) What is not in doubt, as we will see, is that some universities vigorously pursued the creation of these new programs and subsequently benefited from them, while others cautioned against the creation of a two-tier university system. In deciding to create these programs, governments layered a new expectation on the university system that went beyond the Access and Equality Paradigm, and they may have done so at the expense of providing every university with approximately equal resources to educate students.

### **Prologue to 1985**

#### ***The role of research in the Access and Equality Paradigm***

Until the late 1970s, Ontario appears to have had no explicit university research policy. As we have seen, the university funding formula in 1967 simply provided an operating grant to cover the costs of both instruction and research. Nor were there separate provincial programs to develop the universities' research strength.

The reasons were both economic and constitutional. Robust economic growth in the postwar period, based on resource and manufacturing industries, provided rising incomes despite comparatively weak investments in research and development. Many firms in these industries were foreign-owned and had access to technologies based on research performed

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<sup>516</sup>For a recent statement of this argument, see Pocklington and Tupper (2002), 79-120.

by parent corporations. The apparent promise of continued prosperity meant that there was little pressure on the provincial government to fund research.

Constitutionally, the federal government was able to support university research without raising the jurisdictional issues associated with supporting education. The National Research Council began supporting university research shortly after it was established in 1917. At the end of the Second World War its support for university research was a modest \$1 million, plus additional grants for defence research and atomic energy research. Total federal expenditures on scientific research grants and contracts to universities and related institutions reached \$10.3 million by 1958-59 and \$71 million by 1967-68.<sup>517</sup>

With this rapid growth, federal research funding to Ontario universities in 1967-68 was equal to 13 per cent of the value of provincial grants and tuition fees<sup>518</sup> – the same proportion as it would be twenty years later. The active federal role – coupled with the urgent pressure of providing space for growing enrolments – meant that defining a university research policy was simply not a priority for the provincial government in the years when the Access and Equality Paradigm was established.

From the mid-1960s to mid-1970s, the federal government worked to institutionalize the framework for funding university research, with no apparent opposition from provincial governments. A science secretariat was established in the Privy Council Office, replaced eventually by a minister responsible for science and technology. Granting councils were established to cover the full range of university disciplines, and measures put in place to protect university autonomy – notably a rule that no portion of a federal research grant should fund the faculty researcher's salary. At the same time, the federal government rejected university recommendations to fund the indirect costs of research for fear that this would appear to intrude on provincial jurisdiction.<sup>519</sup>

By explicitly rejecting a federal role in educating students, the federal government

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<sup>517</sup>Cameron (1991), 117-119, 130.

<sup>518</sup>Commission on Post-secondary Education (1972), 15.

<sup>519</sup>Bladen (1965); Macdonald (1969); Brassard (1996); Cameron (1991), 125-126, 130, 175-176.

remained separate from the Access and Equality Paradigm. The distribution of resources to educate students, the geographic distribution of institutions, and the role of each institution within the postsecondary education system were deemed to be provincial matters. The federal government rejected the AUCC's recommendation in 1965 that a portion of federal research funds be distributed to all universities in proportion to their faculty payroll and that a regional grant be provided to universities in Atlantic Canada. Instead, federal research funds were heavily concentrated in a few universities, with 82 per cent of federal grants going to the top ten universities in 1965-66. Virtually all federal support went to natural and related sciences, with very little for humanities and social sciences.<sup>520</sup>

### *Challenges to the paradigm*

The first evidence of dissatisfaction from Ontario universities with the role of research in the Access and Equality Paradigm appeared in the report of the COU Special Committee on Provincial Support for University Research, chaired by James Ham, president of the University of Toronto, in 1980. Ham's report – coming immediately after the second OPEC crisis, as governments coped simultaneously with high inflation and high unemployment, and as interest rates in Canada reached record levels – proposed that research should become the centrepiece of Ontario's economic development strategy.

Its principal recommendation was for the creation of an Ontario Council for Research and Productivity. The proposed council would assist in the formulation of policies to promote a more active collaboration in research among government, business, industry, and the universities; identify specific needs and opportunities for research and development; and recommend funding in areas judged important for the improvement of productivity. The report also called for a new federal-provincial policy on research in Canada.<sup>521</sup>

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<sup>520</sup>Cameron (1991), 117-119, 130.

<sup>521</sup>Monahan (2004), 111. While Ham was urging action in Ontario, Alberta and Quebec were already adopting economic development strategies in which university research played a prominent role. Quebec established three granting councils between 1979 and 1984 to parallel the federal granting councils, and Alberta created a \$300 million trust fund for

(continued...)

Ham's recommendations meant more money for universities, but they also meant a new vision for the role of university research in the economy. In addition to its established role in supporting the quality of students' education, research was seen as a potential driver of economic growth – provided that it was linked to the private-sector economy and was funded in areas that were priorities for economic development.

Premier Davis's announcement in early 1981 of the creation of a cabinet committee on economic development – the Board of Industrial Leadership and Development – drew only modestly on Ham's recommendations. The fact that a committee was created at all was recognition that, after a decade of relying on federal government macroeconomic tools to reignite economic growth, the provincial government needed to take a more direct role in economic development. But university research was far from central in the BILD strategy. BILD funded some of the indirect costs of research in the form of equipment needed to participate in federal research programs, and it established centres to encourage private industry to adopt new technologies.<sup>522</sup>

Not until 1984 did the provincial government establish a program to support research projects that brought together university faculty and private industry. Projects funded through the University Research Incentive Fund were typically small in scale – the average project in the 1980s was valued at \$235,000, with government providing one-third of the amount – and total government funding averaged a modest \$6 million annually.<sup>523</sup> But URIF set a precedent for funding the direct costs of university research through targeted grants,

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<sup>521</sup>(...continued)

medical research in 1979. See Lougheed (1997), 16, and Munroe-Blum (1999), Appendix D, 19, 29.

<sup>522</sup>Ontario Board of Industrial Leadership and Development (1981) 26-31, 36; Monahan (2004), 131. The amount provided for equipment was relatively small, at \$8.3 million in 1982-83

<sup>523</sup>URIF was announced in the 1984 Budget and the first board was appointed in January 1985. By December 1990, cumulative government expenditure totalled \$37.3 million for 475 projects. (Ontario Treasurer and Minister of Economics (1984), 7; Ministry of Colleges and Universities news release, January 30, 1985, COU Arch. D2 R27; URIF briefing note, December 5, 1990, COU Arch. MF 136.)



awarded on the advice of an independent board and with a requirement that the research be supported in part by private-sector investors. With this precedent in place, universities with major research ambitions set their sights on larger goals.

Much of the theoretical framework for funding university research in a way that was not tied to enrolments came from the report of the (Bovey) Commission on the Future Development of the Universities of Ontario. Consistent with the principles embedded in the 1967 funding formula, the commission acknowledged that every university must have a “core research function” – composed of “scholarly inquiry, critical appraisal and weighing of evidence” – coexisting with educational activity in all disciplines. But it argued that certain universities had become involved in “resource-intensive research” and incurred costs for infrastructure, overhead and capital that went beyond what the formula was intended to pay for.

There no longer exists a uniform, coherent relationship between the demands of research in these disciplines and the numbers of students involved in undergraduate and graduate programs.<sup>524</sup>

With this statement, the commission proposed to de-couple resource-intensive research from the Access and Equality Paradigm and in fact to reduce the obligation of accessibility for those universities that had chosen to undertake resource-intensive research. It proposed – as we saw in chapter 5 – to establish a funding corridor for each university, so that a university’s operating grant would not change so long as it maintained enrolments within this corridor. It further proposed that the corridors should vary according to how much sponsored research each university received, with the largest advantage going to the universities that received the largest external research grants. The narrowest corridors ( $\pm 4\%$  of current enrolments) would apply to the six universities receiving less than 10 per cent of their income from sponsored research – Brock, Laurentian, Trent, Wilfrid Laurier, Windsor and York. The widest corridors ( $\pm 8\%$  of current enrolments) would apply to the eight universities receiving more than 15 per cent of their income from sponsored research – Carleton, Guelph, Ottawa, McMaster, Queen’s, Toronto, Waterloo and Western. Only one

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<sup>524</sup>Commission on the Future Development of the Universities of Ontario (1984), 7-8.

university, Lakehead, fell between these two groups.<sup>525</sup> The effect of this recommendation would have been to allow the universities with resource-intensive research programs to cut enrolments by up to 8 per cent without losing any of their operating grant.

### **The Liberal government**

We saw in chapter 5 that the Liberal government, which took office five months after the Bovey Commission reported, agreed to adopt a corridor funding system but rejected the idea that the corridors should be associated with universities' research programs, instead setting a single corridor for each university (equal to  $\pm 3\%$  of current enrolments).

This decision did not imply a rejection of a research-related paradigm, but was indicative of the wariness expressed by both government and universities as the paradigm was first introduced. The Liberal government did not want universities with resource-intensive research programs to back away from their obligations to provide access to students. Yet it recognized the value of closer linkages between university research programs and private sector economic development. The minister responsible for universities, Gregory Sorbara, placed these linkages high on his agenda in an early speech, noting that "...there are challenges in defining new and stronger relations between the universities and the private sector and between the universities and government." He said these relations were already changing as international competition forced business to look to universities for basic research. "I welcome and encourage this development which is contributing to the economic development of Ontario."<sup>526</sup>

For their part, the universities too were proceeding with caution. We saw in chapter 5 that, in an historic compromise, the Liberal government agreed to provide an additional \$25 million annually to support the indirect costs of externally-sponsored university research and an equal amount to support universities that were receiving less-than-equal funding per student because of their growth in the 1970s. The universities recognized that the term "sponsored research" was ill-defined and that, over time, this uncertainty might require the

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<sup>525</sup>Commission (1984); Cameron (1991), 248-249 and 285-286.

<sup>526</sup>G. Sorbara, "Universities in a contemporary context: Issues for government," speaking notes, October 21, 1985, COU Arch. MF 97.

ministry to determine the eligibility of certain research contracts. Rather than leave this question in the ministry's hands, COU sought and received the minister's agreement that only research funded as a result of external peer reviews should be considered eligible, and that until such time as there was agreement about which peer reviews should count, only grants from the three federal government granting councils would be counted.<sup>527</sup> With this decision, the government and universities found an accepted indicator of sponsored research that was insulated from provincial politics and did not open the door for future ministry inspection of universities' internal practices.

### *Creating Centres of Excellence*

The most influential and enduring contribution of the Liberal government to the establishment of a new research-related paradigm was the creation of the Ontario Centres of Excellence. In creating these centres – a process which lasted for two years, from the first concept in the summer of 1985 to the selection of seven centres in 1987, with \$204 million in government funding over five years – the government adopted a new strategy for relating to universities that set a precedent for the future development of other research-related programs. The strategy had three parts: develop the program outside of the normal COU-ministry policy network; focus on promoting research excellence, especially in the natural sciences, but without directly challenging the Access and Equality Paradigm; and assign the continuing management of the program to the ministry responsible for economic development, rather than the ministry responsible for universities.

### *Creating the program outside the normal policy network*

The Centres of Excellence program was created outside the normal ministry-COU policy network. Some of the thinking that led to the centres originated at a meeting between Premier Peterson and the university presidents in 1985 regarding university funding needs. The premier challenged them to develop a new approach to funding universities that would benefit the provincial economy, and a committee was established for this purpose chaired by Deputy Minister Alan Adlington.

At the same time, the government was receiving advice from the president of the

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<sup>527</sup>Letter from A. Earp to G. Sorbara, March 24, 1986, COU Arch. D3 R10.

Canadian Institute for Advanced Research, Dr. Fraser Mustard, who was a former member of the Bovey Commission, to select a small number of areas of research strength and create a network of leading researchers in each area – bringing them together through meetings and other means of communication, but without creating physical centres.<sup>528</sup> As the government moved to create a Premier’s Council of advisors from outside government in 1986, Dr. Mustard was joined by other members of the council, and the COU group worked with his group to develop the details of the program.<sup>529</sup>

*Focussing on research quality*

The research funded under the program was selected based on quality – as assessed by a peer review process that was credible to universities – and with some consideration to the potential impact of the research on the economy. The proposals were evaluated by a panel chaired by Dr. Mustard and composed of leading researchers from the United States, France, Quebec, Alberta, British Columbia, and Newfoundland, as well as two from the Ontario private sector.<sup>530</sup> Most of the criteria were non-economic – for example, the quality of the research, the creation of an environment for the development of new technologies, and the development of graduate students. Only two referred to economic impacts (“the potential economic benefit for Ontario” and “the long-term potential for development of marketable products and services”).<sup>531</sup>

By focussing on the quality of participating researchers, the program avoided any

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<sup>528</sup>This model was developed by the Canadian Institute for Advanced Research, founded in 1981, and borrowed from Pennsylvania’s Ben Franklin Partnership program. (Friedman and Friedman 1990, 281)

<sup>529</sup>Friedman and Friedman (1990), 280-281; confidential interview.

<sup>530</sup>Ministry of Industry, Trade and Technology news release, April 3, 1987, COU Arch. D3 R13.

<sup>531</sup>Ministry of Industry Trade and Technology, “Draft Centres of Excellence Application Information,” January 9, 1987, COU Arch. MF97, file 11/3/5. The criterion of potential economic benefit to Ontario caused concern for OCUFA, which was otherwise generally supportive. (Letter from John Starkey (president of OCUFA) to D. Peterson, February 6, 1987, COU MF97 file 11/3/5.)

direct challenge to the Access and Equality Paradigm. There was no need to assess the quality of the overall research program at each university, or to consider the future research ambitions of each university. Not every university participated, and the distribution of funding did not replicate or approximate that in the universities' operating grant formula. Nevertheless, the concept of a network respected the Access and Equality Paradigm by acknowledging that excellent research is possible at any university and need not be concentrated geographically. Only two of the centres were based in a single university, while three of them involved four universities, one involved five, and one involved six. The government signed a separate contract with each university to avoid the creation of a lead university for each centre.<sup>532</sup>

In addition to acknowledging the formal equality of every university, the program acknowledged the equality of every discipline by opening the application process to researchers from all disciplines. Of the 28 applications, five fell outside the natural sciences or health sciences: there were two in technology policy, one in technology management, one in regional development, and one in the use of computers in education.<sup>533</sup> Nevertheless, all seven successful applications involved the natural sciences and related technologies.

*Assigning management to the ministry of economic development*

The management of the program was not assigned to the ministry responsible for universities, but rather to the ministry responsible for economic development. At first glance this may appear to reflect a government effort to make universities into tools of economic development, but the evidence suggests that the motive was instead to keep the research-related program from falling into the normal ministry-COU policy network, where its purposes were likely to be reshaped by the principles of the Access and Equality Paradigm. While the government did not wish to challenge the formal equality of universities, it also did not wish to see the Centres of Excellence funding become more like the university operating grants funding – with each university entitled to a share based on its enrolments,

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<sup>532</sup>Cameron (1991), 273-274; Friedman and Friedman (1990), 282.

<sup>533</sup>Ministry of Industry, Trade and Technology news release, April 3, 1987, COU Arch. D3 R13.

and with no external evaluation of results achieved.

The application materials drafted by the ministry responsible for economic development made clear that the Centres of Excellence respected the purposes of the university and were not intended to create short-term economic results.

Centres of Excellence are designed to stimulate the production of advanced, world-class research, to train and develop world-class researchers over the long term, and to encourage the transfer and diffusion of technology.....

Centres of Excellence are concerned with fundamental research. Any impact on the economy will be long-term.<sup>534</sup>

Separate programs were aimed at nearer-term objectives: the government created an Industry Research Program to fund medium-term applied research aimed at creating new products or processes, and it maintained the URIF program to support short-term partnerships between university and industry.

On two occasions COU expressed its discomfort that the ministry responsible for universities did not have an important role in the program. In 1986 it urged the government to give both the ministry and OCUA a larger role, since Centres of Excellence had the potential to “steer” universities (in a way that COU did not specify).<sup>535</sup> The following year the chair of COU urged the premier to reconsider the ministry’s role:

Notwithstanding [COU’s support for the program], it remains a continuing concern to see only a minimal involvement of the Ministry of Colleges and Universities in these and related developments.<sup>536</sup>

Despite these protests, the management of the Centres of Excellence was lodged in

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<sup>534</sup>Ministry of Industry Trade and Technology, “Draft Centres of Excellence Application Information,” January 9, 1987, COU Arch. MF97, file 11/3/5. One participant in the program’s design recalls that the most difficult task was to encourage technology transfer to the private sector without interfering with the quality of research. After several reviews of the program, outside experts in technology transfer were hired to help perfect this part of the program. (Confidential interview.)

<sup>535</sup>COU, “Briefing Note: Centres of Excellence,” June 1986, COU Arch. MF97 file 11/3/5.

<sup>536</sup>Letter from A. Earp to D. Peterson, March 6, 1987, COU Arch. MF 97 file 11/3/5.

the ministry responsible for economic development. We will see that, over time, the field of university research established its own policy network, centred on the ministry of economic development and COU (represented by the university presidents or the vice presidents of research), with its own paradigm based on supporting universities that undertook high-quality resource-intensive research with potential to contribute to the province's long-term economic development.

***A new role for the federal government***

The successful introduction of Ontario's Centres of Excellence program – introducing a new approach to university research that commanded respect and support from both universities and the private sector – led the federal government to launch a similar initiative the following year. This initiative came after a long period of reflection and inaction at the federal level. As early as 1983, a group of corporate and university leaders had founded the Corporate Higher Education Forum as a vehicle to reduce the cultural divide between the two sectors. In one of the Forum's founding documents, the authors argued that

[t]here is persuasive evidence that economic forces will be pulling the two communities together in a way that has never happened before.... The national priority, as defined in this study, is to promote economic growth and rising living standards through a commitment to a more rapid rate of advancement in knowledge....

[T]he principal impediment to collaboration is the cultural barrier between the two communities.<sup>537</sup>

Shortly after the 1984 election, the Progressive Conservative government began to work with provincial and territorial governments on a national science and technology policy, and agreement was reached on common objectives by early 1987. Also in early 1987 the federal government established a National Advisory Board on Science and Technology, chaired by the prime minister and closely modelled on Ontario's Premier's Council, with Dr. Mustard as a prominent member. In May 1988 – less than a year after the selection of Ontario's Centres of Excellence – the federal government accepted NABST's recommendation to establish a

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<sup>537</sup>Maxwell and Currie (1984), 74-75.

national centres of excellence program, with funding of \$240 million over five years. Following an independent peer review process, 14 national centres were approved in October 1989, with another to follow in 1990. Eleven Ontario universities participated in the federal program.<sup>538</sup>

The federal government's Centres of Excellence initiative established a pattern of independent and complementary action that became more important in the late 1990s. The federal government adopted a paradigm with respect to the role of university research in economic development that focussed on high quality research in selected areas of strength, respected university concerns for apolitical and independent peer reviews, and aimed at building linkages to long-term private sector economic development. This paradigm co-existed with (and sometimes competed for resources with) established federal programs to support individual researchers through the three granting councils and to support private sector research through tax credits. From a federal-provincial perspective, the new federal paradigm complemented the paradigm in Ontario (and potentially other provinces), but it did not rely on formal cost-sharing arrangements or a formal division of responsibilities.

***Exhausting the agenda***

With the establishment of the Ontario Centres of Excellence and the continuation of URIF, the Liberal government largely exhausted its agenda for tying university research to the province's economic development strategy. In its first report, the Premier's Council – perhaps influenced by the experienced university researchers and administrators in its membership, including Dr. Mustard, Geraldine Kenney-Wallace, Robert Rosehart and Douglas Wright – made a single and highly qualified recommendation about university research:

Encourage universities to orient more research to industrial priorities; but dampen the expectations of what universities can do in short-term commercial research. Their primary role should be to train world-class graduates and be

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<sup>538</sup>Brassard (1996), 7-8; Cameron (1991), 280-281.



pre-eminent in longer term precompetitive research.<sup>539</sup>

The council explained that:

Expectations of the capabilities of universities in terms of commercially-related research are too high. While coordination and linkage between industry and universities will need to be continually strengthened, applied research and development should be based in industry. Basic research should continue to be the preserve of the universities.<sup>540</sup>

The council's second report – published two years later, just days before the start of the 1990 election campaign – offered no new recommendations on university research and focussed instead on education and training. While COU cautioned the Council not to focus too narrowly on science and engineering, the report in fact urged a stronger emphasis on science and technology at all levels of the education system, including higher funding for university programs in these areas at both the undergraduate and graduate levels.<sup>541</sup>

### **The New Democratic government**

Following the election of the New Democratic government in 1990, the university research initiatives established in the late 1980s continued to form an important part of the government's economic development strategy. Yet the election coincided with a sea-change in the policy environment: the Canada-U.S. Free Trade Agreement was reducing protections for certain industries and taking away many policy levers formerly available to governments; the replacement of the manufacturers' sales tax with the Goods and Services Tax was shifting relative tax burdens in the economy; and the Bank of Canada's new inflation targets were

raising the cost of borrowing and reducing the protection afforded by a relatively weak Canadian dollar. The New Democratic government

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<sup>539</sup>Ontario Premier's Council (1988), 29.

<sup>540</sup>Ontario Premier's Council (1988), 207.

<sup>541</sup>Letter from G. Pederson to Fiona Nelson, chair, education subcommittee, Premier's Council, September 8, 1989, COU Arch. D3 R29; "People and Skills in the New Global Economy," Premier's Council news release, July 25, 1990, COU Arch. D3 R29.

was forced to pick up – urgently – the issue that the Liberal government had left behind: once a government strengthens university research, how does it encourage the application of that research in ways that lead to higher productivity and higher incomes?

One of the New Democratic government's decisions was to maintain the programs for university research established by the Liberal government. Following a review by a subcommittee of the renamed Premier's Council on Economic Renewal, the government agreed to renew the Centres of Excellence program for another five years with funding of \$216 million<sup>542</sup> and to extend the University Research Incentive Fund. In a difficult fiscal environment, these decisions represented an important affirmation of the value of university research.

At the same time, the government shaped and began to implement innovative policies that situated research and technology in the broader context of how firms learn to improve productivity and thereby create opportunities for higher incomes. These policies were based on the premise that productivity improvement is a social process that also includes management processes, labour skills, and tacit learning among networks of firms that included competitors, suppliers and customers.<sup>543</sup> Implementation was largely sector-based. In some sectors, such as agrifood and environmental technologies, the creation of technology transfer centres suggested a direct link between university research and productivity improvement. In other sectors, issues related to skills training, labour markets and financing proved more important than any issue relating to university research.<sup>544</sup>

This approach to economic development – involving (necessarily) limited government spending, voluntary participation, and no special privilege for universities among the participants – raised no immediate challenges for the government-university

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<sup>542</sup>Ontario Task Force to Review the Ontario Technology Fund (1993). This amount was reduced to \$186 million in the April 1993 Expenditure Control Plan. (Ontario Minister of Finance 1993a).

<sup>543</sup>Treasurer of Ontario (1991), 92-93; Ontario Ministry of Industry Trade and Technology (1992).

<sup>544</sup>Wolfe (2002b), 10-17.

relationship. It nevertheless addressed important issues about how university research becomes economically relevant, affirming the importance of local and regional networks and raising questions about how to measure the contribution of university research centres in creating and sustaining these networks. These issues continued to inform thinking about economic development after the New Democratic government's electoral defeat.<sup>545</sup>

### **The Progressive Conservative government**

Many of the industrial policy measures introduced by the New Democratic government came to an end with the election of the Progressive Conservative government in 1995. An exception was the Centres of Excellence program, which survived the budget reviews of the new government's first year and was renewed in December 1996 with some modifications: the seven centres were merged into four, and the budget was reduced by 13 per cent.<sup>546</sup>

While the new provincial government was introducing its agenda for lower taxes and reduced spending, a group of university presidents was lobbying the federal government intensively for new funding for university research. Their efforts – although initially focussed at the federal level – profoundly shaped the actions of both levels of government from 1997 to 2002 and beyond, bringing to full fruition a research-related paradigm that would stand independently of the Access and Equality Paradigm.

### ***A fracture in the university community***

The mid-1990s were disappointing for universities nation-wide. The 1994 and 1995 federal budgets reduced transfers to provinces and reduced budgets for the three federal granting councils. The promise of additional federal money for university research infrastructure, which was intended to form part of the (Axworthy) Social Security Review, was eliminated at the last minute when that paper was refocussed on human resources issues. The apparent inability of the AUCC to block or reverse this federal direction led a group of

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<sup>545</sup>See for example Ontario Jobs and Investment Board (1999), 25-34, and Munroe-Blum (1999), 50.

<sup>546</sup>Ministry of Economic Development and Trade, news release, December 16, 1996, COU Arch. D3 R9.

presidents from universities with large programs of sponsored research to meet among themselves in Kingston shortly after the 1995 federal budget to discuss alternative strategies. This group of eight – which eventually expanded to what became known as the G-10, including five universities from Ontario<sup>547</sup> – agreed to seek a meeting with Finance Minister Martin later that year. While Minister Martin's initial position was that the concerns of universities ranked lower than the needs of the unemployed and others negatively affected by economic change, the G-10 presidents pressed their argument that Canada's research infrastructure was an essential part of the transition to a knowledge-based economy, that the building and equipping of research laboratories had historically been an important federal role, and that, without action from the federal government, Canada's economy would fall far behind that of the United States. By the end of the meeting, Minister Martin agreed that he would take action on this problem in the 1997 federal budget, when the worst of the federal deficit problem would be behind him.<sup>548</sup> The G-10 subsequently met with Industry Minister John Manley on the same topic.<sup>549</sup>

The efforts of the G-10 had an effect on both the federal government and the AUCC. Following this meeting, the federal government's thinking on the role of research in the economy started to take sharper form. The Auditor General had been highly critical of federal science and technology policy in 1994 for having no clear objectives, and a report by the NABST in April 1995 had tepidly recommended that the federal government should:

Include in the S&T strategy, a process for collaboration with the provinces to identify and maintain a base level of support for S&T research infrastructure

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<sup>547</sup>The G-10 universities were: British Columbia, Alberta, Toronto, Queen's, McMaster, Western, Ottawa, McGill, Montreal and Laval.

<sup>548</sup>It has been frequently noted that the federal government withdrew funding from transfers to provinces notionally tied to postsecondary education and then increased spending on direct grants to universities. (See, for example, Prichard 2001, and Van Loon 2002, 425.) The description here confirms that this sequence of events was not a planned strategy: the cuts to transfers were announced in the February 1995 budget, and Minister Martin's commitment to the university presidents happened later that year.

<sup>549</sup>AUCC Board of Directors minutes, October 4, 1995.

in Canadian universities.<sup>550</sup>

By 1996, a federal government policy statement was identifying support for university research as one of four core federal science and technology activities – paving the way for new initiatives in this area, but with no indication of how the federal government would provide leadership.<sup>551</sup>

Research funding also began to take a more prominent place on the AUCC lobbying agenda. While a representative of AUCC was invited to attend the 1995 meeting with Minister Martin, the G-10's approach to Minister Martin was not authorized by AUCC in advance and subsequently stimulated vigorous discussions within the association. The AUCC had more than ninety members, but the G-10 included many of the largest universities and paid more than half of the association's expenses. Many AUCC members from outside the G-10 determined that, since all universities were involved in research in some way, new federal research funding could bring new resources to every university over time. Discomfort with the G-10's lobbying approach led to an agreement that “[t]he Group of Ten... will continue to meet twice a year but will work through AUCC with respect to federal issues.”<sup>552</sup>

On this basis, AUCC was able to agree on a proposal for several new federal research initiatives, which was submitted to the government with the joint sponsorship of AUCC, the Canadian Association of University Teachers, and the National Consortium of Scientific and Educational Societies. The proposal called for a national research infrastructure program, with funding of \$1.2 billion over two years, shared equally among the federal government, provincial governments, and the universities themselves. It also called for a new program to fund overhead costs associated with research grants, and smaller programs to help new faculty start their laboratories, to help graduate students make the transition to private sector research, to expand university technology transfer offices, and to create “community research

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<sup>550</sup>NABST (1995).

<sup>551</sup>Government of Canada (1996), 10.

<sup>552</sup>AUCC Board of Directors minutes, June 19, 1996.

shops” to transfer social research to community problem-solving.<sup>553</sup>

***Articulating the federal paradigm: the Canada Foundation for Innovation***

Based on this lobbying, the February 1997 federal budget announced the creation of an independent trust fund – the Canada Foundation for Innovation – with initial funding of \$800 million. The foundation was mandated to award funding for university research infrastructure, such as upgrading laboratories and purchasing equipment, on the understanding that, on average, 60 per cent of funds would come from provincial or private sources. Funding was restricted to the fields of health, environment, science and engineering. In order to meet its deficit targets, the federal government established the CFI as an arm’s-length trust that could receive unanticipated surplus revenues at year-end – a device not proposed by the G-10, but accepted as a necessary condition for establishing the program.

The potential effect of a program whose awards would be based on independent peer reviews was quickly apparent to universities with little history of winning peer-reviewed grants. Their concerns became known within AUCC and within the Liberal caucus in Parliament. Following extensive debate within AUCC and with federal officials involved in creating the CFI, it was determined that \$40 million – about 5 per cent of the fund – should be earmarked for a “Research Development Fund” – identical in purpose to the CFI’s main funds, but reserved for universities that were receiving less than 1 per cent of sponsored research funding in Canada.<sup>554</sup> In addition, in 2000 the federal government established a \$300 million Atlantic Innovation Fund to assist businesses and institutions in the Atlantic provinces to take advantage of federal innovation programs, including the CFI.

The creation of the CFI demonstrates the potential for policy innovation in an environment where universities and governments were not bound by the constraints of a paradigm similar to the Access and Equality Paradigm in Ontario. On the university side, the G-10 universities did not wait for consensus within AUCC before pressing their case with the federal government, and in fact they risked breaking AUCC apart. The other universities in

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<sup>553</sup>AUCC *et al.* (1996).

<sup>554</sup>CFI (1998), 5.

AUCC agreed to go along, deferring to the G-10's financial strength and recognizing that a new program would probably bring some benefits to them, however small. On the government side, the key actors were the Prime Minister's Office, the Department of Finance, and Industry Canada; there is no federal ministry concerned with the structure of the university system or the potential impact of new initiatives on students' education or the future development of smaller universities.<sup>555</sup> No other actors – such as private-sector researchers or industry lobbies – were influential in the decision to establish the CFI.

The *ad hoc* nature of this policy network meant that policy outcomes were closely aligned with the near-term interests of the participants, rather than with institutional precedents established decades earlier. The G-10's case was strongly aligned with the federal government's interest in creating policies for the knowledge-based economy, and both of these were supported by media reports about the importance of knowledge-based investments in stopping the emigration of distinguished researchers. The government and the universities agreed that excellence should be the primary criterion for funding and that equity should receive minimal consideration. The federal government demanded – and the universities accepted – that each university should prepare a strategic research plan, and that the CFI should have authority to reduce unnecessary duplication and encourage joint projects such as digital libraries and high-speed computing.<sup>556</sup> The federal government also demanded – and universities agreed – that universities should take responsibility for finding the required

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<sup>555</sup>This account of the creation of the CFI is based on confidential interviews except where otherwise noted. Doern and Levesque (2002, 136-137) reach a similar conclusion about the principal actors, although they understate the role of Minister Martin: “The CFI...was the direct result of lobbying by a handful of university presidents – lobbying directed at the Prime Minister's Office with the support of Kevin Lynch, then the Deputy Minister of Industry Canada... The core of the universities' argument was that Ottawa's penchant for ‘infrastructure’ funds of the roads-and-bridges kind (a mid-1990s Liberal program) needed to be complemented by demonstrable support for the even more crucial ‘infrastructure’ of the innovation economy. This argument found favour in 1997, which was the first year that Ottawa mandarins could see budget surpluses on the horizon.”

<sup>556</sup>The same federal desire to reduce duplication motivated the decision to create Genome Canada in the 2000 budget as a coordinating agency for genomic research, with initial funding of \$160 million over 5 years.

matching funds, so the federal government would not become entangled in disputes with provinces over cost-sharing.

This story echoes that of the creation of the Ontario Centres of Excellence a decade earlier, but there are two key differences: the impetus for the CFI came from a fracture within an established member of the policy network (rather than, as in the Ontario Centres, from an external policy advisor), and the CFI and the Centres of Excellence managed the question of geographic equality differently. Both programs recognized the formal equality of all universities, in the sense that all universities were eligible to apply to participate. But the design of the CFI – taking applications from individual universities, and awarding funding based on established research strengths – shows that federal government accepted the G-10's argument that investments in research infrastructure needed to be concentrated at specific universities, and it rejected the argument of some universities that the program should attempt to create research capacity at all universities. This approach differed from that of the Centres of Excellence, which consciously sidestepped the geographic issue by funding networks of outstanding researchers who usually represented more than one university. The CFI managed the geographic issue through the simpler device of a modest set-aside for equalization, and this was supplemented by the federal government's (far more expensive) creation of a special fund for Atlantic Canada.

***Ontario's response: the R and D Challenge Fund***

The creation of the CFI left the Ontario government with little choice but to establish its own fund for research infrastructure. The CFI rules required that universities find other sources of funding for 60 per cent of most projects, and while provincial funding was not strictly required, only a provincial government was likely to be able to provide the large sums required within a short time frame. The lobbying for a provincial matching fund was led by the universities with the largest research programs, notably the University of Toronto, with support from high-profile alumni who were concerned about the potential effects of the previous year's cuts to university operating grants.

This lobbying found receptive ears in a provincial government that – like its federal counterpart – was searching for ways to make university research a stronger part of its plan



for economic development.<sup>557</sup> Advisors with direct experience in university research and in venture capital investments persuaded the government that, as an addition to the continued funding of basic research, new funding could build bridges between researchers and the private sector in a way that could contribute to economic growth. On this basis, less than three months after the federal announcement of the CFI, Finance Minister Eves announced the creation of the Ontario R and D Challenge Fund (ORDCF) – with \$500 million in provincial funds over ten years, through which the government hoped to lever \$3 billion in research investments.

Yet the ORDCF announcement avoided any suggestion that the provincial fund would simply match successful CFI awards, making it clear that the province would set its own rules. This position had the effect of reopening at the provincial level the same fracture that had shown itself at the federal level. Universities lacking large research programs were already sensitive about rumours that the government might redirect some of their operating grants towards universities with large research programs.<sup>558</sup> The prospect that the provincial government would create a fund that would replicate the CFI's perceived bias in favour of the G-10 was more than they wished to contemplate. One group of universities – Nipissing, Trent, Laurentian and Lakehead – began its own campaign to lobby senior ministers from

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<sup>557</sup>The Advisory Panel on Future Directions for Postsecondary Education (1996) recognized the policy gap and recommended that Ontario adopt a university research policy. At Minister Snobelen's request, the chair of the panel, David C. Smith, subsequently prepared a framework of the key elements of a research policy. (Smith 1997, COU Arch. D2 R26) Many elements of the framework could be seen in subsequent policies, although two – recommending that the ministry responsible for universities be central in university research policy, and that an advisory council be established to help each university determine how to differentiate its research functions from those of other universities – were notably ignored.

<sup>558</sup>In April 1997, the ministry redirected \$4.5 million from general operating grants to the Research Overheads and Infrastructure Envelope. The (Smith) Advisory Panel recommended that the ROIE be increased from the existing \$28 million to \$100 million, and some universities feared that this would be done by redirecting existing money. See letters from Ross Paul, Laurentian University, to John Snobelen, February 6, 1997, from Claude Lajeunesse, Ryerson Polytechnic University, to John Snobelen, February 11, 1997, and from David Marshall, Nipissing University, to David Smith, February 5, 1997, COU Arch. D2 R26.

rural areas about their “inequitable funding compared to older and larger universities.”<sup>559</sup>

Meanwhile, the universities with resource-intensive research programs also lobbied actively: the president of the University of Toronto advised Minister Snobelen that “one cannot shy away from differentiation,” and he provided figures to show that the top seven of Ontario’s seventeen universities accounted for 88 per cent of all awards to Ontario from the three federal granting councils in 1995-96.<sup>560</sup> Within COU there was vigorous debate about whether the purpose of the ORDCF should be to match the CFI, or whether the province should reject the CFI’s “restrictive” and “unreasonable” definition of research and instead aim to meet universities’ needs while “recognizing the diversity of ongoing research activities with potentially positive impact.”<sup>561</sup>

The ambiguity about the ORDCF’s role in matching the CFI continued even after it began operation in early 1998. The provincial government wished to ensure that universities could apply successfully to the CFI, but also wished to retain the flexibility to fund other types of projects. This desire for flexibility – coupled with the fact that the ORDCF board was charged with making recommendations to a committee of ministers, rather than being established as an independent trust like the CFI – continued to raise anxieties among universities about whether the provincial government could be relied upon to match CFI funding. These were in part resolved with the establishment of the Ontario Innovation Trust in 1999. The OIT – established on the recommendation of COU for the specific purpose of matching CFI grants<sup>562</sup> and in response to concerns about the deterioration in universities’ physical infrastructure<sup>563</sup> – freed the ORDCF to fund the costs of researchers’ salaries and other personnel-related expenses. The two boards worked closely with each other and with

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<sup>559</sup>Letter from Leonard Connolly to Chris Hodgson, June 5, 1997, COU Arch. D2 R26.

<sup>560</sup>Letter from R. Prichard to J. Snobelen, September 3, 1997, COU Arch. D2 R26.

<sup>561</sup>“Restrictive” and “unreasonable”: letter from M.B. Fenton, York University, to B. Patterson, September 23, 1997. “Diversity”: letter from B. Patterson to COU Ontario Challenge Fund Task Force, October 2, 1997. COU Arch. D2 R28.

<sup>562</sup>Letter from R. Prichard to K. Knox, March 23, 1998, COU Arch. D2 R28.

<sup>563</sup>Confidential interview.

the CFI to ensure that projects received complementary funding, and the chair of the ORDCF board, Dr. Cal Stiller, was named to the board of the OIT.

The process of creating and implementing these programs had the effect of creating a new policy network parallel to the long-standing network between COU and the ministry responsible for universities. In 1996, COU created an Ontario Council on University Research, composed of the university vice presidents responsible for research, which played a substantial role in building the case for new research-related programs and in facilitating their design. A new Ministry of Energy, Science and Technology was created in 1997 to house the ORDCF and other research-related programs, so that – while there was much cooperation among ministries – the new programs were shielded from the equality-related dialogues that characterized the COU-MTCU policy network.<sup>564</sup> The institutionalization of this policy network was taken a step further in September 1999 when, at COU's suggestion, a Working Group on University Research was created, co-chaired by the president of COU and the deputy minister of MEST, with representation from several universities and from MTCU and the Ministry of Finance.<sup>565</sup> This vehicle ensured that the government and universities continued to deal directly and bilaterally with each other on research matters, under MEST's co-chairmanship, and it prevented the universities from becoming simply another MEST client on par with private industry or other interests.

### ***Solidifying the Research Excellence Paradigm***

With the creation of the ORDCF and the OIT and the gradual establishment of this new policy network, the provincial government settled comfortably into a paradigm for supporting university research that was vastly different from the Access and Equality Paradigm. This level of comfort had two effects on government-university relations in Ontario. First, it provided the government with a research-related paradigm that it could use to justify future research expenditures. Second, it confirmed to the federal government that

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<sup>564</sup>In 2002, the science and technology division of MEST was reassigned to the ministry responsible for economic development.

<sup>565</sup>Working Group on University Research, meeting agenda, September 20, 1999. COU Arch. PF 3/2/69.

any new federal investments based on this paradigm would likely be welcomed by the provincial government and would not be seen as intrusions on provincial jurisdiction.

At the provincial level, new research-related expenditures after the creation of the ORDCF were frequent and were not contested within the university community. The provincial government provided an extra \$250 million to the ORDCF in 2000 and an extra \$500 million to the OIT in 2002.<sup>566</sup> New programs were established to support newly-hired faculty with the costs of equipping their labs and to provide more scholarships for graduate students. Following an influential study of provincial research initiatives by a vice president of the University of Toronto,<sup>567</sup> the government established an Ontario Research Performance Fund in 2000, providing \$30 million annually to help universities with the overhead costs of research grants received from the provincial government.

More significant, both politically and financially, was the province's implicit invitation to the federal government to expand its research-related programming for universities. This invitation – coupled with a small but growing federal budget surplus and the well-honed lobbying skills of the universities with resource-intensive research programs – meant that almost every federal budget from 1997 onward had a major new investment in university research. These investments were consistent with the federal government's new paradigm for supporting the knowledge-based economy and were increasingly easy to afford. One participant recall that the CFI “was so successful, from then on it was duck soup.”<sup>568</sup>

The federal government agreed to expand the CFI three times in its first four years, so that the original \$800 million became \$3.5 billion. As we saw in table 8.1, CFI commitments to Ontario universities totalled \$729 million by the end of 2004 – an amount larger than (for example) the total provincial SuperBuild funding to universities to build spaces for the double cohort, and heavily concentrated on six of the 18 universities. If we add the funding

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<sup>566</sup>A further increase of \$300 million for the OIT was announced in June 2002 but subsequently reversed.

<sup>567</sup>Munro-Blum (1999). See also testimony of Dr. Tim McTiernan, Ontario Legislative Assembly, Standing Committee on Public Accounts, February 17, 2004.

<sup>568</sup>Confidential interview.

from the Ontario Innovation Trust – most of which was devoted to matching the CFI – the total was \$1.24 billion.

Moreover, the CFI had what one participant calls “a huge shaping effect” on the structure of subsequent federal programs.<sup>569</sup> In the 2000 federal budget, the government provided \$900 million to support the hiring of 2,000 new faculty at Canadian universities over a five-year period. These chairs were distributed to universities based on each university’s share of grants from the federal granting councils over the preceding three years – a formula that surprised even some of the universities that benefited from it, since the chair holders would have responsibilities for teaching as well as research. In defence of this allocation, the federal Industry minister, John Manley, argued that some sort of formula was needed to avoid a purely political allocation, and other federal officials said that a formula based on anything other than research could be challenged as an intrusion in the provincial field of education.<sup>570</sup> Learning from the dispute over the CFI, the federal government agreed that every university should receive at least one CRC – effectively reallocating six per cent of the chairs to small institutions. Even with this compromise, the distribution of chairs in Ontario differed significantly from the normal operating grant formula, as we saw in table 8.1.

The last pieces of the federal government puzzle were the restoration and expansion of funding to the three federal granting councils and the decision to begin paying the indirect costs incurred by universities receiving these grants. Following deep reductions in the mid-1990s, the federal government restored the budgets of the granting councils to previous peaks in its 1998 budget and then gradually increased them to \$1.3 billion by 2003. With the universities’ other priorities having largely been addressed, the increased budgets for the granting councils generated additional pressure from universities for the federal government to fund the indirect costs of the research supported by these grants.<sup>571</sup>

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<sup>569</sup>Confidential interview.

<sup>570</sup>Confidential interviews.

<sup>571</sup>We saw earlier that funding for indirect costs was one of two large requests in the AUCC  
(continued...)

Funds from the granting councils have always tended to be won by a small number of universities with established research strengths, and this continued to be the case as the programs were expanded. Indirect costs would normally have been calculated as a fixed percentage of research grants, and so their distribution might have been expected to be identical to that of the research grants themselves. However – again learning from its CFI experience – the federal government introduced a sliding scale so that every university received funding under the Indirect Costs Program equal to 80 per cent of its first \$1 million in research grants, with the percentage falling in steps to about 20 per cent of any grants above \$7 million.<sup>572</sup> As table 8.1 shows, the distribution of indirect cost funding is somewhat more egalitarian than the distribution of research grant funding, but is still heavily concentrated – understandably – on the universities that receive the largest research grants.

At an average rate of 27 per cent, the available federal funding for indirect costs fell far short of the universities' request of 45 per cent, which was the figure in the comparable U.S. program and in certain federal contract research programs, and it came with the requirement that the universities report to the federal government on the commercialization of their research. Evidence of the federal government's limited enthusiasm can be seen in its decision to introduce funding for indirect costs for one year only, in 2001-02, and then let it lapse before reintroducing it again in 2003-04 subject to a review after three years.

### **Conclusions of this chapter**

We noted at the start of this chapter the close alignment of the evolution of university research policy with Hall's model of paradigm shifts. We also noted some distinctive features of this case. The Research Excellence Paradigm was layered on top of the Access and Equality Paradigm – bringing substantial new public resources and new expectations for

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<sup>571</sup>(...continued)

brief to the federal government in 1996 (the CFI having been the other). Asking the federal government to pay the indirect costs of its research grants had been part of the universities' agenda since at least 1949. (Cameron 1991, 175-176).

<sup>572</sup>Cameron has argued that the introduction of equity-based elements into federal government research funding, even at this relatively small level, compromises the objective of embracing the knowledge-based economy and promoting research excellence. (Cameron 2005, 289)

universities, but with no explicit consideration of how the two paradigms should co-exist. The process by which the paradigm was adopted was shaped by the available institutions: both levels of government claimed some responsibility for university research, creating multiple access points for advocates of the new paradigm, and also creating opportunities for one level of government to lever activity by the other. While the idea that university research could contribute to economic development was widespread in the 1980s and even more so in the 1990s, the task of transforming this idea into a policy reality fell to a small number of influential advisors from outside government, supported by key ministers and deputy ministers and (in the 1990s) by a group of university presidents and vice presidents who were willing to put at risk the established consensus-based decision-making processes of their representative associations in order to achieve outcomes that would benefit universities with resource-intensive research programs.

These events demonstrate – more starkly than in chapters 5 and 6 – why it was difficult for the established COU-MTCU policy network to develop policy initiatives that would revise the Access and Equality Paradigm. Coleman, Skogstad and Atkinson theorize that such a revision should be possible within a closed policy network, but their model is premised on an association that has the authority to resolve internal conflicts among its members. In practice, COU's ability to do so was limited, like that of its national counterpart, and nowhere more so than on the issue of university research – an issue where all universities have ambitions, but where some have much more capacity than others to realize them, especially in the short term. Where stakes are small, internal differences may be papered over with some degree of difficulty; but the prospect of research funding in the hundreds of millions of dollars brought these differences to the surface at the national level and forced AUCC members to acknowledge the differences in the power resources available to each university within the organization. As it turned out, the cost of restoring consensus within AUCC proved to be equalization measures worth about 5 or 6 per cent of the value of each of the new federal research programs. Once this negotiation was settled within AUCC, the Ontario universities with smaller research programs had little prospect of overturning the settlement within COU.

***Durability of the Research Excellence Paradigm: Ideational aspects***

The relatively recent rise of the Research Excellence Paradigm raises the question of whether it will prove as durable as the Access and Equality Paradigm. At the level of ideas, the paradigm was adopted by governments of all parties during the period of this study, finding its seeds in the last years of the Davis Progressive Conservative government, growing in a very high-profile way under the Liberal government, being accepted and further developed by the New Democratic government, and coming to its fullest fruition (with federal support) under the Progressive Conservative government. There was cross-party agreement that governments can promote prosperity in a knowledge-based economy by supporting university research and encouraging the development of networks between researchers and industry. Agreement on this principle was common in many jurisdictions in the 1980s and 1990s.

Yet the paradigm was continually reshaped as each party attempted to situate university research within a broader plan for economic development. The Liberal government supported university research as part of a broader strategy of promoting an elite group of domestically-based, export-driven firms. This strategy raised questions about how to encourage learning among clusters of firms within a sector and how to promote advanced training among employees that remained unanswered when the Liberal government fell and the robust economic growth of the late 1980s succumbed to combined effects of high interest rates, a high dollar, and increased competition from lower-cost foreign producers. The New Democratic government – constrained by the Canada-U.S. free trade agreement and declining provincial revenues – shifted the focus of economic development policy to creating social partnerships within sectors and between capital and labour at the provincial level. The successes of these policies were concentrated in areas where the partners reached voluntary agreements, they did not feature university research as their centrepiece, and they were often overshadowed by failures as recalcitrant partners adhered to long-standing demands or chose to wait for the government's electoral demise.

The Progressive Conservative government terminated these partnership efforts in favour of an economic strategy based on controlling public sector costs, increasing incentives for work and investment through reduced personal and corporate income taxes, and tightening social assistance to increase the supply of low-wage labour. University research



was subsequently added to this strategy, but the strategy of the Progressive Conservative government for promoting a knowledge-based economy co-existed uneasily with its strategy for remaining competitive with low-cost jurisdictions.<sup>573</sup> By the end of the period of this study, the tension between knowledge-based strategies and low-cost strategies for economic development remained unresolved. Any deterioration in the economy and in government revenues might have tested the government's rhetorical support for the Research Excellence Paradigm.

***Durability of the Research Excellence Paradigm: Institutional aspects***

The vulnerability of the Research Excellence Paradigm is more pronounced when we consider its institutional base. At the end of the period of this study, the paradigm relied on tacit federal-provincial cooperation that was not reinforced by written agreements or long-term commitments. The policy network supporting it at the provincial level was fragmented and subject to frequent change, with programs vulnerable to termination as new governments seek to place their stamp on provincial economic strategies. We will consider each of these aspects in turn.

We have seen that, until the 1980s, the Ontario government had no explicit policy on university research, while the federal government's role was largely confined to the three granting councils. The introduction of targeted provincial programs in the 1980s created the possibility of minor overlaps, and these became more explicit when the federal government chose to duplicate the Ontario Centres of Excellence program. The introduction of the Canada Foundation for Innovation in 1997 significantly raised the financial stakes and the opportunity for federal-provincial entanglement. As Richard Simeon and David Cameron

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<sup>573</sup>Wolfe and Gertler (2001), 590. Clarkson (1999) shows that, following a two-year hiatus during which the Progressive Conservative government introduced measures to cut taxes and balance the budget, it reverted to traditional industrial policy measures such as targeted programs and tax credits. Bradford (1998 and 2003) suggests that the differences between the Progressive Conservative government and its predecessors centred on the appropriate roles of government, business, labour and social advocacy groups in formulating economic policies, rather than on whether interventionist economic policies were appropriate. Clarkson and Bradford agree that the institutional basis of the Progressive Conservative government's economic policies was tenuous and so left open the possibility of policy reversals in future.

have shown, in the late 1990s the federal government was working toward a “collaborative federalism,” characterized by a collaborative federal-provincial identification of national objectives, clear assignment of roles, seamless delivery to citizens, and transparency about outcomes. This form of federalism – epitomized in the Social Union Framework Agreement of 1999, but traceable to the Agreement on Internal Trade in 1995 – constrained the ability of the federal government to introduce new shared-cost programs in areas of exclusive provincial jurisdiction except with the approval of at least six provinces. It nevertheless left unrestricted the federal government’s ability to spend directly for federally-defined purposes.<sup>574</sup>

Yet few of the benefits of this collaborative federalism found their way into the creation of the CFI. Recognizing the long-standing precedent of federal involvement in university research and the inadequate involvement of many provinces, the federal government worked with a fraction of the university policy network to introduce what was *de facto* a new shared-cost program. In doing so, it exacerbated the federal-provincial entanglement in this policy field and added new features that provinces have historically deplored: the rules for distributing CFI funds inevitably were an incursion on existing provincial responsibilities for university education, and they had spillover effects on short-term and long-term provincial spending obligations.<sup>575</sup> Ontario and other provinces nevertheless chose to respond positively, accepting the importance of university research and not wishing to be blamed for turning away federal grants. The universities, eager for funding, were left to knit together the federal program and the provincial response into a coherent program with workable rules. All parties chose to ignore the time-limited nature of the government funding, the potential demands that new infrastructure would place on university operating budgets, and the absence of a plan to renew infrastructure in future as it became out of date.

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<sup>574</sup>Simeon and Cameron (2002), 279-281. The federal government’s willingness to restrict its power to introduce new shared-cost programs was stated in the Speech from the Throne on February 27, 1996.

<sup>575</sup>These aspects of federal-provincial entanglement are set out in Simeon (1977), 27-28.

The Canada Research Chairs program, while not requiring cost-sharing, also introduced features that may create future challenges for federal-provincial relations. The program increased the teaching resources of some universities more than others in a way not related to enrolments – a clear contradiction of the Access and Equality Paradigm. The program required universities to satisfy program administrators, using a peer review process, that nominees met standards for quality and that their research was integrated with the university's strategic research plan<sup>576</sup> – involving the program in university appointments in ways that provincial governments have avoided, and affecting universities' priorities in teaching as well as in research.<sup>577</sup> Funding was promised for a limited time only, creating the possibility that the federal government will eventually withdraw and leave universities or provinces to manage the consequences.

The construction of each of the new federal programs as a time-limited initiative,<sup>578</sup> without explicit federal-provincial agreements about objectives or roles or accountability, should make us cautious about assuming that the Research Excellence Paradigm has a strong base in federal-provincial collaboration. As Wolfe has argued,

federal policy towards research in the higher education sector continues to pretend that it operates in a vacuum, ignoring the fact that much of the rest of the operating funds for these institutions flows through the provincial governments and is strongly influenced by other federal policies, such as the Canada Health and Social Transfer.<sup>579</sup>

Cameron adds that, from the perspective of both the universities and the provincial

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<sup>576</sup>The creation of such a plan was a requirement of the CFI and CRC programs. In setting this requirement, the federal government was heavily influenced by the aggressive approach to planning demanded by the governing boards of large private U.S. universities. (Confidential interview.)

<sup>577</sup>Wolfe (2005), 332.

<sup>578</sup>An exception is the three granting councils, whose funding is not time-limited but has nevertheless proved vulnerable to changes in the federal fiscal situation. The Indirect Costs program is not strictly time-limited but is subject to a review after three years.

<sup>579</sup>Wolfe (2002a), 156.

governments, the federal government's temporary funding has bought it a prominent role in determining the structure of the university system: "One has to wonder if the federal government is not wielding what could prove to be a rather big stick in shaping the future of postsecondary education in Canada."<sup>580</sup> While the Ontario government accepted these programs without complaint during the period of this study, there are many reasons why they may feature in federal-provincial disputes in future. The recent harmony between the two levels of government could founder if one perceives that the other is withdrawing from its responsibilities or is making commitments with one-time funds that will require long-term support and maintenance from the other level of government.

The policy network that manages the Research Excellence Paradigm is far from stable. During the period of this study, each Ontario government created high-level bodies of economic advisors that were disbanded when the government lost its bid for re-election. The civil service responsibility was assigned to the ministry of economic development, moved to a new ministry that was also responsible for energy, and then moved back again.<sup>581</sup> Each government was heavily influenced by one or two external advisors to the premier – "gurus," as one participant described them – who of course departed after each change of government. On the university side, COU and the ministry responsible for science and technology have institutionalized a bilateral relationship, but COU's ability to represent its members is affected by the divisions among them. There is no multilateral body that brings together the ministry responsible for science and technology, universities, other science-related ministries (such as agriculture or health or environment) and research-oriented firms or sectors to manage the policy area and shore up its political base. There are no statutes or funding formulas that embed agreed principles and protect them from contingent events.

The effects of instability can be seen at the program level. While the Centres of Excellence have endured since their creation, URIF and other programs funded under the Liberal government's Technology Fund fell victim to the cost-cutting of the mid-1990s. The

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<sup>580</sup>Cameron (2001), 7.

<sup>581</sup>On the lack of policy coordination in the Ontario government on research and graduate studies, see Wolfe (2005), 334.

New Democratic government's Sector Partnership Fund met the same fate. The ORDCF and the Ontario Innovation Trust were both created with a fixed budget to be disbursed over a period of years – rather than as programs with annual base funding – and the effort to structure the OIT as a permanent independent trust came under sharp criticism from the Provincial Auditor.<sup>582</sup>

### *The politics of renewal*

While this assessment sounds discouraging, it suggests that one direction for further research is whether there is a distinctive politics of renewal that informs the rebuilding of publicly-funded agencies and institutions that expanded in the postwar era and were constrained in the deficit-cutting years. Governments that have learned the lessons of Pierson's politics of retrenchment – in particular, that opportunities for retrenchment are closely tied to program design, and the most ardent defenders of publicly-supported institutions are those who benefit from them or work at them – might reasonably be expected to experiment with renewing institutions in ways that maintain flexibility in the event of future recessions. These ways would include one-time or time-limited funding, linking funding renewal to the achievement of accountability measures or performance targets that are subject to future reassessment, avoiding commitments that create a sense of entitlement, establishing federal and provincial initiatives that are complementary but do not lock either government into cost-sharing or other firm commitments, and avoiding the creation of strong policy networks and other institutions that tend to protect programs and create a permanent political base.

If we were to identify this same pattern in other fields where state activity is being expanded, the implication would be that the programs created under the Research Excellence Paradigm are not uniquely fragile, but are part of a broader politics of renewal that helps to shape the post-deficit state. This does not mean that all programs in the post-deficit state are fragile. Advocates for programs established in earlier decades whose strong institutional foundations allowed them to survive the deficit-cutting era may have the political resources

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<sup>582</sup>After the 2003 election, the new Liberal government suspended new project approvals from both of these programs pending the creation of a replacement program.

to succeed in re-gaining secure funding. Advocates for new programs are likely to be disadvantaged in the competition for scarce funds. Governments struggling to maintain balanced budgets – in an environment where the growth in public expectations will continue to outstrip the growth of public revenues – will face the challenge of protecting new programs and responding to new spending needs by reducing the appetites of long-established programs with strong institutional bases of support. In such an environment, we should expect the politics of renewal and the politics of retrenchment to exist side by side.

## **PART FIVE: CONCLUSION**

### **9 CONCLUSION**

In this chapter I return to the four models of policy continuity and change presented in chapter 2, elaborating on the value of the synthesis proposed in that chapter. I offer some reflections on how the Access and Equality Paradigm changed during the period of this study and on its status as of 2002. I conclude with some suggestions for additional research.

#### **Evaluating four models of policy continuity and change**

The synthesis I proposed in chapter 2 suggested that each of the four models of policy continuity and change would be valuable in explaining some aspects of this case. My principal finding is that each of the models makes a distinctive contribution to our understanding of the policy outcomes in this case. None of the models could be eliminated or subsumed under any of the others, nor were there important overlaps or contradictions among them. This finding suggests the value of the proposed synthesis.

Applying these models to a specific case has suggested ways in which each might be refined or elaborated in order to account for the policy outcomes we have observed. Hall's model of paradigm shifts provides the most compelling explanation for many of the outcomes we observe, demonstrating how outcomes in the 1980s and 1990s were shaped by the legacies of the 1950s and 1960s. I nevertheless agree with Weir that its emphasis on shifts obscures its value in explaining policy continuity, and with Thelen that its applicability would be expanded by introducing the concept of "layering" one paradigm on top of another. Baumgartner and Jones' punctuated equilibrium model, while not as broadly applicable as its authors intend, accounts for some of the choices available to political actors within the paradigm and draws attention to the opportunities available to interest groups in a federal state where one level of government supports a paradigm and the other is indifferent to it. Coleman, Skogstad and Atkinson's model of policy development within a closed policy network is valuable because it causes us to look at how the COU-ministry policy network evolved during the course of our study, gradually losing capacity and losing its near-monopoly in the management of government-university relations. Finally, Pierson's model of retrenchment is useful in illuminating the distinctive strategies that governments use in

reducing expenditures and the near-irrelevance of external actors in preparing and implementing these strategies. I elaborate on each of these findings in the following sections.

***Friction between established policy equilibria and new ideas***

This research has confirmed the value of situating a study of policy continuity and change within the established paradigm – if any – that dominates a policy field. I identified the paradigm by looking for the overarching ideas or principles that appeared to frame policy debates in the period of this study, and then tracing them back to an earlier period when they first began to dominate policy decision-making. We saw how two ideas – access and equality – became dominant in the 1950s and 1960s, as universities moved from being elite institutions at the periphery of public life to being central institutions for the creation of economic opportunity and social mobility in the postwar welfare state. I showed how these ideas continued to find support in public opinion during the period of our study and how they were embedded in institutions created in the 1950s and 1960s – notably the university statutes, the principal participants in the policy network, the university operating grants formula, and the federal and provincial student assistance programs – in ways that carried the ideas forward and set boundaries on the range of new policy options that could be considered in the 1980s and 1990s.

*Ideas, institutions, and policy change*

The paradigm shift approach is historical, but its focus on ideas and the institutions that carry them forward frees it from determinism. The predictive value of Hall's model comes when we ask, what would need to change in order for universities in Ontario to be significantly different from what they are? The answer is that either the ideas or the institutions that underlie the dominant paradigm would need to change, either by revising them or by adding to them. I have shown that the idea that university research can generate growth in a knowledge-based economy was layered over the dominant paradigm starting in the mid-1980s – articulating a new idea without directly challenging the dominant paradigm, which was essentially silent about research. I have also shown that the university presidents attempted to add an explicit recognition of educational quality to the paradigm – unsuccessfully during the period of this study – as a way of supporting their argument for



greater public funding. Hall's approach suggests that the commitment of political actors and the public to access would have been diminished if access to university education had been shown to be no longer closely associated with access to better career and personal opportunities. It also suggests that their commitment to the formal equality of every university might have been diminished if it could have been shown that a more differentiated university system could be more responsive to individual and community needs. Hall's model shows how the dominant ideas in a sector structure the opportunities that actors have to pursue their political objectives.

His model also shows how opportunities are structured by institutions. I have shown that government initiatives to save money in ways that did not respect the "rules of the game" embedded in the operating grants formula – for example, by establishing a working group on restructuring, or by proposing a formula based on bilateral negotiations with each university, or by establishing special-purpose task forces to investigate whether universities were spending their money efficiently – met with staunch opposition from universities, while government decisions simply to reduce operating grants within the existing formula met with resigned acceptance (coupled with strategies to raise tuition fees). The statutes creating the universities were effectively impossible to amend without the universities' consent, but governments could make occasional intrusions on university governance through legislation that was generally applicable across the public sector, such as the Social Contract legislation or the legislation to require salary disclosure. Policies to expand the university system to accommodate growing enrolments were successfully managed within the ministry-COU policy network, but policy objectives that did not readily fit with the ministry's policy strengths or with COU's consensus-based decision-making were either addressed through the creation of new institutions (as in the case of university research) or were not addressed at all (as in the case of educational quality).

*The paradigm's role in setting policy boundaries*

We have seen that, in general, actors who understood the paradigm understood the range of policy options within the paradigm and the policy boundaries beyond which successful action was unlikely (barring effective strategies directed at the paradigm's foundations that would undercut, revise or replace the paradigm). They were therefore more

likely to adopt satisfactory political strategies than actors who did not.

The effect of policy boundaries was particularly apparent when we looked at governments' decisions about total operating funding per student and total enrolments. My findings are consistent with those in Weir's work on employment policy in the United States, where she showed how a paradigm worked to narrow options and restrict opportunities for change.

The establishment of a university paradigm in the 1950s and 1960s meant that many policy options were simply not available. As the number of qualified applicants to university increased in the 1980s and again in the 1990s, no government could contemplate limiting university enrolments. The principle of funding every student equally at every university ruled out funding incremental enrolments at a discount. Such a policy – which might have been justified on the basis of economies of scale – was tried in the 1970s and, because the incremental enrolments were concentrated at some universities and not others, became a source of funding inequities that eventually proved unacceptable to government. This principle also ruled out any attempt to designate some universities as “teaching-intensive,” with lower funding per student and higher teaching loads per faculty member than at other universities. The funding formula – which prevented the ministry from developing expertise on how universities spend money or how savings might be achieved without undermining students' educational experiences – meant that the government had no capacity to develop its own proposals for how universities could make do with lower funding. When public resources became increasingly constrained in the 1990s, governments had no way to legitimize reductions in total funding, and instead they resorted to increasing tuition – whose value had never been clearly established within the paradigm – as a substitute for reduced government funding.

For their part, universities repeatedly tried to revise the paradigm to justify higher funding – notably by incorporating some measure of educational quality that should be maintained. Yet the paradigm itself imposed important boundaries on how they could make this argument. A university whose funding was based on enrolments was unlikely to publicize its own declining quality, for fear of losing students. Universities that belonged to a consensus-based association were unlikely to establish a province-wide system for

measuring declining quality, for fear that some would be shown to be better than others. Absent these options, universities frequently attempted to raise concerns about quality by comparing their funding to that of universities in better-funded jurisdictions – a strategy that failed to sway either government or public opinion.

Governments and universities cooperated most effectively when they were called on to respond to foreseeable enrolment growth – the same task that brought them together so effectively in the late 1950s and 1960s. Regardless of fiscal circumstances, governments ensured that additional spaces for students were created, and universities – while seeking the best financial deal for themselves – were collectively willing to expand their enrolments to meet foreseeable demands. Despite the frequent appearance of discord over funding issues, the relationship between the government and the universities was highly productive in these circumstances.

In sum, university policy in Ontario was dominated by a paradigm that established policy boundaries. The paradigm defined the important tasks to be undertaken, and institutions were created with the capacity to carry out these tasks. The ministry and COU were reluctant to undertake tasks that fell outside of these boundaries. When they did, there was often friction and controversy. Government initiatives that fell outside of the paradigm were often opposed or delayed by the universities and so were heavily revised or abandoned.

#### *Layering of paradigms*

This research confirms the validity of Thelen’s concern that the paradigm shift model presents a binary choice – shift or no shift – when in fact policy outcomes may fall in-between. We noted in chapter 2 Thelen’s argument that institutions are seldom wholly “up for grabs” and that layering and other imperfect types of paradigm formation should be common. This research provides an example in support of Thelen’s position and shows how a new paradigm can be introduced without explicitly challenging the old one – leaving any contradictions or frictions to be identified and mediated over time. I have argued that a separate paradigm based on university research was in effect layered on top of the Access and Equality Paradigm, with no explicit attempt to identify the relationship between the two. Hall describes an explicit debate between Keynesianism and monetarism, carried out by experts, and ultimately resolved by politicians and imposed on the bureaucracy. In our case,

the politicians who adopted the Research Excellence Paradigm showed no special awareness of the Access and Equality Paradigm. Their intent was not to fix a broken educational paradigm, but to involve universities in fixing a broken paradigm for economic development.

While the Research Excellence Paradigm attracted much attention beginning in 1997, we saw that its roots can be traced to the mid-1980s, when the Ontario government began to adopt a model of economic development based on the creation and commercial transfer of knowledge. Initially this new idea had no institutional base, and only a slim political base: it was promoted by a small group of policy advocates, supported by a slightly larger group of policy advisors that included university administrators and executives from technology-based companies, and funded through two programs – URIF and the Ontario Centres of Excellence – whose combined government funding was about \$45 million annually (equivalent to an extra 3 per cent of university operating grants at that time). Bypassing the established COU-ministry policy network, the Ontario government in the late 1980s established a separate advisory board that mixed selected university administrators with a broader group of business executives and government representatives, and it assigned responsibility for the Centres of Excellence to the ministry responsible for economic development.

The economic crisis of the early 1990s gave greater prominence and legitimacy to knowledge-based strategies for economic development, and a small group of university administrators took the lead in persuading the federal government to transform these ideas into specific programs with significant financial resources. The federal government used cost-sharing strategies to encourage provinces to pay part of the costs of some of these programs, and some provinces (including Ontario) voluntarily added new and complementary programs of their own. In the late 1990s the federal government established new research funding bodies and also enhanced the roles of the existing ones, and Ontario established two quasi-independent boards to distribute its research funds. Thus the research-related paradigm had a foundation of ideas and of institutions that was distinct from that of the Access and Equality Paradigm.

This research suggests some of the challenges in analyzing the effect of paradigms on policy development. Identifying a paradigm requires the researcher to sort through several decades of data to determine which patterns appear to be consistent and which are

ephemeral. Identifying competing or overlapping paradigms requires the researcher to look beyond a single set of institutions and consider the relevance of new institutions or new roles undertaken by established institutions. While this research confirms the explanatory value of the paradigm shift model, it also supports the view that the case Hall described was unusually simple and that most cases will not lead to parsimonious description and analysis.

***Friction between macro-politics and subsystem politics: the punctuated equilibrium model***

I proposed in chapter 2 that the punctuated equilibrium model – with its focus on political strategies that take advantage of new political actors, new interest groups, and multiple points of access to the political system – might provide useful explanations of how mid-level policy change happens within a dominant paradigm.

Several of the findings in this research confirm the value of punctuated equilibrium model at this level of analysis. We saw that, even within an established paradigm, new government actors make choices about which voices from outside the established policy network are deemed authoritative, and they make choices about new policy instruments. We also saw that the federal-provincial system created more opportunities for interest groups to achieve their objectives than would be present in a unitary state. While the number of observations is not large, they are not satisfactorily explained by any of the other models under review.

*The effect of new actors: changes in the governing party*

Where a dominant paradigm is in place with long historical roots, we should expect to see little effect on policy outcomes from partisan changes in government. This research confirms that partisan differences among the three governments elected during the period of this study had little effect on major policy outputs. Both the Liberal and Progressive Conservative governments acted to expand the number of university spaces in response to growing numbers of applications; during the New Democratic government this issue simply did not arise. All three governments provided approximately the same levels of per-student funding, and the two governments affected by the fiscal crisis of the 1990s handled it in approximately the same way, by reducing government operating grants to universities and allowing a rapid rise in tuition fees to compensate. In addition, both governments in the 1990s adopted retrenchment measures to reduce the costs of student assistance and to prevent

higher tuition fees from imposing higher costs on OSAP. All three governments made noises about using system planning and accountability measures to reduce per-student costs and improve universities' effectiveness, and all three backed away from or heavily revised their proposed measures in the face of university opposition. All three saw university research as a core element of their economic development strategy. While the amount of new research funding and the design of research programs differed among the three governments, these variations are better explained by differences in fiscal circumstances and federal government incentives than by partisan differences.

One area of difference among the three parties was their choices about which voices outside the normal policy network should be deemed authoritative and worth listening to. In the case of degree-granting, all three governments were approached by a religious-based institution that wished to offer secular university degrees. Both the Liberal and New Democratic governments sidestepped these approaches, while the Progressive Conservative government – in part due to an ideological predisposition to welcome competition that might improve the performance of publicly-funded bodies – chose to listen to this institution, and then to use this case as a precedent for addressing approaches from the business community and the colleges who wished to see an expansion in the number of degree-granting institutions. In the case of expanding the university system to address labour market bottlenecks, the Liberal government identified and addressed a variety of shortages in public-sector and private-sector professions, while the Progressive Conservative government initially chose to listen to representations from executives in the information technology sector and only later turned its attention to shortages in public-sector professions. While the number of observations is limited (we do not know, for example, how the other parties would have responded if they had been in office during the information technology boom of the late 1990s), this evidence suggests that, within the dominant paradigm, governments of different stripes could make different choices about which voices to listen to, and these choices could lead to non-trivial differences in policy outcomes.

A second area of difference among the three parties was in their choice of policy instruments – in particular, the expansion of the use of matching funds under the Progressive Conservative as a tool for leveraging public funds and as a device for testing whether a

proposed university expenditure was seen as worthwhile by donors or investors from outside of government. Matching funds – defined as a requirement that a portion of an expenditure be funded from non-government sources – were seen as part of the research-related paradigm by governments of all parties in the 1980s and 1990s: matching funds were a requirement for participation in URIF (established under the Davis/ Miller Progressive Conservative government), in the Centres of Excellence (established by the Liberal government and continued by the subsequent two governments), and in the ORDCF (established under the Progressive Conservative government).<sup>583</sup> These requirements were justified in terms of the objective of building linkages between university researchers and private industry. Matching funds have also been a requirement for university capital construction projects under every government since at least the 1950s, reflecting the historic willingness of alumni and other donors to contribute for this purpose. The three governments used similar policy instruments, but the volume of matching grew significantly in the late 1990s, reflecting the growth of research programs (including federal programs) and the large capital investment for the double cohort.

Where the Progressive Conservative government differed from its predecessors was in introducing matching funds for a wide range of special-purpose programs, such as student bursary endowments, graduate scholarships and the equipping of facilities in engineering and computer science. Participants recall that the impetus for these measures was the government's belief – influenced by advisors familiar with United States universities – that universities had close ties to business elites and wealthy individuals whose donations could be used to multiply available public funds.<sup>584</sup> From this perspective, the Progressive Conservative government can be seen as trying to create a stronger culture of philanthropy in a reduced-tax environment. This evidence again suggests that, within the dominant

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<sup>583</sup>The New Democratic government did not introduce a new university research program, but matching funds were a requirement of its flagship economic development program, the Sector Partnership Fund.

<sup>584</sup>Confidential interviews. Others participants recall that, as it became apparent that the government overestimated the ability of most universities to access donations, COU was successful in encouraging the government to rein in the use of this instrument.

paradigm, governments of different stripes could make different choices about policy instruments, and these choices could affect how universities saw their current and future funding opportunities.

*The effect of multiple entry points: federal-provincial competition and entanglement*

Baumgartner and Jones' version of punctuated equilibrium is premised on the United States political system, with multiple access points that afford interest groups multiple options for attracting the attention of political actors. While this model is in general less applicable to a Westminster system of government, we have seen that the presence of a federal system in Canada, as in the United States, expanded the opportunities for groups to advance their interests.

In particular, universities seeking funding for their research programs promoted intergovernmental competition in order to achieve immediate gains outside the normal Access and Equality Paradigm – a paradigm established by the provincial government and to which the federal government had little ongoing commitment. From 1967 to 1985, the two levels of government tacitly agreed that the provincial government would fund university teaching and research jointly, with no explicit research policy, while the federal government would provide peer-reviewed grants for university research and would fund other transfers for university operating costs through the provincial government. The first glimpse of a provincial policy on university research came in the last year of the (Davis/Miller) Progressive Conservative government and was developed more fully by the Liberal government – partly at the urging of the universities, but with programs designed by policy advocates largely from outside the university system. Many of these same advocates encouraged the federal government to create a nearly identical program, so that by the end of the decade both levels of government were funding competing research programs. A competitive pattern can again be seen in 1997, as university representatives urged the federal government to establish a program for research infrastructure that included a matching element, and then encouraged the province to set up a complementary program to provide matching funds. At the end of the 1990s, university representatives urged the province to provide funding to meet the indirect costs of all provincial research programs and then used this to argue that the federal government should do likewise for its (much larger) research



programs. Meanwhile the universities also encouraged the federal government to introduce a program to fund the costs of stellar faculty that was tantamount to a direct federal government operating grant to universities – but distributed in a way that was vastly different from the principles of the Access and Equality Paradigm.

The existence of multiple access points created opportunities for changes that would almost certainly have been foreclosed or heavily compromised if pursued solely at the provincial level through the COU-ministry policy network. At the same time, multiple access points lent themselves to *ad hoc* policy development, so that, by the end of the period of this study, the stability of the new research-related paradigm was not yet clear. Balanced-budget objectives meant that some new research programs were funded with one-time money or a series of lump-sum payments, rather than with ongoing base budgets. Institutions – such as administrative organizations and legislation – were established with a view to facilitating their eventual wind-up, rather than with a view to entrenching them as permanent entities. The three federal granting councils had the strongest institutional base, but they had proved vulnerable to changes in the federal government’s fiscal situation in the late 1980s and 1990s and could presumably be vulnerable again. The federal-provincial competition that facilitated the establishment of the new research programs may also pave the way for future federal-provincial offloading if one level of government withdraws from the research field in order to redirect funds to other priorities. Offloading may also take the form of jurisdictional disputes if one level of government expects the other to pay for ongoing costs of operations and equipment renewal for research facilities that it established with one-time funding.

The punctuated equilibrium model draws our attention to the opportunities presented by multiple access points – in this case, competing federal and provincial governments – to interest groups that wish to bypass an established paradigm. In doing so, it provides a useful elaboration to the model as presented by Hall. Once again we observe the limitations of Hall’s case, which focussed on a policy area – fiscal and monetary policy – that is typically an exclusive jurisdiction of central governments.

***Adoption of new ideas within a closed policy network***

We investigated the possibility that a closed policy network could incrementally revise or overturn an established paradigm, and we consistently found that the ministry-COU

network did not do so. The network functioned at its best when it was faced with growing numbers of students and needed to plan and implement an expansion of the university system. But when enrolments were constant or growing slowly, the network often appeared rudderless. It was unable to agree on new directions in system planning and accountability, and instead we regularly observed governments leading universities towards ill-defined goals and universities responding defensively. The network had some ability to accept internal compromises at the beginning of the period of our study – balancing the creation of the ROIE with the partial resolution of funding equity issues – but by the end of the period universities were effecting policy changes by by-passing the network, as fractions of the university community turned to the federal government for new research programs or to central agencies of the provincial government for the redress of historical inequities. Increasingly the policy network established in the 1960s was irrelevant to important areas of university policy.

This evolution raises the question of how the policy network in this case varied from the ideal type described in Coleman, Skogstad and Atkinson's model. On the government side, we observed that, from its inception, the ministry had no legislative authority over the universities and instead carried out its objectives through the device of granting or (on rare occasions) withholding public funds. It collected certain types of information itself, but otherwise was reliant on COU or simply had no information at all. While deficiencies in the ministry's initial knowledge base could presumably have been remedied over the decades, the incentives to do so were weak in the absence of consistent government objectives beyond those established in the Access and Equality Paradigm. The lack of a clear division of responsibilities between the ministry and OCUA meant that there was duplication of expertise in some policy areas while others remained unexplored.

On the universities' side, we observed that the apparent ability of COU to resolve internal differences and to adopt a common agenda diminished during the period of this study. Internal differences existed, of course, from the time of the organization's founding in 1962, and they became more stark in the 1970s when it became apparent that government funding would never accommodate the ambitions of some of the newer universities to offer a full range of programs at all levels of study and the ambitions of some of the older

universities to become leaders in high-cost fields of research. The Liberal and New Democratic governments provided no relief from these financial constraints, but their agendas for universities did not serve to divide the group (and in fact sometimes united them in opposition to the government). This was less true of the Progressive Conservative government, whose experimentation with new policy tools and expanded use of old ones – notably in research policy, but also in making universities more reliant on tuition for their revenues, promoting fund-raising, and allowing universities to set tuition in certain professional programs based on what the market would bear – had the effect of strengthening the universities that were best able to attract funding from these particular instruments. The rules for these programs observed the formal equality of all universities, but the appearance of winners and losers, and the suspicion among COU members that some universities were conducting government advocacy independently of COU, made it increasingly difficult for COU to represent the interests of all universities.

Viewed from the perspective of Coleman, Skogstad and Atkinson's model, the COU-ministry policy network lacked key elements that might have allowed more creative or constructive policy development. The ministry lacked the authority – either statutory or knowledge-based – to contemplate new directions other than those that would benefit all universities approximately equally. COU lacked the cohesion to resolve some key internal differences or to achieve compromises other than those that would benefit all universities approximately equally.

Coleman and Skogstad suggest that tightly closed policy networks tend to be highly durable, warding off challenges from other groups and state agencies, but that over time they tend to break down into pressure pluralist networks, with multiple organizations advocating their own agendas. This breakdown, they say, may be generated by the rise of a well-developed association outside of the existing network which is able to influence votes or is supported by sympathetic politicians.<sup>585</sup> We did not find evidence of this specific process during the course of this research, although one can speculate that OUSA might have played

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<sup>585</sup>Coleman and Skogstad (1990c), 323-324. The specific reference is to concertation policy networks.

such a role if it had come into existence a few years sooner.

Instead, we found evidence of a closely related phenomenon: as new government priorities emerged (notably research and deficit reduction), government bodies from outside the normal COU-ministry network made policies that affected universities, so that the government side of the policy network became more complex over the period of this study. Central agencies became intermittently important as they introduced legislation affecting all transfer payment recipients (such as the Social Contract) and as balanced-budget objectives raised the potential stakes for interest groups that could successfully argue for one-time funding at the fiscal year-end (as COU did for SuperBuild and the Ontario Innovation Trust). The rise of the research-related paradigm created important roles for the ministry responsible for economic development, the boards of new research programs and the federal government. Meanwhile, the professional expertise residing in the ministry responsible for universities and in OCUA was diminished in the early and mid-1990s as the ministry was merged into the Ministry of Education and reorganized, and as OCUA was abolished with no corresponding enhancement of the ministry's capabilities. On the universities' side, COU maintained a strong base of professional expertise throughout this period, but was affected by the increasing fractiousness that we have noted.

This change in the policy network should not be overstated. COU has had direct relationships with central agencies of government since its inception, and there are strong formal and informal processes within government to support policy coordination among ministries and central agencies. We nevertheless found that the nature of the ministry-COU policy network was different in 2002 from what it was in 1985, with less cohesion on both sides and consequently less authority to manage the government-university relationship.

*The effect of new interest groups: is there a mass politics of universities?*

We observed that COU attempted to open up the established policy network in the early 1990s by creating two new interest groups to advocate on behalf of universities, and that it also encouraged the founders of a province-wide association of undergraduate students whose views were aligned with those of COU. The results of the two COU-sponsored groups did not meet their stated objectives, and poor planning and competition with each other and with COU members led to their eventual demise. The student association's

contribution was more substantial, especially in producing original research and policy options, but it was founded too late to influence the move to higher tuition and loans-based student aid in 1993, and it was unable in subsequent years to persuade governments to provide higher operating support to universities.

These observations raise the question of whether the disappointing results should be attributed to the specific circumstances surrounding the founding and management of these organizations, or whether they tell us something more fundamental about the politics of government-university relations. Why did the task of advocating for higher university funding fall almost exclusively to COU during the period of our study? In a jurisdiction where, over fifty years, university education moved from an elite activity to a mass enterprise involving 400,000 active students and nearly two million alumni, why has there been no mass politics of university education?<sup>586</sup>

This research does not fully answer this question, but several findings are relevant. First, the university presidents achieved many successes through their own efforts – notably in the replacement of reduced government grants by higher tuition fees, and in the creation of new research programs – and so the incentive for COU to organize a mass organization was not as strong as it might otherwise have been. Secondly, the task of organizing mass support for higher university funding would have required disparate groups to join in a common agenda (or complementary agendas). We observed important differences between administrators and students (and among student groups) about tuition fees and student debt, and between administrators and some faculty about the apparent privileging of some disciplines over others in new funding programs. Developing a common agenda would therefore have been a challenge, and maintaining consistent support for such an agenda even more so, especially in an institutional culture that values open debate and freedom of individual expression. We also observed that university administrators – recognizing that alumni have finite political and financial resources – prefer to position their alumni as institutional loyalists, rather than as supporters of a broader cause. For their part, alumni

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<sup>586</sup>I am indebted to Allan Tupper for helping me to define this question, and to several confidential interviewees who provided perspectives.

have multiple political roles – as citizens, as consumers of a broad range of public services that compete with universities for funding, as taxpayers, and as beneficiaries of a university experience that they may or may not have thought highly of – so that their position on university issues cannot be taken for granted.

Where we observed mass politics mostly clearly was in the form of pressures on governments from parents – in the 1960s, late 1980s and late 1990s – who feared that their children would be turned away from university for lack of space. In these cases, the pressures on government did not come from any specific organization, but from parents as individuals through their MPPs and through pre-existing local associations such as parent-teacher associations. These parents found common cause with university administrators in seeking full (rather than discounted) funding for increased enrolments. At the same time, parents were distanced from university administrators by a lack of organizational ties, and, in the late 1990s, by differences in policy positions (on issues such as higher tuition fees and the educational value of large lecture classes) and low levels of trust among parents that either government or university elites could be counted on to maintain accessible public services. We found no evidence that the political activities of parents in supporting accessibility carried over into continuing support for universities once the immediate crisis passed.<sup>587</sup>

An additional challenge in creating a mass politics of universities is that, while access to university has grown continuously, university graduates remain a minority of the adult population, with only about one-quarter of young adults having a university education. We noted public opinion polls available to governments and universities at various times that showed high levels of public satisfaction with universities (which can be interpreted as either

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<sup>587</sup> A similar pattern can be observed after the Second World War. The influx of veterans caused university enrolments to grow – in some cases doubling from prewar levels – and the efforts of universities to accommodate veterans won much support from outside the university and from their own faculty. Yet by 1951, when the Massey Commission reported, the wave of veterans had passed. While the commission's recommendation for federal operating grants to universities was implemented immediately, other recommendations lingered until the pressures of the baby boom and the Cold War made them more urgent. On this period, see McKillop (1994), 551-565, and Neary (1998).

support or indifference), mixed support for providing additional funds to universities, and markedly more support for loans rather than grants to low-income students (which may be a sign that some respondents see students as a privileged group). The low priority given to university issues in political campaigns in the late 1980s and 1990s was in part due to the belief of political actors that only a minority of adults expected their children to attend university – compared with a much larger share who had a direct interest in health care, elementary and secondary education, and taxes.<sup>588</sup>

These observations help explain why the policy network changed as it did during the 1980s and 1990s. University strategies to approach the provincial and federal governments through multiple entry points had low costs and a realistic prospect of bringing higher funding to support the priorities of university administrations. By contrast, university strategies to create mass organizations faced high start-up costs, significant problems in coordinating or negotiating common agendas, and the likelihood that even a highly successful organization would be seen by government as a minority interest compared to the supporters of other public programs.

### ***State-imposed retrenchment***

We observed in chapter 7 the close fit between Pierson's model of retrenchment and the actual experience of Ontario governments in raising tuition fees and reducing student aid expenditures in the 1990s. Pierson correctly argues that retrenchment is a state-driven activity guided by strategies for blame avoidance. As such, retrenchment is not well explained by the other models of policy change that we have considered. Hall's model of paradigm shifts is premised on competing paradigms of what public policy should achieve and how, with political actors ultimately determining which paradigm is authoritative. Yet blame avoidance typically requires governments to avoid the appearance of major policy change, turning instead to the discourse (and sometimes the reality) of incremental adjustments, efficiency improvement, and returning programs to their "core" purposes. The punctuated equilibrium model and the closed policy network model each see policy change being driven by, or happening in consultation with, external actors. Yet governments that

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<sup>588</sup>Confidential interviews.

attempt to consult with program beneficiaries about retrenchment are unlikely to win consensus or avoid blame. The efforts of the New Democratic government to involve universities in discussions about restructuring demonstrate some of the pitfalls in involving program beneficiaries in a process of budget reduction

As Pierson predicts, the nature of retrenchment in tuition and student assistance was shaped by the different kinds of policy feedback that legacy policies presented. Tuition's share of total university operating funding had never been fixed in the Access and Equality Paradigm and in fact had varied widely in the 1950s and 1960s, so there was an opportunity for governments to argue that they were restoring tuition's share to earlier levels. By defining accessibility in terms of a single number – the participation rate of 18- to 24-year-olds in university education – governments had a simple way to demonstrate that higher tuition was not threatening accessibility.<sup>589</sup> As long as the participation rate was increasing, governments had latitude to revise student assistance policies to achieve retrenchment goals.

The complexity of the legacy program meant that there was much confusion about the nature of the changes being made. This confusion was compounded by strategies that had the effect of delaying the impacts on students, incrementally reducing the real value of student aid each year, and moving some of the responsibility for tuition-setting and student aid to universities. Federal and provincial roles, which were largely complementary until 1993, became more confused as programs proliferated and regulations were deharmonized, introducing opportunities for blame-shifting. Eventually anxieties among students, parents, and parents of prospective students forced both levels of government to give back some of their gains in the form of new bursary programs and tax credits that were available to all income groups. By the end of the period of our study, OSAP's maximum support was several thousand dollars short of the full cost of attending university for the average student living away from home – breaking the promise of access for all qualified students, and leaving universities with the responsibility of providing the difference if they could afford to

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<sup>589</sup>As we noted in chapter 2, Margaret Weir observed a similar strategy in employment policy in the United States: by reducing the unemployment problem to a single number – the unemployment rate – the government was able to downplay the need for an active employment policy to assist the long-term unemployed.



do so.

I disagree with Pierson on the use of information strategies during periods of retrenchment, arguing in chapter 7 that Pierson's account attributed motives that could seldom be proven and that may have benign explanations, and that it overlooked the information strategies available to the opponents of retrenchment. The inherent difficulties in predicting how changes in incentives in complex social programs will affect behaviour provides fertile ground for both supporters and opponents of retrenchment to use information strategies.

*Explaining the choice between raising tuition and reducing overall funding*

Government decisions about tuition and operating grants in the 1990s raise the question: why did government risk their popularity by raising tuition fees? Would they not have been more popular if they had frozen tuition fees, reduced operating grants as necessary, and required universities to operate more efficiently?

We found no evidence that governments explicitly considered this option. We noted in Chapter 7 that the New Democratic government justified higher fees on the basis that students would go on to earn higher incomes, and that the Progressive Conservative government made a similar argument in its 1995 campaign platform.

Pierson's argument about policy feedback helps us explore why governments did not find a tuition freeze attractive. If the New Democratic government had imposed a tuition freeze in 1993, then – all other things being equal – total operating funding per student by 2002 would have been about 20 per cent less than it actually was, with most of the reduction happening between 1993 and 1997.<sup>590</sup> Such a direct assault on established institutions would almost certainly have triggered political action on the part of university employees in the way that Pierson predicts, with organized withdrawals of services and moves to unionize faculty at those universities where this was not already the case. The resolution of labour disputes

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<sup>590</sup>This assumes that governments would have changed the university grants formula to ensure that accessibility was maintained. Several options might have been available to do this, including raising universities' enrolment corridors while reducing funding, or placing universities on a closed-ended enrolment-driven formula similar to that used in the college system since 1981.

would very likely have solidified or strengthened provisions protecting faculty from excessive teaching loads and would have left students with larger classes, fewer contact hours per week, and reduced support services. The issue of educational quality – which was never explicitly part of the dominant paradigm, and where polls found most Ontarians satisfied – would have become politically salient, with the blame falling on government, which fully controlled both tuition and grants. Middle- and upper-income families would increasingly have made plans for their children to attend university out of province, exacerbating the sense that an important institution of the universal welfare state was lost.

By comparison, the option of raising tuition fees did not face strong institutional opposition. Student groups that opposed the increases were not organizationally strong, and university administrations were strongly supportive, generally regretting the increases but arguing that they were unavoidable to preserve (or minimize reductions in) quality. Strategies were available to government to phase in the increases, to share responsibility with universities, and to reserve the largest impacts for small groups of students – such as those in law and business – who could be seen as future high-income earners. These impacts complemented a more general argument that higher tuition fees were fair in the sense that they promoted vertical equity. While the choice of higher fees had political costs, the costs were not as great as those involved in a tuition freeze. This analysis remained valid from the time the New Democratic government imposed the Social Contract reductions in 1993 until the time that tuition reached the 35 per cent share of total university costs that the Progressive Conservative government promised in its campaign platform. After the 35 per cent target was reached, and faced with the political pressure to give back some gains to families of all income levels through education-related tax credits, the Progressive Conservative limited increases in regulated fees to approximately the rate of inflation after 1999.

### **The evolution of the Access and Equality Paradigm, 1985-2002**

The Access and Equality Paradigm contains important ideas about the rights of citizens to have the opportunity to attend university, and the limitations on those rights; about fairness in the allocation of public resources among universities and students; and about the

roles of the state and of private individuals in the funding of university education.<sup>591</sup> I want to consider here what the continuities and changes in the paradigm between 1985 and 2002 reveal about these ideas under three governments. I say “under” rather than “held by” because I do not want to assume that each government had a conscious ideological agenda on these matters. Sometimes there is evidence of such an agenda; sometimes the ideas are revealed in actions that were decided in the heat of the moment or with limited information and whose ideological implications have become more apparent with hindsight.

Throughout this period the Access and Equality Paradigm was challenged, however indirectly, by competition from advocates for research excellence and (especially after 1990) deficit reduction. It was also reshaped by shifting ideas about what access and equality should mean. Karen Orren and Stephen Skowronek suggest that conflict should be seen as the norm rather than the exception in any policy field. Rather than proposing models to explain how policies move from one equilibrium point to another, they suggest that the task of political science is to explain

specifically how ‘mixes’ occur and what their substance is in any particular institutional case. To elucidate those processes is the major task of a historically oriented research agenda for political science.<sup>592</sup>

Drawing on this advice, I want to consider some of the policy mixes that reside within the Access and Equality Paradigm, starting with the evolution of the university into a public institution in the period to 1970, and proceeding to issues that were prominent in the 1980s and 1990s, including the evolution of access into a right of citizenship, the reduced role of the state in funding universities, the relationship between access and educational quality, the effect of the research paradigm on access, and the scarcity of informed democratic debate about the role of universities in society.

***Origins of the paradigm: rights, equality and the public status of the university***

We observed in chapter 4 that the Access and Equality paradigm can be traced to an

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<sup>591</sup>I draw here on Ronald Manzer’s (2003) use of community, equality and liberty as primary dimensions of democracy that may be revealed through the study of educational regimes.

<sup>592</sup>Orren and Skowronek (1995), 302-316, quotation at 310.

earlier paradigm established in 1868 that defined a “public” university as one that was governed by a non-denominational body. This concept of what it meant to be public – however limited – had a powerful effect in establishing the path by which the provision of university education became the responsibility of the state rather than of church authorities. It removed from university politics claims of sectarian preference and unfairness, discouraged a proliferation of claims on public funds from institutions with narrow appeal, and eliminated religious tests for faculty and students at universities that aspired to public funding.

The provincial government initially adopted the principle of equality as a way of defining its obligations to universities and their supporters. After cancelling funding to denominational colleges in 1868, the government eventually began to provide annual financial support to the province’s one secular university (Toronto), and this practice was broadened to a policy of providing annual funding to other universities that became secular (starting with Queen’s in 1907 and Western in 1910). Public status did not imply a public role in governance. The provincial government gave up its direct role in the governance of the University of Toronto in 1906, and it did not ask for a role in the governance of other universities as they became eligible for public funding. Secular governance, and a willingness to comply with any conditions attached to public funding, distinguished the public universities from any others.

After the Second World War, this limited notion of public status was expanded to incorporate the welfare state objectives of comprehensiveness and universality. The university system became more comprehensive as more universities changed from religious to secular governance, institutions that developed from nondenominational origins gained university status (starting with Carleton in 1957), and new universities were planned in order to fill gaps in the system. Geographic access to a publicly-funded university in all of the province’s major cities was deemed complete in 1964 (and a parallel system of colleges for students not bound for university opened beginning in 1966). The government decided that it had equal obligations to the new universities and to the established ones, and so each was awarded equal status, equal autonomy and a claim on the public purse. The government did not use the creation of universities in the 1950s and 1960s as an opportunity to establish a

new tier of universities more closely controlled by the state.<sup>593</sup> The Frost and Robarts governments believed that their control over funding gave them sufficient leverage in negotiating with universities to advance the public interest, without a direct government role in university governance.

During this same period, the provincial government began to expand its role so that, in addition to its obligations to universities as institutions, it had a responsibility to advance the rights of individual citizens to receive the benefits of a university education. The right of access to university – long restricted to social elites and, through charity, to the most talented of the non-elite – was extended to returning veterans and then to all young people whose secondary school preparation was deemed adequate. In practice this right was expanded gradually during the 1950s and 1960s, and it remained highly circumscribed even at the end of that period. Even in the late 1960s only one in four young people completed a Grade 13 honour graduation diploma,<sup>594</sup> so the practical effect of a right of access to university for qualified students was heavily contingent on improvements in secondary school completion rates. A system of income-tested loans and grants for all academically qualified students was put in place primarily between 1957 and 1964, but the concept adopted in other welfare state programs of providing public services without user fees was never imported to university education. Throughout the 1960s, participation rates for young women were about half as high as for young men. The bilingual universities – Ottawa and Laurentian – became fully eligible for public funding in the early 1960s (with York adding a bilingual campus in 1966), but participation rates among francophones remained lower than for anglophones. Little attention was given to supporting accessibility for racial minorities, aboriginal peoples or people with disabilities. Significant experiments were put in place to bring university education to adult learners – through evening classes and by television and correspondence – but no policy defined a right of access for this group. Even at the end of the 1960s – when the

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<sup>593</sup>The statutes of most universities call for a small number of the university's board members to be appointed by Lieutenant Governor in Council. In practice, these members are nominated by the university itself for Cabinet approval.

<sup>594</sup>Fleming (1971), I, 123.

principles of the welfare state were arguably at their zenith among political and bureaucratic actors in Canada – much remained to be done to put the right of access to university education for all qualified students into practice.

The 1967 funding formula confirmed the right of students to have access to programs of approximately equal quality regardless of which university they chose, with the provincial government agreeing to provide equal funding per student and controlling tuition fees. The right of access to an equal quality of education was not absolute: government did not equalize donations to universities or differences among universities in physical plant, and it was indifferent to any effects from federal research grants. While students were entitled to programs of approximately equal quality, there was no clear policy on how high the level of quality in education should be.

This history suggests some of the successes and difficulties that governments had in importing welfare state principles into a sector that had a longstanding tradition of elitism. Governments succeeded in reducing the role of church elites and then in establishing a direct obligation to individual citizens. They introduced elements of social equality in terms of geographic access, financial assistance for low-income students, and funding to ensure approximate equality in program quality. The practice of equal access tended to favour non-aboriginal males over other groups. Despite the availability of loans and grants, attendance at university remained skewed towards middle- and upper-income families. In addition, there were elements of inequality that governments agreed were appropriate to the university sector and did not challenge – in particular, the practice of reserving admission to those who were deemed academically qualified.

### ***Confirming access as a right of citizenship***

During the period 1985 to 2002, all three governments took actions to protect the right of access to postsecondary education for qualified students. Both the Liberal and Progressive Conservative governments devoted significant financial resources to expanding the university system as applications grew, and we can reasonably speculate that the New Democratic government would have done likewise if there had been a similar pressure during its term of office. The attention paid to access under three different governments, even during a fiscal crisis, put to an end an anomic period in the 1970s and early 1980s when

faltering application rates caused governments to question whether the value of attending university had been oversold. This behaviour suggests that the principle of access proclaimed beginning in the 1950s was confirmed as a right during the period 1985 to 2002, although the right was enforced at the ballot box rather than in the courts. A young person in 2002 was about twice as likely to attend university as was a young person in 1970, with the most rapid change happening in the late 1980s as the participation of young women grew to match and then surpass that of young men.

There were differences among the three governments about whether the state should recognize the claims of demographic groups as it expanded the right of access. The Liberal government provided targeted funding for French-language programs, for students with disabilities and for Northern universities. At the start of its mandate, the New Democratic government established an Aboriginal Education Council and created a fund for projects to improve access by aboriginal people. The Progressive Conservative government, which campaigned explicitly against what it saw as “quotas” its predecessor’s employment equity legislation, viewed citizenship in terms of individual rights rather than group rights. While it maintained the established programs to support postsecondary education for aboriginal people, francophones, people with disabilities, and Northern residents, it did not expand such programs, and it abolished francophone and aboriginal advisory groups that might have pressed for the expansion of these programs. The Progressive Conservatives’ focus on individual rather than group rights meant that access was once again defined almost exclusively in terms of total enrolments as a share of the total population age 18-24 – the same benchmark that was used in the 1960s. Evidence that certain demographic groups continued to enrol in university at rates well below the population as whole<sup>595</sup> tempered the achievements of this period in affirming the right of access to university education.

### ***The individual and the state in the funding of university education***

A substantial shift in the relative roles of the individual and the state in the funding of university education took place during the period of our study. This shift took the form of a weakening of the government’s accountability for making university financially accessible to

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<sup>595</sup>For example, Junor and Usher (2002), 56-57, and Rae (2005), 64, 69.

low-income students, and an increase in the share of the cost of education paid by students rather than the state.

In the fiscal crisis of the early 1990s, the New Democratic government, the Ontario Progressive Conservative party, and the federal Liberal government each came to the conclusion that more support for low-income students should be provided through loans rather than grants, and that subsidies should be targeted to high-need students, especially those who experienced persistently low incomes after graduation. They justified this re-orientation on the basis that public funds should assist those most in need. Major elements of this endeavour fell victim to the complexities embedded in legacy programs, and it eventually gave way to a series of year-by-year decisions that, in aggregate, created serious questions about the capacity of the government programs to meet their stated purpose of providing access for low-income students. Answering these questions became more difficult as the sources of financial aid proliferated without a clear process for assessing and reporting on how this proliferation was meeting the needs of individual students.

This change in government responsibilities for protecting low-income students' right of access overlapped with the change in the relative roles of individuals and the state in funding university education. The share of education costs funded by students grew during the period of our study. The period of the Liberal government closely resembled the late 1960s, with tuition accounting for about one-fifth of the operating revenue of the universities, and with government controlling all fees. Yet the share of education costs funded by students began to grow in the latter years of the Liberal government's mandate. The New Democratic government maintained this pace and then accelerated it starting in 1993, even giving the universities a first experience with fee deregulation. The Progressive Conservative government explicitly campaigned on a platform of increasing tuition to 35 per cent of total costs and partially deregulating some tuition fees. The New Democrats and Progressive Conservatives both justified higher fees in terms of students' future incomes, and both claimed that access for low-income students could be maintained through improved student aid. In this sense, both challenged whether a citizen's right of access to university necessarily implied maintaining the previously-accepted level of public subsidy intended to promote that right. They shifted the balance between public and private responsibilities,



while nevertheless recognizing that the public benefits of a university-educated population continued to warrant a substantial public subsidy.

The issues of providing access for low-income students and determining students' appropriate share of the cost of university overlapped but were distinct. The first was clearly addressed within the Access and Equality Paradigm: if it could be shown that student aid programs were failing to provide the resources that low-income students needed, the paradigm suggested that government had a clear responsibility to repair the programs, using additional funds as required. The resolution of the second issue was not as clear. The ratio of individual funding to public funding for universities fluctuated widely in Ontario from the 1950s onward. This ratio also varied widely among the other nine provinces and among other industrialized countries. Changing this ratio raised many claims about fairness,<sup>596</sup> but – except for low-income students – it was not closely tied to students' right of access. For this reason, this issue was not resolvable within the Access and Equality Paradigm, and instead it was resolved within a larger debate about appropriate levels of taxation and the priority of postsecondary education among a wide range of public services that made claims on the public purse. The outcome by 2002 was a higher level of privatized funding.

### ***Finding a place for quality in the Access and Equality Paradigm***

The Access and Equality Paradigm directly addressed a citizen's right of access to university, the state's responsibility to ensure that all universities were able to offer programs of approximately equal quality, and the state's obligation to provide fair access to financially disadvantaged students. Yet it was conspicuously silent on the quality of university education – what we might call the “access to what?” question.

Throughout the period of our study we observed a stand-off between governments and universities over whether universities were providing students with a high-quality education and, if not, what was the appropriate remedy. None of the three governments

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<sup>596</sup>For example, there were reasonable claims about how a change in the ratio between public and private funding would affect fairness between university students and their peers who do not attend university, between parents of university students and other adults, and between current students and those who graduated when a lower ratio was in effect. In addition, within each of these groups there were many individual circumstances that made their own claims on fairness.

articulated a clear definition of quality, and none could prove that quality was not being provided, but each had a sense that universities could improve the quality of education, especially at the undergraduate level, through better use of the available funding. For their part, university administrations were also unable to agree on a definition of quality, and they regularly argued that the government role in quality was essentially to provide additional funding. COU's practice of equating quality with funding per student meant that, arithmetically, quality and access were positioned as inverses of one another: for any given amount of revenue, the universities could provide more access or more quality. This arithmetic relationship often polarized the government-university relationship, with governments seeing themselves as advocates for access and universities seeing themselves as advocates for quality. The perceived trade-off between quality and access was exacerbated by the common academic practice of using high average entering marks as a gauge of a university's quality (one that weighed heavily in the *Maclean's* rankings).

Changes in policy instruments during the period of our study had the effect of shifting the responsibility for identifying quality from government to students. The Liberal and New Democratic governments both attempted, albeit with little success, to use regulation and incentives to encourage universities to reduce non-essential spending and redirect funding to improving the quality of instruction. The Progressive Conservative government explored similar measures, but it also introduced a strong reliance on consumerism as a policy instrument – notably by making universities more reliant on students' tuition for their revenue, and also by publishing better consumer information for students (in the form of information on post-graduation employment and the like) and permitting competition from private universities and degree-granting CAATs. These measures placed more responsibility on students to decide which university offered the best quality program for them and gave universities more incentive to respond to students' needs.<sup>597</sup> They complemented the

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<sup>597</sup>In addition to giving this responsibility to students, the government also gave private donors a role in determining which universities most merited certain types of government funding, through the use of matching funds. In practice, the differential impact of this policy instrument was largely confined to the OSOTF program, where a single university (Toronto) attracted more than one-third of the total funds. We showed in chapters 5 and 6 that the use

(continued...)

Common Sense Revolution platform's broad themes of reducing taxes as a way of "redistributing power away from the politicians and the bureaucrats, and returning it to the people themselves," and introducing private-sector management that "puts the customer first."<sup>598</sup>

The merits of this use of consumerism in university education were open to debate. Universities competed vigorously for students, and students benefited from being able to choose the institution and program that best met their needs and interests. But the argument for using consumer choice and competition as the sole basis for promoting quality in university education is theoretically weak.<sup>599</sup> Consumerism represented an important shift in the student's role. The student as citizen had a right of access to university education that would prepare him or her for the future; the student as consumer had an obligation to determine what learning objectives and instructional strategies would prepare him or her for the future, to investigate which university programs adopted these objectives and strategies, and to apply to university accordingly. While students in postsecondary education have always had a dual role as citizens and consumers, the reliance on consumerism to ensure quality – as a substitute for more direct forms of regulation or incentives – departed from the normal practice in other government programs, such as elementary and secondary education

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<sup>597</sup>(...continued)

of matching funds had little apparent effect on the distribution of undergraduate enrolments across programs or on the distribution of SuperBuild funds among universities. The use of matching funds in ATOP had no effect in practice on the distribution of government funds, since the government assigned each university a quota of funds and each university was able to provide the necessary match. The use of matching funds in funding graduate scholarships also had no effect on the distribution of government funds, since the distribution of scholarships was centrally decided and each university was able to provide the necessary match.

<sup>598</sup>Ontario Progressive Conservative Party (1994), 5, 16.

<sup>599</sup>By this I mean that the market for university education does not resemble the neoclassical model of profit-maximizing producers, low barriers to entry and exit, numerous sellers who are unable to affect pricing through their own behavior, numerous buyers who are well informed about prices and quality, and governments that do not subsidize. There is therefore no theoretical reason to expect this market, on its own, to produce Pareto-optimal outcomes.

or health care. Consumerism was most likely to benefit the student who had well-developed preferences and the resources to determine which university programs would meet those preferences. It was least beneficial to students whose preferences were not yet well developed and who lacked the resources – such as family members who were university graduates, or well-informed and accessible guidance counsellors – to evaluate competing universities' claims about themselves.

Governments and university administrations were at odds throughout the period of our study about how to assess or improve quality. Yet three developments toward the end of the period of our study suggest that there may be room to revise the paradigm in future to incorporate an element of quality that universities and the provincial government can agree on.

First, there began to be greater recognition that quality and access are not alternative policy objectives, but in fact go hand in hand. Students who are admitted to university have crossed the access threshold, but full access depends on the quality of the university experience they are offered and how they respond to it. Seven Ontario universities voluntarily participated in the U.S. National Survey of Student Engagement (NSSE) during the first year that it was offered internationally, providing them with quantitative measures of how students spent their time at university that were empirically linked to learning outcomes and personal development.<sup>600</sup> The factors measured – such as the level of academic challenge, opportunities for active and collaborative learning, and student-faculty interaction – probed issues about the deployment of university resources that have historically been of interest to governments in Ontario, and they provided information that university administrations could reasonably act upon. The survey provided an alternative to rankings that focus on financial inputs or the academic preparedness of incoming students. NSSE or similar approaches may provide a basis for assessing quality on which universities and government can agree in future.

Second, the transition from an industrial economy to a knowledge-based economy brought the needs of prospective employers more closely into line with the traditional

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<sup>600</sup>Kuh (2002), and Rae (2005).

purposes of the university. For example, the Conference Board of Canada began in the 1990s to promote a set of generic “employability skills,” most of which would fit comfortably in the curriculum of any university program.<sup>601</sup> Rapid economic change increased the comparative advantage associated with adaptability, creativity and problem-solving. This new alignment, like the NSSE, valued university education for the knowledge, skills and values that it developed in students, and it implicitly challenged universities to demonstrate that these were indeed being developed; but it avoided the reduction of education to rote skills or the privileging of disciplines based on their perceived contribution to the economy. Historically, at least some of the barriers to dialogue between government and university on quality issues have stemmed from universities’ concerns that governments (on their own initiative or as proxies for employers) would encourage a more practical orientation in the university curriculum. The new alignment between the needs of the economy and the traditional purposes of the university is far from complete, and it will be challenged from time to time by demands from some employers for discipline-specific knowledge and for changes in enrolments to meet labour market needs, especially in the regulated professions. Nevertheless, the alignment carries with it the prospect of reduced suspicion and greater common purpose in the future development of measures to strengthen educational quality.

Third, there was much interest on the part of universities beginning with the Bovey Commission in 1984 in a more differentiated university system – that is, one where each university could aspire to excellence in selected dimensions of university activity. During the period to 2002, this interest was bounded on the university side by a fear of defining differences in a way that might establish a tiered university system, and on the government side by a lack of imagination in specifying desired public objectives and in providing support for universities wishing to help meet those objectives. Government funding initiatives in the period 1985 to 2002 gave strong support to only one dimension of differentiation, university

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<sup>601</sup>Specifically, the Conference Board of Canada encouraged the development of these skills: communicate, manage information, use numbers, think and solve problems, demonstrate positive attitudes and behaviours, be responsible, be adaptable, learn continuously, work safely, work with others, and participate in projects and tasks. (Conference Board 2000)

research. The potential exists for government in future to be more specific about its desired dimensions of specialization and to provide financial support accordingly. Dimensions of specialization might include programs designed to promote success among students from underrepresented groups, programs to facilitate admission of students graduating from colleges, provision of workplace experiences or advanced research experiences linked to learning outcomes, provision of international learning experiences, expansion of graduate instruction, or others.

These developments do not in themselves answer important questions about how measures to support quality in university education would be designed, governed, funded or evaluated. They do suggest that, during the period of our study, the status of educational quality evolved from being an (unsuccessful) competitor to the Access and Equality Paradigm to being a potential component of the paradigm. Given the paradigm's consistent support among governments of all three parties, repositioning quality within the paradigm increases the likelihood that it will advance on the government agenda in future.

***University research, the right of access and the role of the state***

In chapter 8, I argued that the rise of a university research enterprise – conceived, funded and managed without reference to the Access and Equality Paradigm – was one of the most significant changes during the period 1985 to 2002. There is much evidence from Canada and other jurisdictions about the value of strong research clusters in creating knowledge and promoting economic development. There is also some evidence of the potential of commercial linkages to distort universities' truth-telling mission if that mission is not properly defended.

Here I want to argue for the importance of finding out what effect university research has had on students' right of access. If we accept that the right of access to university should be defined to include a commitment to a specified level of quality in undergraduate education, then we should want to know how the expansion of research affected that level of quality. The imperative to explore this question is made stronger by the fact that university research was expanded for purposes of economic development, with no explicit consideration of its effects on students (other than graduate students participating in the research).

As we noted in chapter 8, one set of competing claims that warrants investigation involves the direct effect of research on instruction. There are claims that research enhances undergraduate education, that it detracts from it, and that it is essentially a separate enterprise with little effect. These claims have existed since the rise of the North American research university in the first half of the twentieth century, but the rapid expansion of research in Canadian universities in recent years, concentrated at a few universities, may provide good ground for a comparative study. The concentration of new research funding in the natural sciences, health sciences and engineering – with the CFI explicitly excluding the humanities and social sciences – raises the question of how the growth in research affects students in different programs across the university. Another set of claims relates to the effect of externally funded research on university budgets: does it pay for itself, does the university subsidize it, or does it subsidize the university? If there is a subsidy (in either direction), how are the benefits (or costs) shared among students in different programs across the university? The complexity of these questions is increased when programs nominally intended to fund research – such as the Canada Research Chairs – have an instructional aspect as well.

The example of university research demonstrates some of the complexities the provincial government faced in protecting a right of access to university when significant responsibilities for universities were shared across different government departments, in two levels of government, with important roles played by arm's-length quasi-public foundations. (Student financial assistance is of course the other principal example.) Findings about how new university research programs may have affected the quality of undergraduate education would have implications for how the provincial government should coordinate its policies towards universities and whether a new effort is required to disentangle federal and provincial responsibilities with respect to universities. Pending the results of such research, we can simply observe the difficulty of protecting students' right to a high-quality university education in the absence of pertinent information.

### ***Democracy, rights and knowledge***

A recurrent theme in this research has been the difficulties presented when governments must make decisions about postsecondary education without adequate

information and with limited public debate. The institutional base for the production of research and information within the government-university policy network has not been strong: COU was established in part to ensure that universities took responsibility for the collection and dissemination of data about themselves; it was soon joined by a ministry responsible for universities and by an advisory council with independent staff, each of which developed expertise in a few areas while lacking capacity in many others; and eventually the advisory agency was abolished and the ministry's capacity for research reduced through staffing restraints and turnover. These institutional developments were shaped by the natural reluctance of universities to share information that would encourage interference, and by the priority that governments typically place on short-term policy development rather than long-term research. The result, in Glen Jones's assessment, is that "[t]he Ministry of Training, Colleges and Universities... has almost no research capacity in terms of studying and monitoring higher education."<sup>602</sup> This situation finds its parallel in the academic community in Ontario, where I estimate no more than fifteen faculty publish regularly on policy issues in university education.

The absence of well-informed research and debate on university education in Ontario did not serve students well in the 1980s and 1990s. Students might have benefited from an informed discussion on how the quality of their education compared to that of students in other countries; how quality could be improved through different approaches to pedagogy and academic support services; how changes to government and university student aid programs were affecting access for low-income students; how access for disadvantaged students could be improved; and a host of similar issues.

Jane Gaskell has presented a strong argument for a research program on postsecondary education that is rigorous and timely, that compares Ontario with other jurisdictions in Canada and internationally, that seeks to identify best practices, and that encourages democratic debate based on diverse perspectives rather than the advancement of

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<sup>602</sup>Jones (2005), 184.



a particular interest.<sup>603</sup> The challenges of establishing such a research program are numerous: its outputs need to be pertinent to the public agenda while also meeting high standards of scholarship; it should support debate while also identifying areas of scholarly consensus; it must aim to influence strong institutional interests while also being independent of them; and it must avoid the fate of too many research bodies whose weak institutional foundation made them easy prey in cost-cutting exercises. A research program that successfully navigates these competing demands would make a valuable contribution to opening up the debate on Ontario universities' current and potential contributions to society.

### **Epilogue: new directions since 2002**

Many (though not all) of these ideas on accessibility, quality and the value of more research on postsecondary education can be found in Premier Bob Rae's recent advice to the Liberal government on postsecondary education.<sup>604</sup> The process followed by the Liberal government after its election in 2003 bore some resemblance to that of its predecessor in 1995: elected with a single-item agenda for postsecondary education, the government appointed a respected external advisor to develop a fuller policy, based on extensive consultations. But where the Progressive Conservatives' immediate agenda for postsecondary education was to shift costs from the government to students, the Liberals' was to freeze tuition fees for two years. In a significant shift from the mid-1990s, nothing in the agenda given to Premier Rae hinted that he should search for ways to lower university costs.

The Liberal government's response to Premier Rae's report in the 2005 provincial budget was warmly received by university administrations, while understandably leaving many details still to be filled in.<sup>605</sup> The clearest outcome is the government's recommitment to improving accessibility – by increasing overall enrolments, strengthening the adequacy of OSAP, providing higher grants to debt-averse low-income students, and funding new

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<sup>603</sup>Gaskell (2005).

<sup>604</sup>Rae (2005).

<sup>605</sup>Ontario Minister of Finance (2005), 10-18, 109-111.

initiatives to encourage participation by students who are francophone or aboriginal, have disabilities, or are the first generation in their families to attend postsecondary education. From this perspective, the government resembles the Liberal government of the late 1980s, articulating a definition of accessibility that goes beyond aggregate participation rates to consider the challenges facing specific demographic groups, and recognizing that up-front grants may be essential to attract many students from low-income families. The budget directs that access should be expanded, without setting numerical targets.

An especially positive note in the budget is the commitment to a five-year expenditure plan for postsecondary education and – better still from the universities’ perspective – the avoidance of time-limited funding or other devices to facilitate future retrenchment. While the experience of the 1990s proved that base budgets are not inviolable, the budget gives evidence of a government that is attempting to build a long-term partnership with universities rather than making time-limited commitments. This partnership is contingent on universities accepting new obligations to account for accessibility and educational quality.

It of course remains to be demonstrated whether the measures in the budget will succeed in integrating educational quality into the dominant paradigm. It is not yet possible to estimate by how much the per-student funding available to support quality will exceed the maxima experienced between 1985 and 2002, because the budget does not provide future enrolment estimates, a breakdown of how revenues will be divided between the university sector and the college sector, or a decision on future tuition increases. The commitments to a Higher Educational Quality Council of Ontario and to stronger accountability measures hold the promise that, with sustained government attention, higher per-student funding will be reflected in measurable improvements in quality.

It is also too soon to say what the budget’s effect will be on the principle of equality. The principal challenge will come from the availability of funding for 14,000 more graduate students, which re-opens the longstanding question of whether these spaces should aim to address evenly the ambitions of all universities or should be allocated in accordance with established academic strengths. An additional challenge to institutional equality will come if the government accepts Premier Rae’s recommendation that, under certain conditions, the

government should give universities autonomy to set their own fees for students in all programs.

The research paradigm has a low profile in the 2005 budget: there is a commitment to consolidate the programs of the Progressive Conservative government into a single Research Council of Ontario, with \$300 million for new projects. The eighteen-month hiatus preceding the renewal of this funding, and the creation of another high-level advisory council on research and economic development, reinforce the argument that the institutional base of the Research Excellence Paradigm remains fragile.

This fragility in turn is a reminder of the many federal government decisions over the next half-decade – regarding additional funding for the CFI, extension of the Canada Research Chairs, review of funding for indirect costs, and (on a different front) extension of the Canada Millennium Scholarship program – that have the potential to impose new costs on provincial governments or universities. The changes in the federal government's role in the late 1990s will continue to challenge universities and provincial governments as they seek to improve the quality of students' education and pursue knowledge-based economic development strategies over the medium term.

### **Issues for further research**

In addition to the many areas of university policy about which more needs to be known, there are several areas pertinent to this study that warrant further investigation.

First, more work is required to explore ways of synthesizing models of policy change. I have suggested that each model is intended to apply to certain types of government structures, policy networks or policy outcomes. Yet the boundaries of each model's applicability are not always carefully specified, leaving open the question of what types of cases the author intends to explain. I also noted that there has been limited dialogue in the literature among proponents of different models. There is much room for more explicit theorizing about their scope, complementarity and potential overlap.

Second, further investigation is required to assess the actual experience of policy development over the past decade in different sectors of the Canadian welfare state. I would define this broadly to include the municipal sector, schools, health care, universities and colleges, as well as income support and redistribution programs. After more than a decade of

explicit retrenchment by both levels of government, with many claims from both the advocates and the opponents of retrenchment, there is room for a comparative assessment of how the welfare state has changed. Such an assessment could provide important insights into the base of political support that underlies each element of the welfare state in its current form. Applying the concept of policy paradigms and paradigm shifts as a common methodological framework might lead to findings of theoretical as well as empirical interest.<sup>606</sup> As I suggested in chapter 8, one hypothesis for exploration is that a distinctive politics of renewal may have guided policy development since the fiscal crisis of the 1990s, as governments seek to meet the political demand for adequate programs without recreating the strong institutional bases that protected many welfare state programs from fiscal retrenchment.

Third, there is much room for additional work on how policy changes in the 1980s and 1990s affected individual universities. One focus for this work might be the political economy of the research university, including how the rise of the research university in the 1990s interacted with the growth of other knowledge-based sectors of the economy, and how the differential involvement of academic disciplines in high-cost research affected faculty relations and governance within the university. The relationship between the research university and the health sector, as the largest single beneficiary of new university research programs, may be of particular interest.

### **Summing up**

An irony of academic life is that so few university researchers study universities and their relationship with society. There is much to be learned about how universities have been shaped by their political and social environment, and about how they contribute to individual opportunity, economic well-being, cultural development and democratic discourse in the society that surrounds them, and of which they are a part.

Looking at universities' relationship with government through an historical lens

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<sup>606</sup>Edited volumes recently published to test Baumgartner and Jones's punctuated equilibrium model in the United States against a large number of policy fields and to test Pierson's retrenchment model against similar cases in the United States and Canada might serve as models. See Baumgartner and Jones (2002a) and Pal and Weaver (2003).

creates the possibility of informed insight on what is possible in the future. The gains in access over the past two decades give reason for optimism about further gains for students who are currently disadvantaged, such as those who would be the first generation in their families to attend university, and those who require enhanced student services and academic support in order to succeed in their studies. Student aid programs that are in disrepair can be fixed with higher funding and a greater willingness by governments to be accountable to students and their parents for maintaining financial access. Educational quality can become a public priority once it is recognized that quality – the student’s experience of fully engaging in a challenging university program, benefiting from it and completing it – is an integral part of access, rather than being an alternative to it. The educational benefits of expanded university research programs can be fully realized once we better understand the relationships between research and instruction.

Throughout this agenda runs the theme of the importance of universities in maintaining informed democratic debate, and the importance of democratic values in shaping and reshaping universities to meet social needs. The university pre-dates liberal democracy, but neither exists independently of the other. A careful assessment of the relationship between the two offers ways of thinking about how each can strengthen the other in future.

**APPENDIX 1: Ministers and senior officials in the government-university policy network, 1985-2002** (appointment dates in parentheses)

| <b>Minister<br/>Party<br/>Responsibilities</b>   | <b>Deputy Minister</b>                     | <b>Chair, OCUA</b>                               | <b>President, COU</b>                               |
|--|--|--|---|
| Gregory Sorbara<br>(June 1985)<br>Liberal<br><i>universities, colleges</i>   | Alan Adlington<br>(July 1985)              | Marnie Paikin<br>(1983)                          | Edward J. Monahan<br>(executive director)<br>(1976) |
| Lyn McLeod<br>(September 1987)<br>Liberal<br><i>universities, colleges</i>   | Thomas Brzustowski<br>(October 1987)       | Paul Fox<br>(June 1987)                          |   |
| Sean Conway<br>(August 1989)<br>Liberal<br><i>education, universities,<br/>colleges, skills development</i>                  |  | H.V. Nelles<br>(December 1988)                   |   |
| Richard Allen<br>(October 1990)<br>New Democratic<br><i>universities, colleges, skills<br/>development</i>                   |  |  |   |
|  | Bernard Shapiro<br>(February 1991)         |  | Peter George<br>(July 1991)                         |
|  |  | Colin Graham (interim)<br>(July 1992)            |   |
|  |  | Joy Cohnstaedt<br>(September 1992)               |   |
| Dave Cooke<br>(February 1993)<br>New Democratic<br><i>education, universities,<br/>colleges, skills development</i>          | Charles Pascal<br>(February 1993)          |  |   |
| John Snobelen<br>(June 1995)<br>Progressive Conservative<br><i>education, universities,<br/>colleges, skills development</i> | Richard Dicerni<br>(July 1995)             | J. Stefan Dupré<br>(interim) (September<br>1995) | Bonnie M. Patterson<br>(September 1995)             |
|  | Jill Hutcheon (acting)<br>(September 1996) | (OCUA abolished<br>August 31, 1996)              |   |
|  | Veronica Lacey<br>(December 1996)          |  |   |
| David Johnson  |  |  |   |

| <b>Minister<br/>Party<br/>Responsibilities</b>   | <b>Deputy Minister</b>  | <b>Chair, OCUA</b> | <b>President, COU</b>              |
|--|---|--------------------|------------------------------------|
| <p>Dianne Cunningham<br/>(June 1999, to October<br/>2003)<br/>Progressive Conservative<br/><i>universities, colleges, skills<br/>development</i></p> | <p>Robert D. Christie<br/>(June 1999)</p> <p>Kevin Costante<br/>(August 2000, to<br/>February 2004)</p> |                    | <p>Ian D. Clark<br/>(May 1998)</p> |

**APPENDIX 2: Indicators of university operating revenue per FTE student, 1985-86 to 2002-03**  
**(\$ million, except where indicated)**

|   | 1985-86   | 1986-87   | 1987-88   | 1988-89   | 1989-90   | 1990-91   |
|---|-----------|-----------|-----------|-----------|-----------|-----------|
| Operating grant   | \$1,244.8 | \$1,312.9 | \$1,451.6 | \$1,554.9 | \$1,676.9 | \$1,822.8 |
| Tuition fees  | \$308.0   | \$321.0   | \$343.7   | \$379.7   | \$421.0   | \$474.6   |
| Miscellaneous fees  | \$22.0    | \$24.0    | \$22.0    | \$25.0    | \$28.0    | \$33.0    |
| less: Mandatory set-aside for student aid   | -         | -         | -         | -         | -         | -         |
| Total revenue from operating grants, tuition and fees   | \$1,574.8 | \$1,657.9 | \$1,817.3 | \$1,959.6 | \$2,125.9 | \$2,330.4 |
| Enrolments (FTE)  | 211,276   | 213,119   | 221,246   | 230,357   | 237,752   | 246,628   |
| <b>Total revenue from operating grants, tuition and fees per FTE (current dollars)</b>                                    |           |           |           |           |           |           |
|   |           |           |           |           |           |           |
| <b>If indexed to Ontario CPI:</b>   |           |           |           |           |           |           |
| Ontario CPI (2002 = 100.0)  | 61.8      | 64.5      | 67.8      | 71.0      | 75.1      | 78.8      |
| Total revenue from operating grants, tuition and fees per FTE, adjusted for Ontario CPI (\$)                              | \$12,056  | \$12,052  | \$12,108  | \$11,977  | \$11,910  | \$11,998  |
| Index (2002 = 100.0)  | 101.6     | 101.5     | 102.0     | 100.9     | 100.4     | 101.1     |
| Annual change (per cent)  | n.a.      | 0.0%      | 0.5%      | -1.1%     | -0.6%     | 0.7%      |
|   |           |           |           |           |           |           |
| <b>If indexed to public sector wage settlements:</b>  |           |           |           |           |           |           |
| Public sector wage settlements (2002 = 100.0)   | 62.0      | 65.1      | 68.3      | 71.7      | 76.4      | 81.6      |
| Total revenue from operating grants, tuition and fees per FTE, adjusted for change in public sector wage settlements (\$) | \$12,024  | \$11,951  | \$12,030  | \$11,865  | \$11,711  | \$11,576  |
| Index (2002 = 100.0)  | 101.3     | 100.7     | 101.4     | 100       | 98.7      | 97.5      |
| Annual change (per cent)  | n.a.      | -0.6%     | 0.7%      | -1.4%     | -1.3%     | -1.1%     |
|   |           |           |           |           |           |           |
| <b>Share of total revenue from operating grants and from tuition and miscellaneous fees:</b>                              |           |           |           |           |           |           |
| operating grant   | 79.0%     | 79.2%     | 79.9%     | 79.3%     | 78.9%     | 78.2%     |
| tuition and miscellaneous fees (net)  | 21.0%     | 20.8%     | 20.1%     | 20.7%     | 21.1%     | 21.8%     |

(Continued on next page)



**APPENDIX 2: Indicators of university operating revenue per FTE student, 1985-86 to 2002-03**  
**(\$ million, except where indicated)**

|   | 1991-92   | 1992-93   | 1993-94   | 1994-95   | 1995-96   | 1996-97   |
|---|-----------|-----------|-----------|-----------|-----------|-----------|
| Operating grant   | \$1,945.1 | \$2,009.1 | \$1,876.0 | \$1,853.6 | \$1,822.5 | \$1,550.7 |
| Tuition fees  | \$532.4   | \$596.7   | \$631.0   | \$677.2   | \$744.4   | \$846.9   |
| Miscellaneous fees  | \$39.0    | \$45.0    | \$65.0    | \$75.0    | \$73.0    | \$83.0    |
| less: Mandatory set-aside for student aid   | -         | -         | -         | -         | -         | (\$11.8)  |
| Total revenue from operating grants, tuition and fees   | \$2,516.5 | \$2,650.8 | \$2,572.0 | \$2,605.8 | \$2,639.9 | \$2,468.8 |
| Enrolments (FTE)  | 256,592   | 261,380   | 259,346   | 256,753   | 253,545   | 249,294   |
| <b>Total revenue from operating grants, tuition and fees per FTE (current dollars)</b>                                    |           |           |           | \$10,149  | \$10,412  | \$9,903   |
|   |           |           |           |           |           |           |
| <b>If indexed to Ontario CPI:</b>   |           |           |           |           |           |           |
| Ontario CPI (2002 = 100.0)  | 82.5      | 83.3      | 84.8      | 84.8      | 86.9      | 88.2      |
| Total revenue from operating grants, tuition and fees per FTE, adjusted for Ontario CPI (\$)                              | \$11,894  | \$12,177  | \$11,697  | \$11,971  | \$11,982  | \$11,228  |
| Index (2002 = 100.0)  | 100.2     | 102.6     | 98.6      | 100.9     | 101.0     | 94.6      |
| Annual change (per cent)  | -0.9%     | 2.4%      | -3.9%     | 2.3%      | 0.1%      | -6.3%     |
|   |           |           |           |           |           |           |
| <b>If indexed to public sector wage settlements:</b>  |           |           |           |           |           |           |
| Public sector wage settlements (2002 = 100.0)   | 85.7      | 87.9      | 88.4      | 88.5      | 88.6      | 88.9      |
| Total revenue from operating grants, tuition and fees per FTE, adjusted for change in public sector wage settlements (\$) | \$11,443  | \$11,533  | \$11,222  | \$11,473  | \$11,747  | \$11,139  |
| Index (2002 = 100.0)  | 96.4      | 97.2      | 94.6      | 96.7      | 99.0      | 93.9      |
| Annual change (per cent)  | -1.1%     | 0.8%      | -2.7%     | 2.2%      | 2.4%      | -5.2%     |
|   |           |           |           |           |           |           |
| <b>Share of total revenue from operating grants and from tuition and miscellaneous fees:</b>                              |           |           |           |           |           |           |
| operating grant   | 77.3%     | 75.8%     | 72.9%     | 71.1%     | 69.0%     | 62.8%     |
| tuition and miscellaneous fees (net)  | 22.7%     | 24.2%     | 27.1%     | 28.9%     | 31.0%     | 37.2%     |

(Continued on next page)

**APPENDIX 2: Indicators of University operating revenue per FTE student, 1985-86 to 2002-03**  
**(\$ million, except where indicated)**

|   | 1997-98   | 1998-99   | 1999-00   | 2000-01   | 2001-02   | 2002-03   |
|---|-----------|-----------|-----------|-----------|-----------|-----------|
| Operating grant   | \$1,551.0 | \$1,596.5 | \$1,640.8 | \$1,726.9 | \$1,732.4 | \$1,885.8 |
| Tuition fees  | \$920.0   | \$1,025.5 | \$1,179.0 | \$1,271.8 | \$1,406.6 | \$1,593.7 |
| Miscellaneous fees  | \$91.0    | \$124.0   | \$149.0   | \$149.5   | \$162.0   | \$186.5   |
| less: Mandatory set-aside for student aid   | (\$32.5)  | (\$54.8)  | (\$84.5)  | (\$98.2)  | (\$114.8) | (\$125.8) |
| Total revenue from operating grants, tuition and fees   | \$2,529.5 | \$2,691.2 | \$2,884.3 | \$3,050.0 | \$3,186.2 | \$3,540.2 |
| Enrolments (FTE)  | 248,441   | 249,984   | 257,895   | 263,989   | 276,278   | 298,286   |
| <b>Total revenue from operating grants, tuition and fees per FTE (current dollars)</b>                                    | \$10,182  | \$10,766  | \$11,184  | \$11,554  | \$11,533  | \$11,869  |
|   |           |           |           |           |           |           |
| <b>If indexed to Ontario CPI:</b>   |           |           |           |           |           |           |
| Ontario CPI (2002 = 100.0)  | 89.9      | 90.7      | 92.4      | 95.1      | 98.0      | 100.0     |
| Total revenue from operating grants, tuition and fees per FTE, adjusted for Ontario CPI (\$)                              | \$11,328  | \$11,871  | \$12,102  | \$12,150  | \$11,763  | \$11,869  |
| Index (2002 = 100.0)  | 95.4      | 100.0     | 102.0     | 102.4     | 99.1      | 100.0     |
| Annual change (per cent)  | 0.9%      | 4.8%      | 2.0%      | 0.4%      | -3.2%     | 0.9%      |
|   |           |           |           |           |           |           |
| <b>If indexed to public sector wage settlements:</b>  |           |           |           |           |           |           |
| Public sector wage settlements (2002 = 100.0)   | 89.5      | 90.7      | 92.0      | 94.4      | 97.2      | 100.0     |
| Total revenue from operating grants, tuition and fees per FTE, adjusted for change in public sector wage settlements (\$) | \$11,373  | \$11,871  | \$12,162  | \$12,233  | \$11,867  | \$11,868  |
| Index (2002 = 100.0)  | 95.8      | 100.0     | 102.5     | 103.1     | 100.0     | 100.0     |
| Annual change (per cent)  | 2.1%      | 4.4%      | 2.5%      | 0.6%      | -3.0%     | 0.0%      |
|   |           |           |           |           |           |           |
| <b>Share of total revenue from operating grants and from tuition and miscellaneous fees:</b>                              |           |           |           |           |           |           |
| operating grant   | 61.3%     | 59.3%     | 56.9%     | 56.6%     | 54.4%     | 53.3%     |
| tuition and miscellaneous fees (net)  | 38.7%     | 40.7%     | 43.1%     | 43.4%     | 45.6%     | 46.7%     |

**SOURCES:**

Operating grants: 1987-88 to 2002-03: COU (2004b), table 1.1; 1985-86 and 1986-87: COU (1998), table 1. Includes MTCU grants only.

Tuition fees: 1987-88 to 2002-03: COU (2004b), table 1.1; 1985-86 and 1986-87: COU (1998), table 1.

Includes eligible and ineligible students (for ministry funding). Data for 1998-99 and subsequent years include non-credit tuition.

Miscellaneous fees: 1985-86 to 1992-93: COU (1996), table 2.1.2; 1993-94 to 2002-03: COU (2005), table 5.1.2

Mandatory set-aside: COU (2004b), table 1.1

Enrolments: 1987-88 to 2002-03: COU (2004b), table 1.2; 1985-86 and 1986-87: COU (1998), table 1.

Includes full-time and part-time, eligible and ineligible students (for ministry funding). There is a series break between 1986-87 and 1987-88 equal to approximately 2,000 students.

CPI inflation: 1989 to 2002: Ontario Ministry of Finance (2003) table 4; 1985 to 1988: Ontario Ministry of Finance (1994), table 8

Public sector wage settlements: 1985-86 to 1989-90: Ontario Ministry of Finance (1995) table 36; 1990-91 to 2002-03: Ontario Ministry of Finance (2004), table 27.

**LIST OF ABBREVIATIONS**

|         |   |
|---------|---|
| ACAATO  | Association of Colleges of Applied Arts and Technology of Ontario                                 |
| ATOP    | Access to Opportunities Program   |
| AUCC    | Association of Universities and Colleges of Canada  |
| BILD    | Board of Industrial Leadership and Development  |
| BIU     | Basic Income Unit   |
| CAAT    | College of Applied Arts and Technology  |
| CAP     | Canada Assistance Plan  |
| CAUT    | Canadian Association of University Teachers   |
| CHST    | Canada Health and Social Transfer   |
| COU     | Council of Ontario Universities (1971 - present)  |
| CPPAUCO | Committee of Presidents of Provincially Assisted Universities and Colleges of Ontario (1962-1966) |
| CPUO    | Committee of Presidents of Universities of Ontario (1966-1971)                                    |
| CESPA   | Committee on Enrolments Statistics, Projections and Analysis                                      |
| CFI     | Canada Foundation for Innovation  |
| CFS-O   | Canadian Federation of Students - Ontario   |
| CIHR    | Canadian Institutes for Health Research   |
| CRC     | Canada Research Chairs  |
| CSL     | Canada Student Loans  |
| CUA     | Committee on University Affairs   |
| CUCC    | College-University Consortium Council   |
| CUPE    | Canadian Union of Public Employees  |
| EPF     | Established Programs Financing  |
| EQAO    | Education Quality and Accountability Office   |
| FOU     | Friends of Ontario Universities   |
| HRDC    | Human Resources Development Canada  |
| ICLRP   | Income-contingent Loan Repayment Plan [or Program]  |
| MCU     | Ministry of Colleges and Universities (1971-1993)   |

|       |  |
|-------|--|
| MET   | Ministry of Education and Training (1993-1999)                   |
| MTCU  | Ministry of Training, Colleges and Universities (1999 - present) |
| MEST  | Ministry of Energy, Science and Technology                       |
| NABST | National Advisory Board on Science and Technology                |
| NSERC | Natural Science and Engineering Research Council                 |
| OCGS  | Ontario Council on Graduate Studies                              |
| OCUA  | Ontario Council on University Affairs (1974 - 1996)              |
| OCUFA | Ontario Confederation of University Faculty Associations         |
| OFL   | Ontario Federation of Labour                                     |
| OFS   | Ontario Federation of Students                                   |
| OIT   | Ontario Innovation Trust   |
| OPSEU | Ontario Public Service Employees Union                           |
| ORDCF | Ontario Research and Development Challenge Fund                  |
| OSL   | Ontario Student Loans  |
| OSOTF | Ontario Student Opportunity Trust Funds                          |
| OUSA  | Ontario Undergraduate Students Alliance                          |
| ROIE  | Research Overheads and Infrastructure Envelope                   |
| SSHRC | Social Sciences and Humanities Research Council                  |
| URIF  | University Research Incentive Fund                               |

**SOURCE NOTES**

In addition to published works cited in the bibliography, this research has made use of primary records that are cited in the footnotes using the following abbreviations.

|  |   |
|--|---|
| COU Arch. D[number]<br>R[number]       | Council of Ontario Universities archives, CD-ROM files,<br>Disc number, File Row number.  |
| COU Arch. MF[number]                   | Council of Ontario Universities archives, microfilm files,<br>Microfilm number.   |
| COU Arch. PF[number]                   | Council of Ontario Universities archives, paper files, File<br>number.  |
| DT files                               | Copy in the author's possession.  |
| Ontario Legislative<br>Assembly [date] | Debates and committee hearings of the Ontario Legislative<br>Assembly, accessed at<br><a href="http://www.ontla.on.ca/hansard/index.htm">http://www.ontla.on.ca/hansard/index.htm</a> |

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