Employment and Social Development Canada | Emploi et Développement social Canada

FOLLOW-UP RESPONSES FROM THE APPEARANCE OF ESDC OFFICIALS BEFORE

THE SENATE STANDING COMMITTEE ON NATIONAL FINANCE

SUPPLEMENTARY ESTIMATES B (MARCH 11, 2020)

1. OVERALL PICTURE OF CANADA STUDENT LOANS PROGRAM

Excerpt from the Transcript:

Senator Marshall: *I would like to get an overall picture of the Canada Student Loans Program, not just the write-offs.*

Response:

The Canada Student Loans Program (CSLP) provides student grants and loans to eligible students. For borrowers in repayment facing financial difficulty, CSLP offers the Repayment Assistance Plan, under which a borrower pays what they can reasonably afford with the Government covering the remaining interest charges and in some cases the principal amount of the loans. Loans deemed uncollectible are written-off.

The CSLP is governed by two acts: *Canada Student Loans Act, CSLA* (for Guaranteed loans disbursed by private banks prior to 1995), and *Canada Student Financial Assistance Act, CSFAA* (for Risk-shared loans disbursed by private banks, 1995-2000; and for Direct Loans disbursed by the Government of Canada since 2000). They are reported separately in Public Accounts.

CSLP program expenditures (benefits to Canadians) and write-off loss for 2018-19 in Public Accounts are detailed below:

A. Direct benefits provided to students

1. **Canada Student Grants** **$ 1,537.8M**

2. **Loans Forgiven, CSFAA** **$ 391.3M**

Repayment Assistance Plan	$ 343.4
Death, Severe disability, bankruptcy	$ 23.6
Doctors and nurses serving in rural and remote areas	$ 24.3
Total Loans and Interest forgiven, CSFAA	**$ 391.3**

3. **Loans Forgiven, CSLA** **$ 2.8M**

Death, Severe disability, bankruptcy	$ 2.8
Total Loans and Interest forgiven, CSLA	**$ 2.8**

Total Direct Benefits **$ 1,931.9M**

B. Indirect benefit to Students

Quebec, Northwest Territories and Nunavut do not participate in the CSLP, and instead receive Alternative Payments to support their students.

Alternative Payments to Quebec, NWT and Nunavut $456.7M

C. Write-offs

While write-off represents a loss to the government, it is important to note that these loans are not forgiven. The loans are removed from active collections, but amounts are still owed by the borrowers, and if they were to seek further funding to go back to school, they would first need to repay the amount still owed, whether written-off or not.

1. **Write-off, Direct Loans $162.1M**

2. **Write-off, Guaranteed and Risk-shared loans $22.8M**

Total Write-offs $184.9M

2. DECREASING CSLP DEFAULT RATES AND THE PROCEDURES SINCE 2003-04

Excerpt from the Transcript:

Senator Loffreda: *So the percentage is constant. Because when you look at that, it's a steep curve. My first reaction is what's going on and why are the write-offs increasing the way they are. But you've got to take into account, obviously, that there are a lot more loans being made.*

Mr. Won: *Yes, more loans are being made. Their amounts are going up just because it has to track also the cost of going to university and colleges, although the government is trying to address the overall debt load of students through different measures like an increase to the grant programs and other things.*

The Chair: *You can continue your answer in writing.*

Senator Loffreda: *It would be nice to see that trend from 2003 and how it came down. I'm curious as to what procedures were taken.*

Response:

CSLP Response:

The Canada Student Loans Program (CSLP) has seen the three-year default rate[1] fall from 28% in 2003-04 to most recently 9% for borrowers entering repayment in 2016-17. This is the lowest rate ever achieved. There are two reasons why default rates have been decreasing since 2003-04:

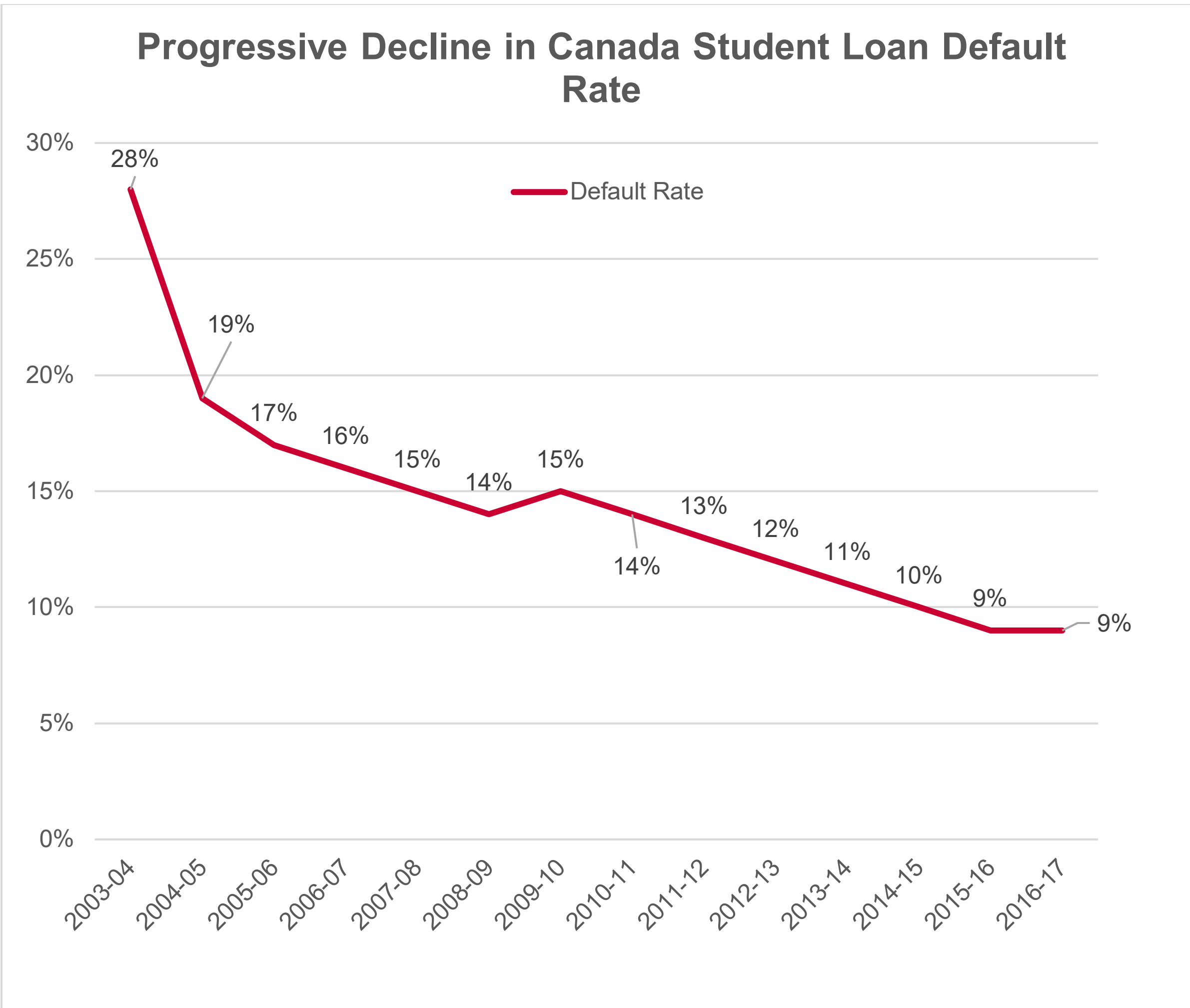
1. Successive enhancements of the CSLP, including the introduction and enhancement of non-repayable assistance (Canada Student Grants) and

2. Sound management of the repayment portfolio

[1] The CSLP measures default using a three-year cohort default rate. This rate shows the proportion of loan dollars that enter repayment in a given loan year (cohort) and default within three years. For example, the three-year default rate for the 2015 to 2016 cohort represents the proportion of loan dollars that entered repayment in 2015 to 2016 and defaulted before August 1, 2018.

Illustration:

Below is a graph that represents program policies and governance that have contributed to the improvement of default rates.



Program Enhancements:

First, the Government of Canada has taken several steps in recent years to improve repayment and reduce default through budget announcements in 2008 and 2016.

A notable step in program enhancement is the introduction of the Repayment Assistance Plan (RAP) in 2009 to assist loan borrowers experiencing difficulty in repayment.

Through Budget 2016, the Government also introduced further enhancements to loan repayment thresholds so that borrowers do not have to make a payment until they earn at least $25,000. In 2017, the Government also introduced changes to the Canada Student Grants by increasing their amounts by 50% for full- and part-time students from low- and middle-income families, and replacing income thresholds with a threshold adjusted based on family income and size. Over 533,000 students received non-repayable Canada Student Grants in 2018-2019 totaling $1.6 billion, which reduced student dependence on loans.

These measures have helped maintain average student loans balance upon entering repayment relatively stable over the last 10 years; the average Canada Student Loan debt in 2018-19 was $13,246.

<u>Sound Management of the Repayment Portfolio:</u>

The other reason for the decrease in the default rate is Government sound management of the repayment portfolio, including the introduction and enhancement of the Designation Policy Framework and improved service provider contract management.

While Provinces and Territories (PTs) are responsible for 'designating' educational schools for the purpose of student aid, the Designation Policy Framework was launched in 2003 to establish a common approach to designation policies by PTs. As part of this policy, CSLP works with PTs to identify schools with relatively low repayment rates, and initiate engagement with those schools to find ways to improve repayment by their students. This has prompted institutions with low repayment rates to work with their provincial/territorial jurisdiction to improve student success.

Further, since 2000, disbursement and repayment of Canada Student Loans have been contracted to a third-party service provider, branded to clients as the National Student Loan Service Centre (NSLSC). The contract includes an incentive payment based on yearly performance targets. This incentive can only be achieved by lowering default rates and increasing client satisfaction. For instance, once clients enter repayment, the NSLSC monitors their loan repayment behaviour and undertakes follow-up actions on delinquent loans (e.g. calls and letters to seek payment and offer repayment assistance measures), applying innovative industry solutions (e.g. payment reminders, texting, call summaries, impact on credit rating).

3. TEMPORARY FOREIGN WORKER PROGRAM

Excerpt from the Transcript:

(a) Senator Forest*: Do you consult on an ad hoc basis with companies that use foreign workers to see how the program can be adapted to be as efficient and flexible as possible?*

[….]

(b) Senator Smith: *The ESDC was simplifying the hiring process for temporary foreign workers as well as implementing programs that fast track permanent residency status for these workers because there are obviously some issues.*

Response

- Employment and Social Development Canada (ESDC) has taken significant measures to reduce administrative burden of the Temporary Foreign Worker (TFW) Program and improve processing times of Labour Market Impact Assessments (LMIAs).

- The departmental reallocation in 2018-19 of $3.4M allowed for a reduction of LMIA inventory, and additional funding provided in 2019-20 will allow the Department to continue to reduce LMIA inventory and return to historic service levels for the Program.

- The Program is using national workload management strategies to reduce LMIA inventory as well as gaining efficiencies through the piloting of an LMIA Online platform, which began in August 2019.

- As a result we have seen significant improvement in the processing of LMIAs for the agriculture sector specifically. In April 2019 for example, the Agriculture Stream had a 26 business days average processing time. This improved to 12 business days in March 2020 for an annual average of 16 business days.

- In the context of COVID-19, the Department is also taking measures to improve flexibility and reduce the administrative burden for employers. As of March 26, a temporary modification is being made to the LMIA process for agriculture and food processing employers, as the required 2-week recruitment period will be waived for the next 6 months and LMIAs in key occupations related to the agriculture and agri-food sectors will be prioritized for processing.

- We are also increasing the maximum allowable employment duration for workers in the low-wage stream of the TFW Program from 1 to 2 years. This will improve flexibility and reduce the administrative burden for employers, including those in food processing.

- In addition, the Department engages regularly with employer associations and other stakeholders to inform policy and program development.