

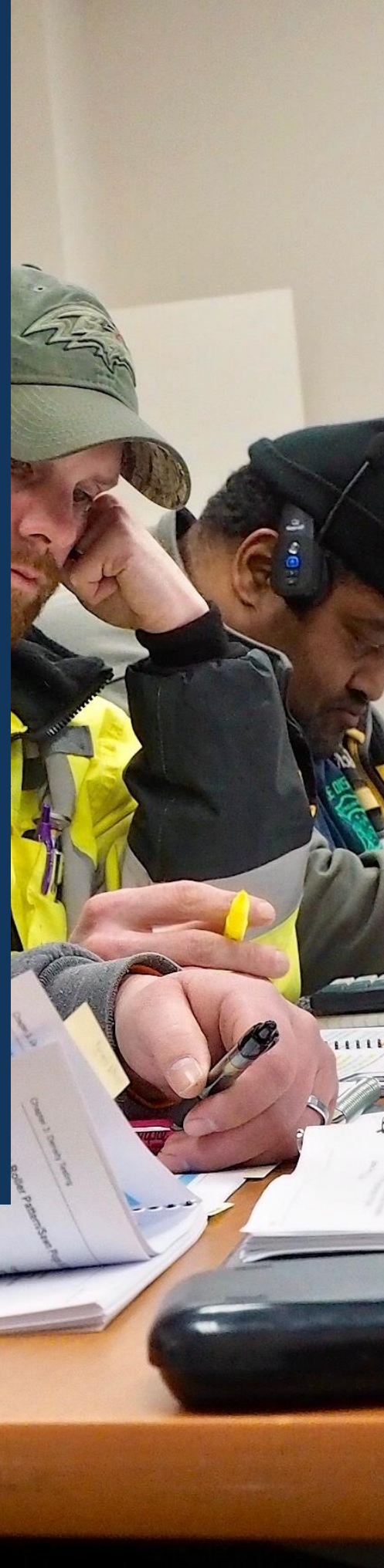


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Ontario Career Colleges Impact Study

Prepared for Career Colleges Ontario

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Higher Education Strategy Associates (HESA) is a Toronto-based firm providing strategic insight and guidance to governments, postsecondary institutions, and agencies through excellence and expertise in policy analysis, monitoring and evaluation, and strategic consulting services. Through these activities, HESA strives to improve the quality, efficacy, and fairness of higher education systems in Canada and worldwide.

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Any errors or omissions are the authors' alone.

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Executive summary

This paper was commissioned by Career Colleges Ontario in October 2021. It is designed to shed light on the impact of career colleges on the Ontario economy.

Students served

Career college students are diverse but often in positions where they can particularly benefit from further education. A substantial proportion of career college students have characteristics associated with barriers to accessing post-secondary education. Career colleges serve many mature and newcomer students.

Past research has indicated that many career college students had very low earnings before they enrolled. Further, a quarter of career college students may have been claiming some form of social assistance such as Employment Insurance before enrolling. Therefore, career colleges help bring Ontarians into the labour market who might otherwise have claimed Employment Insurance or Ontario Works, thus reducing social assistance costs.

The previous research on the profiles of career college students also found that more than half of career college students already hold a degree, diploma, or certificate from a university or college (other than another career college).

Student outcomes

Career colleges train most of their students for occupations in which the government projects healthy future demand. In 2019, the graduation rate of career colleges was estimated to be 73%, which was considerably higher than that of public colleges (66%). In addition, 80% of career college graduates reported being employed six months after graduation, with 58% of these graduates being employed in the field of their study.

Economic activity

The Ministry of Colleges and Universities (MCU) reported that, in 2019, Ontario's career colleges reported revenues of \$533 million from providing Ministry-approved vocational programs (plus some additional revenues from providing non-vocational revenues such as micro-credentials) from which they had to cover all their own expenses. Unlike most educational institutions, many career colleges are required to pay business income taxes and absorb the costs of sales taxes. While the collective personal and property taxes paid by their owners, employees and graduates could not be calculated exactly due to limited data, these taxes would run into hundreds of millions.

Based on a projection from partial data, it can be estimated that Ontario career colleges employed around 8500 people full-time and 2600 people part-time in 2019.

Cost to the government

With a few limited exceptions, career colleges receive no direct funding from the government of Ontario. The administrative costs to Ontario of regulating career colleges through the PCC Branch of the MCU are relatively small. In 2019-2020, the Branch spent around \$6,100,000 and received \$2,800,000 in income from fees and penalties, giving a net administrative cost of \$3,300,000.

Career colleges receive some indirect funding from the government through tuition fees paid by students who in turn receive funding from three main public programs: the Ontario Student Assistance Program (OSAP), Second Career or Workplace Safety and Insurance Board (WSIB) payments. However, these students would also have received funding had they attended public colleges or universities. They collectively received \$255,900,000 from public sources in 2019, a portion of which was in the form of repayable loans. Some of that support (estimated at around \$109 million) will eventually be recovered through loan repayment, leaving a cost to taxpayers of supporting career college students of \$147 million.

By comparison, public colleges received just under \$10,000 per full time equivalent domestic student in the year 2018-2019. If career colleges had received the same public funding for each student, it would have cost the government of Ontario a little under \$620 million in direct support alone. Even assuming that career college students tend to study lower-cost programs, and so public colleges might receive lower per-FTE subsidies for providing these programs, the cost to government would still be very substantial. This is in addition to financial support for students and the Ministry's administrative costs. In this sense, giving students the option to attend career colleges rather than public institutions saves taxpayers hundreds of millions of dollars.

Introduction

This report was commissioned by Career Colleges Ontario (CCO) in October 2021. The report explores the impact of career colleges on Ontario using data available to the project team from the government of Ontario, public sources, and Career Colleges Ontario. HESA completed a similar report on career colleges' economic impact in 2012.

While not all of Ontario's career colleges are members of CCO, HESA's remit was to report on the impact of career colleges as a group, including non-members.

The report briefly summarises the sources of data used in the analysis, the profile of career college students, their educational outcomes, and the match between the occupations for which career colleges prepare students and labour market demand. It then examines the sector's economic footprint, accounts for the proportion of career colleges' budgets which ultimately derives from public assistance to career college students, and projects how Ontario's finances might be different if, hypothetically, career colleges ceased to exist.

Data and methodology

Where possible, most data has been collected for 2019 on the basis that this was the last full year prior to the COVID-19 pandemic, which greatly influenced career colleges' work.

There are relatively fewer publicly available sources of data on career colleges as compared to public colleges and universities. Ontario's career college sector includes a very large number of small training providers (as well as a few major ones) which makes direct data collection difficult. Accordingly, this project has relied heavily on a few key sources of aggregate data on career colleges.

- The Key Performance Indicator datasets for 2019, published by the Ministry of Colleges and Universities (MCU) for both private career and public colleges¹. This dataset includes:
 - graduation rate
 - graduate employment rate
 - percentage of employed graduates working in the field of study
 - graduate satisfaction rate
 - employer satisfaction rate
 - rate of Ontario Student Assistance Program default
 - for programs with sufficient responses to the MCU data collection exercise.
- The Office of the Auditor-General's Value-for-Money Audit on Private Career Colleges Oversight.² The audit report includes considerable data on career colleges which was ultimately sourced from the MCU. Some of these numbers can be compared with the parallel report on public colleges.
- Government of Ontario administrative files. The MCU kindly agreed to arrange the release of data on assistance provided to career college students as well as financial data reported by private career colleges to the Ministry.
- Career Colleges Ontario's survey of the demographic profiles of career college students.³ The survey received over 5,700 responses (although several individual questions were answered by around 4,000 students due to the survey's internal logic and respondents skipping individual questions). This meant around 13% of the estimated 43,000 students enrolled in that year responded to the survey.
- Career Colleges Ontario kindly provided anonymised data from the membership application forms which colleges submit when joining the organisation. This data was used to estimate the number of staff employed for every million dollars of turnover and hence to project the likely number of people employed by career colleges.

¹ Government of Ontario (2021) *Private Career Colleges (PCC) key performance indicators*

<https://data.ontario.ca/en/dataset/private-career-colleges-pcc-key-performance-indicators>

² Office of the Auditor General of Ontario (2021) *Value-for-Money Audit: Private Career Colleges Oversight*

https://auditor.on.ca/en/content/annualreports/arreports/en21/AR_PrivateColleges_en21.pdf

³ Environics (2017) *Student Demographic Study* <https://careercollegesontario.ca/wp-content/uploads/2020/05/Student-Demographic-Report.pdf>

- Data on job vacancies advertised online, obtained from the Labour Market Information Council.⁴
- Labour market data and projections from Employment and Social Development Canada's Canada Job Bank.⁵

Other sources consulted are referenced directly in the text.

All financial data is presented in Canadian dollars.

Ontario career colleges tend to serve their local communities and travelling between provinces to attend a career college is rarer than migrating for university. For simplicity, the analysis presented here assumes that domestic students at Ontario colleges receive funding from Ontario rather than other provinces and will go on to contribute to Ontario's economy rather than another province's.

We recognize that the value of education greatly exceeds the quantifiable and purely economic impact, and that there is scope to explore the broader impact of career colleges on the community in future research. This report merely scratches the surface of the impact of career colleges by focussing narrowly on the impacts for which data is already available, either publicly or in an easily accessible data file held by the government of Ontario.

⁴ Labour Market Information Council (2020) *LMIC* <https://lmic-cimt.ca>

⁵ Government of Canada (2021) *Job Bank* <https://www.jobbank.gc.ca/trend-analysis>

Measuring the educational footprint of Ontario's career colleges

Profiling the student body

In 2019, 148,540 domestic students (including Canadians and Permanent Residents) were enrolled in Private Career Colleges in Ontario. Of these, however, approximately 58% were enrolled in courses provided by the Ontario Real Estate Education Association, which was temporarily operating as a career college and was to be reclassified as of 2021, so domestic enrollment in institutions which we would traditionally think of as career colleges was closer to 62,000.⁶

In terms of the composition of this student body, previous research has shown that the students served by Ontario's career colleges are diverse. In 2017, Career Colleges Ontario commissioned a survey of career college students which provides our best picture of the composition of their student population.⁷ When compared to publicly funded colleges and universities, career colleges serve a higher proportion of Ontarians who face barriers to success in the labour market or belong to historically excluded groups.

Career college students are very likely to be reliant on their own resources to support their education. Most survey respondents (57%) were mature students (aged over 31). Only one in five reported living with their parents, and only 9% reported entering directly from high school.⁸ Half of respondents (50%) had children and 12% were single parents.

Survey respondents were more than twice as likely to identify as female than as male. One respondent in eight (12%) reported at least one disability⁹.

More than half of respondents were born outside Canada. A further 14% reported that their parents were born abroad. This was reflected in their ethnicity and native languages. Over 38% of the respondents had a first language which was neither French nor English. While 30% self-identified as Visible Minorities and 4% as Indigenous, only 32% self-identified as being of European descent.

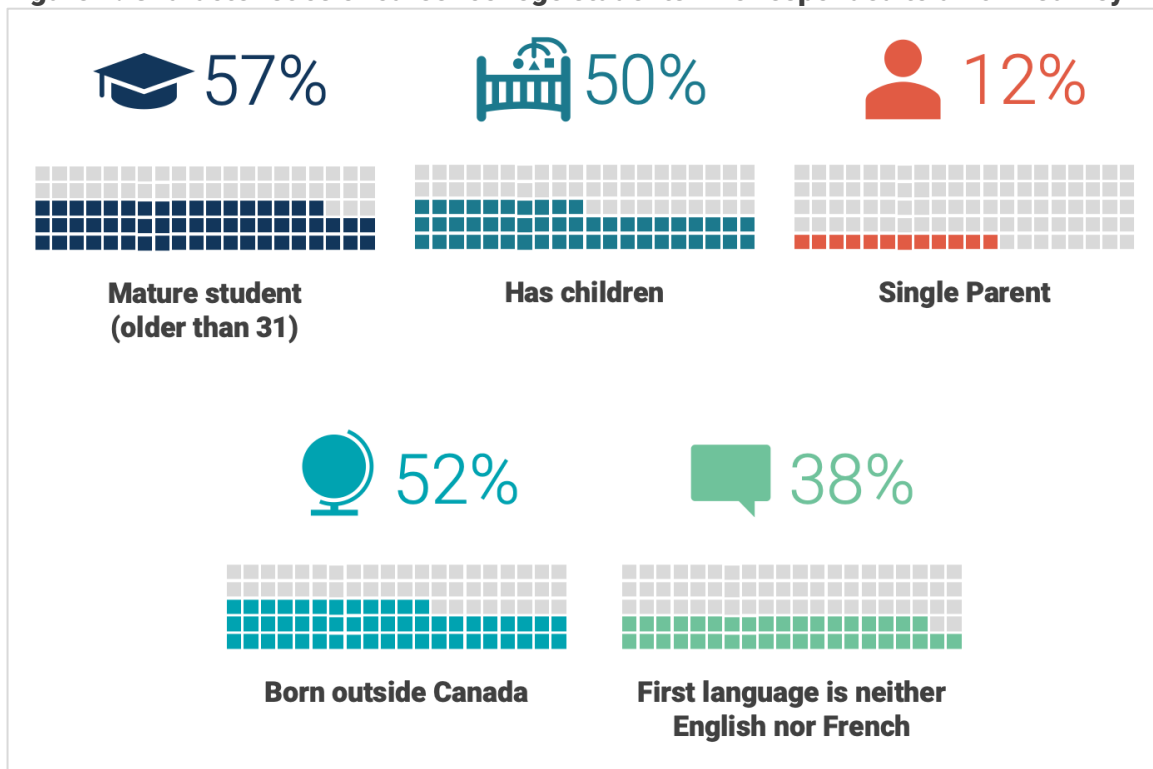
⁶ Office of the Auditor General of Ontario (2021) *Value-for-Money Audit: Private Career Colleges Oversight* https://auditor.on.ca/en/content/annualreports/arreports/en21/AR_PrivateColleges_en21.pdf p7

⁷ Career Colleges Ontario. 2017. Student Demographic Study. Available at <https://careercollegesontario.ca/wp-content/uploads/2020/05/Student-Demographic-Report.pdf>

⁸ For reference, at a public college around one student in every three enters directly from high school.

⁹ The term 'disability' was not clearly defined in the survey, which may reduce reporting of disabilities relative to Canada's very wide census definition of disability.

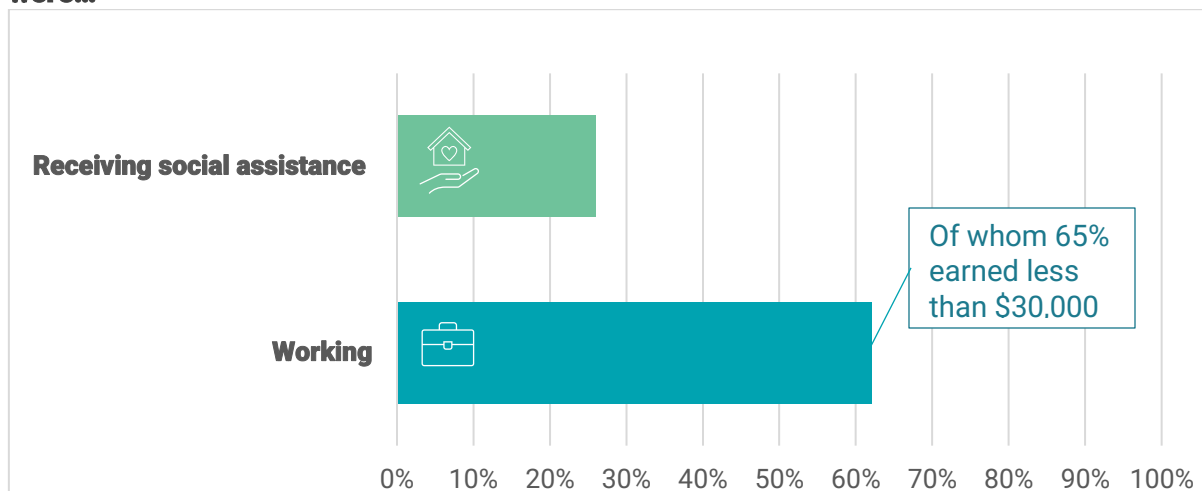
Figure 1: Characteristics of career college students who responded to a 2017 survey



This indicates that domestic career college students tend to be older, more likely to have children, are more ethnically diverse, and are much more likely to have immigrant backgrounds than their counterparts at public colleges or universities.

Some of these characteristics are associated with barriers to accessing post-secondary education. Evidence suggests that many career college students had trouble landing well-paid jobs before enrolling. Out of the 62% of respondents who reported that they were working immediately before enrolling at a career college, over 65% were making less than \$30,000 per year. One quarter of respondents were receiving some form of social insurance or assistance (mainly Ontario Works or Employment Insurance) immediately before studying.

Figure 2: Immediately before enrolling in a career college, students in the 2018 survey were...



However, many career college students are also well-credentialled. The same survey showed that 92% of students had completed high school and more than half had already attended a college or university, with most of those already holding a degree, diploma, or certificate. For these students, attending a career college was not an alternative to other forms of post-secondary education but a path they chose from existing education into the job market.

While most students were Canadians or Permanent Residents, in 2019 10,368 international students enrolled in Ontario's private career colleges.¹⁰

In recent years, Ontario's public colleges have become increasingly reliant on fees from international students.¹¹ Many international students enroll at public colleges because graduates are able to apply for a Post-Graduate Work Permit (PGWP), which can be an attractive pathway to Permanent Residency in Canada. Career college graduates rarely qualify for PGWPs unless the career college they attend is able to collaborate with a public college. As we have already seen that many career college students are newcomers to Canada, this means that career colleges serve many new Canadians and Permanent Residents, who are well-known to face barriers to desirable opportunities in the Canadian labour market, but not many high-paying international students can be attracted by a promise of immigration to Canada.

¹⁰ Office of the Auditor General of Ontario (2021) *Value-for-Money Audit: Private Career Colleges Oversight* https://auditor.on.ca/en/content/annualreports/arreports/en21/AR_PrivateColleges_en21.pdf p7

¹¹ Usher, Alex (2021) *The Miracle of Ontario College Funding* <https://higheredstrategy.com/the-miracle-of-ontario-college-funding/>

Measuring educational outcomes

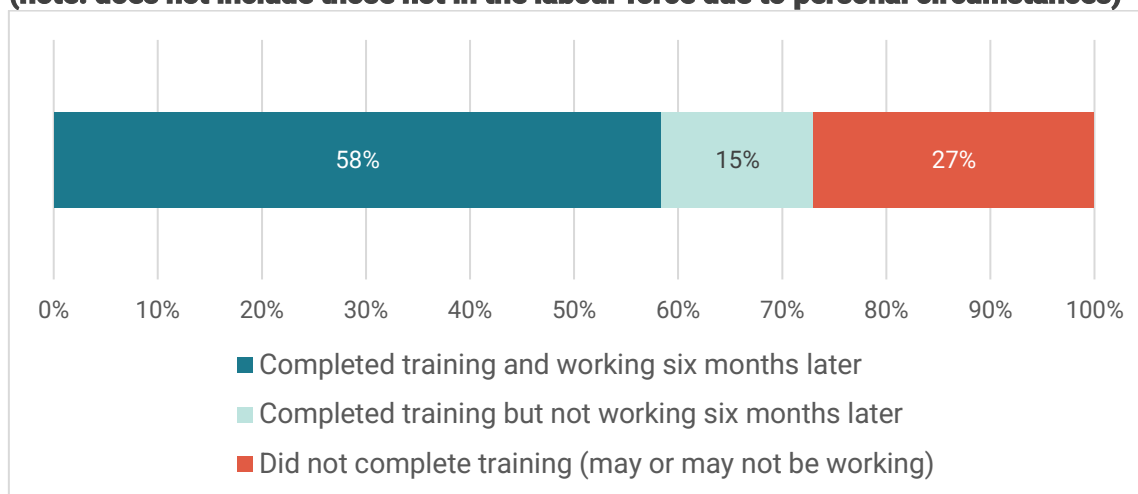
The average program completion rate at Ontario career colleges in 2019, the most recent year for which data has been published, was 73%. This rate was considerably higher than the completion rate of Ontario's public colleges, which in 2019 was 66%.¹²

The MCU surveys graduates on their employment status six months after graduation.¹³ In 2019, the most recent year for which survey results have been published, 80% of graduates in the labour force¹⁴ were employed six months after graduation. Fifty-eight percent of graduates who were in the labour force were employed in a field related to their training. We would expect the employment rate to rise further as time since exit increases.

By comparison, students leaving Ontario's public colleges had an 85.5% employment rate six months after graduation in the same year.

Combining graduation and employment rates, we calculate that 58.4% of students who enroll in Ontario career colleges both complete the program and are employed six months after graduation (excluding those not in the labour force, for example due to disability or caring responsibilities). The figure for public colleges would be 56%.

Figure 3: Student outcomes 6 months later
(note: does not include those not in the labour force due to personal circumstances)



¹² Both figures are based on the methodology for calculating completion rates used by the Ontario Ministry of Colleges and Universities, which publishes the Key Performance Indicator figures for both sectors.

¹³ No data is available on the employment outcomes of students who attended a career college but did not complete a program. Some students who do not complete their programs may go on to complete other postsecondary education or drop out to pursue other employment opportunities.

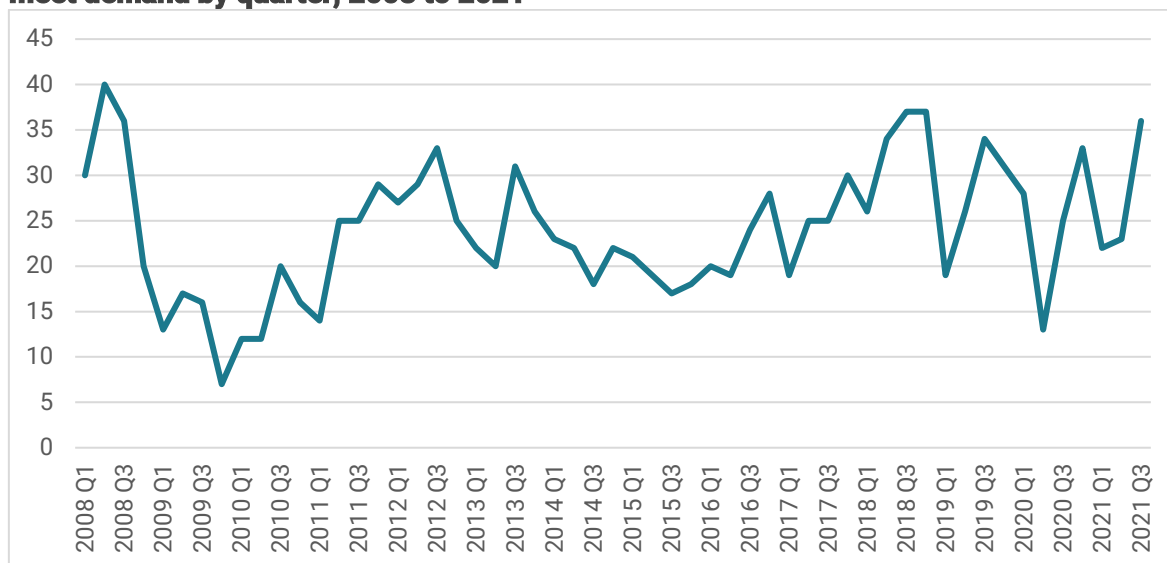
¹⁴ This figure does not include graduates who were not working but who were also not seeking work due to, for example, childcare responsibilities.

Alignment of programs with skills demands

Setting aside the economic impact of their business operations, the key contribution of career colleges to the Ontario economy lies in the training they provide. Career colleges provide training which allows Ontarians to move into fields in which there is high employer demand.

Ontario is widely perceived to be facing skills shortages, which the pandemic exacerbated in some fields.¹⁵ As of the third quarter of 2021, 36% of businesses across Canada were reporting that they faced some form of labour shortage which restricted their ability to meet demand.¹⁶

Figure 4: Percentage of businesses reporting labour shortages restricting ability to meet demand by quarter, 2008 to 2021

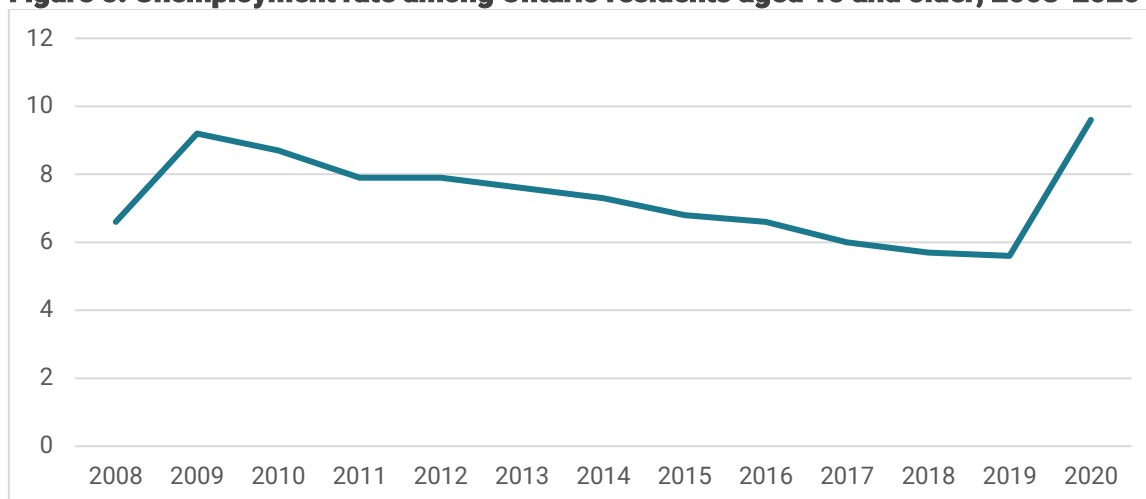


Nonetheless, there continue to be substantial absolute numbers of people unemployed in Ontario, with unemployment never falling below 5% since 2008. There are both hundreds of thousands of unemployed Ontarians and employers reporting that they cannot find workers. This speaks to mismatches between supply and demand for labour with particular skills, which may be dampening economic growth.

¹⁵ Bakx, K (2021) *Labour shortage hampering post-pandemic recovery for businesses in Canada, study finds* <https://www.cbc.ca/news/business/canada-labour-shortage-businesses-study-bdc-1.6192644>; Charani, J (2021) *Entry-level labour shortage has flipped the power dynamic, says London recruiter* <https://www.cbc.ca/news/canada/london/recruit-job-employer-labour-shortage-1.6177430>; Groleau, C (2019) *Ontario contractors say 2019 may be another tough year to get skilled workers* <https://www.cbc.ca/news/canada/kitchener-waterloo/ontario-contractors-skilled-worker-shortage-1.5054268>

¹⁶ Bank of Canada (2021) *Business Outlook Survey Data* <https://www.bankofcanada.ca/publications/bos/business-outlook-survey-data/>

Figure 5: Unemployment rate among Ontario residents aged 15 and older, 2008-2020



Career colleges help to address skills shortages by quickly preparing students for in-demand occupations.

The MCU's Key Performance Indicator file indicates that there are about 900 diverse programs offered by private career colleges in Ontario, ranging from cyber security analyst to dental administrator.

This report was completed during the COVID-19 pandemic, which greatly affected the demand for specific occupations in Ontario. Accordingly, the labour market figures presented below are for 2019, the last pre-pandemic year.

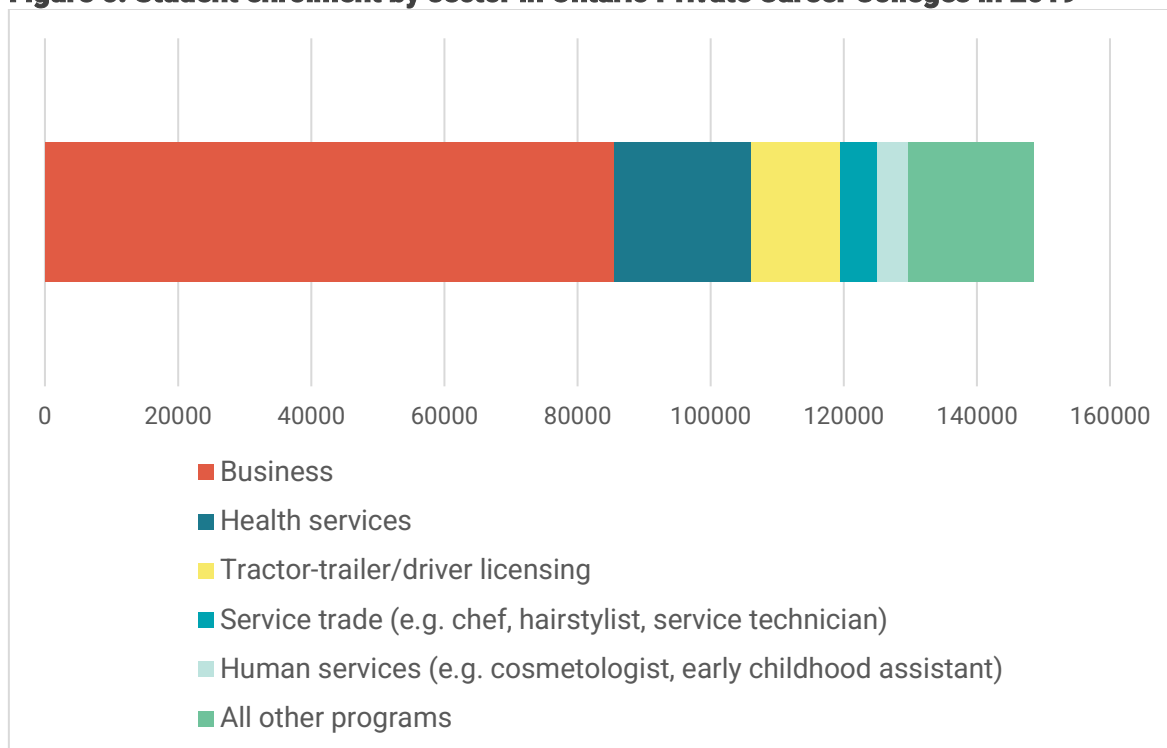
Figure 3 presents the six categories of programs with the largest enrolments in 2019,¹⁷ which indicates the types of skills most commonly supplied by career colleges. More than half of all enrolments (58% of domestic students) were in the Business sector, although as noted this largely reflects the very large enrollment in courses offered by the Ontario Real Estate Association¹⁸. The next-largest sectors were health services and driver-licensing (including tractor-trailer driving), service trades¹⁹ (including chef, hairstylist and various types of service technician), and human services.

¹⁷ A wide variety of occupations fall under these fields in the Office of the Auditor General's report, for example, real estate agents and salesperson (NOC 6232) and professional occupations in business management (NOC 1122) fall under the category of business sector occupations, while the construction trade sector includes occupations such as heavy equipment operators.

¹⁸ Note that the Ontario Real Estate Association will no longer be classified as a career college as of 2021.

¹⁹ Occupations with Registered Apprenticeships recognized by the Government of Ontario.

Figure 6: Student enrolment by sector in Ontario Private Career Colleges in 2019



In 2019, a total of 865,800 job vacancies were posted online in Ontario across all sectors and levels of education. While online postings only show a fraction of Ontario's total vacancies, they do provide at least a sense of patterns in the labour market. Table 1 presents the top ten most in-demand occupations that typically require either secondary school and/or training through an occupation-specific training college or vocational education or an apprenticeship. In absolute terms, the highest number of vacancies are for occupations which would fall into the 'Business' category in Figure 3, above. There were also large numbers of online vacancies for cooks and home support workers and related occupations, which similarly line up with major categories in Figure 3.

Table 1: Most demanded occupations in Ontario, 2019

Rank	NOC	Occupation	Online job postings
1	6421	Retail salespersons	26,400
2	6552	Other customer and information services representatives	15,600
3	6322	Cooks	14,500
4	4412	Home support workers, housekeepers, and related occupations	14,000
5	6623	Other sales related occupations	13,300
6	1241	Administrative assistants	11,600
7	1221	Administrative officers	11,100
8	6411	Sales and account representatives – wholesale trade (non-technical)	11,100
9	7452	Material handlers	9,600
10	1414	Receptionists	8,600

The other sectors in which career colleges are training large numbers of students may not rely so heavily on online advertising in recruitment but have still had well-publicised skills shortages.²⁰

Health services, the second-largest category in Figure 3, had substantial numbers of vacancies even prior to the pandemic, but these increased by 60% between 2019 and 2021 according to Statistics Canada. Across Canada, one job vacancy in seven is now in this sector.²¹ In particular, there were well-publicised shortages of Personal Support Workers across Ontario which led the Ontario Government to create a Personal Support Worker Challenge Fund. Both Canada and Ontario offered to pay tuition fees for domestic students enrolling in PSW training, provided that they could find a training place, and many of these places were provided by career colleges – which is not surprising since most PSWs in Ontario are trained in career colleges. Approximately 3,000 PSWs graduated from career colleges in 2021 and early 2022 as a result of this funding, contributing to the position of PSW training as the second-largest enrolment category in Ontario's career colleges²².

The third-largest group of career college students is enrolled in driver licensing programs. Haulage firms have also reported that recruiting licensed drivers is unusually difficult. While driving jobs are not necessarily posted to online job boards, the industry body

²⁰ Neustaeter, Brooklyn (2021) *These Canadian industries are currently facing the biggest labour shortages* <https://www.ctvnews.ca/canada/these-canadian-industries-are-currently-facing-the-biggest-labour-shortages-1.5612004>

²¹ Statistics Canada (2021) *Job vacancies, second quarter 2021* <https://www150.statcan.gc.ca/n1/daily-quotidien/210921/dq210921a-eng.htm>

²² <https://news.ontario.ca/en/release/1001744/ontario-enhancing-personal-support-worker-training>

Trucking HR Canada reported a vacancy rate of 5% by late 2020 (almost twice the national average of 2.7%).²³

The Auditor General's report on career colleges²⁴ also provides data on the target occupations in which career colleges have the most students enrolled in each of the five regions of Ontario: Toronto, Central/ GTA excluding Toronto, West, East and North.²⁵ In Table 2, we present the occupations with the largest numbers of students in each region, along with Employment and Social Development Canada's projection of career prospects. The table shows that most have a rating of three-out-of-three for future employment prospects ('good' prospects) with a few rated as two-out-of-three.

Table 2: Top Five Programs with the most enrolment in Ontario by region and their employment outlook, 2019

Region	Field (ordered by number of enrolments)	NOCs in the field	Projection of career prospects	Online Vacancies in Ontario (2019)
Toronto	Real estate salesperson ²⁶	6232	★★★★	490
	Personal support worker/ personal attendant	4412	★★★★	5700
	Information technology	2281	★★★★	690
	Business administration	1122	★★★★	1900
	Music Production and recording arts technology	5225	★★★★	30*
Central/ GTA excluding Toronto	AZ class truck driver	7511	★★★★	520
	A class truck driver ¹	7511	★★★★	520
	Business administration	1122	★★★★	50
	Personal support worker/ personal attendant	4412	★★★★	1400
	Information technology	2281	★★★★	1100*

²³ TruckingHR Canada (2021) Labour Market Snapshot: June 2021 <https://truckinghr.com/wp-content/uploads/2021/06/THRC-LMI-snapshot-June-2021.pdf>

²⁴ Office of the Auditor General (2021) *Value-for-Money Audit: Private Career Colleges Oversight* https://www.auditor.on.ca/en/content/annualreports/arreports/en21/AR_PrivateColleges_en21.pdf

²⁵ These are only approximations of the geographical breakdowns of the province typically used by the Government of Ontario, as the Office of the Auditor General assigned career colleges based on the first characters of their postcodes.

²⁶ In 2019, training provided by the Ontario Real Estate Association (OREA) was classified as a career college program. OREA trains a huge number of Ontarians every year, more than all the students enrolled in vocational programs combined. However, these programs were due to be reclassified in March 2021 due to a change in contractual arrangements (see page 7 of the Office of the Auditor General's 2021 *Value-for-Money Audit: Private Career Colleges Oversight*)

Region	Field (ordered by number of enrolments))	NOCs in the field	Projection of career prospects	Online Vacancies in Ontario (2019)
West	Personal support worker/ personal attendant	4412	★★★★	2890
	Other- service trade	N/A	N/A	N/A
	AZ class truck driver	7511	★★★★	1450
	Massage therapist	3236	★★★☆☆	160
	Commercial Pilot	2271	★★★☆☆	200*
North	AZ class truck driver	7511	★★★★	710
	Personal support worker/ personal attendant	4412	★★★★	2310
	Heavy equipment operator	7521	★★★☆☆	120
	A class truck driver	7511	★★★★	120
	Office administration	For example, 1221	N/A	440
East	AZ class truck driver	7511	★★★★	320
	Personal support worker/ personal attendant	4412	★★★★	730
	Gas technician	7253	★★★☆☆	320*
	Medical office/ administration/ management	1243	★★★☆☆	760
	Business administration	For example, 1122	N/A	290

* Figures marked with an asterisk are for all of Ontario as regional figures were not available

The occupations listed in Table 2 above show the focus of career colleges at regional level. The employment outlook in the next three years for all of these occupations looks promising, with ESDC awarding a three-out-of-three rating to almost to all of these occupations across all regions in Ontario. Job opportunities for other popular fields such as massage therapist and commercial pilot in Western Ontario, heavy equipment operators in Northern Ontario, and gas technician and medical office administrator will be fair in Ontario for the 2021-2023 period.

Overall, these figures indicate a close fit between the occupations for which career colleges are preparing students and Ontario's demand for skilled labour.

Measuring the financial footprint of Ontario career colleges

Ontario Career Colleges' Financial Activity

The distribution of Ontario career colleges

Career colleges are present in most of Ontario's larger communities. Career colleges, like the province's population, tend to cluster in the Greater Toronto Area, with the City of Toronto and Mississauga each having over 100 campuses. However, there are also career college campuses in small towns as diverse as Arnprior, Caledonia, Ennismore, Mono, Summerstown and Waubesaushene, with most smaller cities hosting several career colleges. Therefore, economic activity attributable to career colleges is spread widely across the province.

The finances of Ontario career colleges

While career colleges provide a range of training programs, most of their income is from fees for vocational programs. In 2019, career colleges earned \$533 million from this source, plus additional income from a variety of smaller income streams (for example, providing very short training programs which they are not required to register with the MCU).²⁷

From this income, career colleges had to cover all their business costs. This spending would have contributed to Ontario's economic activity by providing income for staff and their families and indirectly employing a wide range of suppliers who provide services to career colleges.

Many economic impact analyses conducted for colleges and universities calculate their impact on the economy by multiplying the institutions' spending by between 1.5 and 3.01 to account for the Keynesian "multiplier effect" in the Ontario economy.²⁸ The HESA team is sceptical of some of the methods used to calculate these multipliers, as discussed in our 2021 booklet *Understanding and Improving Economic Impact Statements* (freely available from HESA on request). However, other economic impact statements would probably provide a much larger estimate of the economic benefits provided by career colleges by applying a multiplier.

²⁷ Office of the Auditor General of Ontario (2021) *Value-for-Money Audit: Private Career Colleges Oversight* https://auditor.on.ca/en/content/annualreports/arreports/en21/AR_PrivateColleges_en21.pdf p10

²⁸ The intuition behind the multiplier effect is that each dollar spent in an economy creates income for a recipient, who in turn saves a small portion of that dollar and spends the rest, which in turn generates income for another recipient, and so on. In this way, each dollar injected into an economy is portrayed as being "spent" several times, increasing its impact. However, it is important to understand that in practice these multipliers cannot usually be directly observed, so their size is open to question.

Ontario career colleges as employers

The MCU does not gather data on the number of people employed by career colleges but could disclose their aggregate financial data. However, career colleges which join Career Colleges Ontario are asked to complete an application form which discloses their income from providing vocational training in that year and the number of full-time and part-time employees. Examining the forms of 20 career colleges, anonymized so that HESA analysts could not identify the colleges, allowed a rough projection of the ratio of income to employees.²⁹

On average, career colleges applying to join CCO employed one full-time employee for every \$63,029 they earned by providing vocational training and one part-time employee for every \$206,327. The Auditor General's Office reported that the sector as a whole earned \$533 million in vocational training revenue in 2019, implying that the sector as a whole employed around 8,500 people full-time and 2,600 part-time.³⁰

Ontario career colleges as taxpayers

Career colleges contribute to the government of Ontario's budget through a number of taxes, including company income taxes, property taxes on their premises, taxes paid by the owners on their personal incomes, and income taxes paid by employees. Unusually for educational institutions, many career colleges are also required to collect federal and provincial sales taxes on their fees and are not able to reclaim these taxes. While solid figures were not available from the MCU, the total taxes ultimately attributable to career colleges are likely to be very substantial. Based on the sector's income, we project that total taxes paid will run into nine figures.

Ontario career colleges as exporters

From the point of view of the Ontario economy, spending by international students in the province is export income.³¹ In 2019, 10,368 international students were enrolled in Ontario career colleges. HESA was not able to access data specifically on the tuition fees and living cost expenses of international students at career colleges in Ontario. However, if we assume, for example, that the average international student attends a one-year program and pays \$10,000 in tuition, and has living expenses of \$15,000,³² career colleges

²⁹ Colleges report their income to CCO in a range and HESA had to use the mid-point of the range to estimate a college's income. Inflation was ignored as all the records were gathered within a few years of 2019. The projection assumes that the ratio of income to employees at the point of joining CCO would be reflective of that ratio over the longer term. These assumptions make the projection imprecise.

³⁰ \$533million÷\$63,029 and \$533million÷\$206,327, respectively).

³¹ While international students may earn some of their money in Ontario, they also provide labour of similar or greater value.

³² This is a conservative estimate given that most career colleges are located in the Greater Toronto area. Global Affairs Canada sets \$1,000 as the default monthly living allowance for international students but has higher allowances for most Ontario cities ranging from \$1,250 in North Bay and Chatham-Kent to \$1,850 in Toronto. See https://www.international.gc.ca/development-developpement/partners-partenaires/bt-qa/monthly_allowances-indemnites_mensuelles.aspx?lang=eng.

generated (conservatively) \$259 million in export earnings by bringing international students to Ontario in 2019.

Public spending associated with Ontario career colleges

Career colleges cost taxpayers less per-student than publicly supported post-secondary education, although students (and students' families) often voluntarily choose to pay a relatively high 'sticker-price' tuition³³ for their services.

Direct costs and administration

With few exceptions, private career colleges receive no direct funding from the government of Ontario. A few targeted funding programs intended to support training in specific priority skills do channel public funding to private career colleges as well as their public counterparts. This includes, for example, Ontario government funding for students training as personal support workers at some career colleges.³⁴

Normally, direct costs of this sector to the government are limited to the administration of the PCC Branch of the MCU. These costs are relatively modest. In 2019-2020, the last financial year which was largely unaffected by the COVID-19 pandemic, the Branch spent \$6,112,000 on its own administration. However, the Branch also earned \$2,826,000 in income, primarily through fees and penalties charged to the colleges it regulates. This means that the net direct cost to government of the PCC Branch was \$3,286,000, a fall of \$1,474,000 from the previous year.³⁵ This amounts to approximately \$53 per domestic student enrolled in an Ontario career college³⁶.

Student assistance

Career colleges receive most of their income from students or their families through tuition fees. While government provides very little direct support to career colleges, it does provide financial assistance to Ontario students, some of whom then use some of this money to cover the costs of attending career colleges. A smaller proportion of students also receive financial support through Employment Ontario programs such as Second Career. This means that career colleges derive some income from public funds.

MCU figures show that, in 2019, the Ontario government provided \$ 223,825,925 in grants and loans to career college students through OSAP, much of which they spent on tuition fees. In the 2018-2019 financial year, Ontario spent over \$2.1 billion providing grants and loans to approximately 450,000 students in total, including those at career colleges, public

³³ In higher education 'sticker-price' informally refers to the published rate of tuition, on the understanding that for some students grants, scholarships, and the complexities of the student loan system have a major impact on how much they will actually pay.

³⁴ triOS College Business Technology Healthcare Inc (2021) PSW - Free Tuition <https://www.trios.com/psw-free-tuition/>

³⁵ Office of the Auditor General of Ontario (2021) *Value-for-Money Audit: Private Career Colleges Oversight* https://auditor.on.ca/en/content/annualreports/arreports/en21/AR_PrivateColleges_en21.pdf p10

³⁶ \$3,286,000 administrative costs ÷ 62,000 full-time equivalent domestic students

colleges and universities³⁷, implying that around 10% of the OSAP budget goes to students at career colleges.³⁸

The ratio of grants to loans provided by OSAP has fluctuated in recent years and varies depending on the borrower's personal financial circumstances. The 2020 Canada Student Financial Assistance Program Actuarial Report³⁹ indicates that in 2019-2020, 32.2% of disbursements across Canada⁴⁰ (\$1,635 million) were in the form of non-repayable grants and the remainder (\$3,449 million) were in the form of loans. If this pattern was repeated for Ontario career college students, they would have received \$72 million as grants.

While in principle the loan component of OSAP is repayable, in practice it costs the government money to provide loans as well. A significant proportion of graduates in all sectors do not repay their loans in full. In 2019, 52.8% of Ontario career college graduates either defaulted or used the Repayment Assistance Program (RAP) at some point⁴¹. This was a higher rate than in other sectors, but even at public colleges 44.1% of graduates either defaulted on loans or used the Repayment Assistance Program.

In 2019-2020, this means that 63% of the net cost of the Canada Student Financial Assistance Program was accounted for by grants and the remaining 37% by costs associated with loans. In other words, the costs of maintaining loans were around 60% of the value of the grants awarded. This implies that if Ontario career college students were awarded \$72 million, the total net cost of providing OSAP could be projected to be around \$115 million (160% of \$72 million). Of the \$224 million disbursed through OSAP, \$109 million would be expected to be recovered.

The sums provided through Second Career and WSIB are much smaller, at \$24,448,595 and \$7,642,542. These are not usually repayable.

Combining funds provided by Second Career, WSIB and OSAP which is not expected to be repaid, this means that the Government of Ontario spent around \$147 million of public money supporting students at career colleges in 2019. We note, however, that it is not necessarily safe to think of financial support through OSAP, Second Career and WSIB as a cost to government which would not be incurred if career colleges did not exist. As noted, many career college students have limited financial resources and their need, rather than type of college they attend, explains their receipt of government assistance.

³⁷ Government of Ontario (2021) *Published plans and annual reports 2019-2020: Ministry of Colleges and Universities* <https://www.ontario.ca/page/published-plans-and-annual-reports-2019-2020-ministry-colleges-and-universities>

³⁸ This assumes that the differences between spending in these two financial years were relatively small.

³⁹ Office of the Superintendent of Financial Institutions (2022) *Canada Student Financial Assistance Program as at 31 July 2020* https://www.osfi-bsif.gc.ca/Eng/oca-bac/ar-ra/cslp-pcpe/Pages/CSLP_2021.aspx

⁴⁰ The profile of Ontario's student loans is typically similar to those of Canada as a whole since more than half of the program's funding is awarded to Ontarians. Career college students might well receive more of their funding in grants since they have, on average, greater need, but this would also be the case if the same individuals attended public colleges or universities.

⁴¹ Government of Ontario (2021) *2019 OSAP default rates and Repayment Assistance Plan usage rates* https://osap.gov.on.ca/OSAPPortal/en/PlanYourEducation/ChooseaCareerSchoolProgram/PRDR021348.html#P76_5391

Counterfactual analysis: How much would it cost Ontario to educate its career college students in public colleges?

One way of measuring the value of career colleges is by exploring the counterfactual: if Ontario's Career Colleges did not exist, how would the province be different? If all career colleges suddenly vanished, their employees would need new jobs, they would stop paying taxes and contributing to the economy, and their students would have three options:

- Abandoning their studies, in which case they would lose the opportunities offered by postsecondary education. Given that we know a substantial proportion of career college students were unemployed, receiving social assistance or earning very low wages before they enrolled, this would remove an opportunity for Ontario.
- Moving to another province for their studies, in which case Ontario would likely lose their economic contributions.
- Transferring to public colleges.

This section explores the cost to Ontario if their current students were to transfer into the public sector.

Direct Expenditures

Public colleges receive direct government funding. This does much to explain their lower nominal tuition fees per hour of instruction.

In 2019, Ontario spent just under \$10,000 per full-time equivalent (domestic) student in a public college,⁴² which is lower than any other Canadian province and is supplemented by income from international student fees. Hypothetically, if all career college students⁴³ transferred to the public sector, and this ratio of direct funding to student numbers had been maintained, public spending on colleges would have needed to increase by a little under \$620 million.⁴⁴

In practice, the funding provided to public colleges varies based on a rather complicated formula which takes into account estimates of the cost of providing training in different subjects, and programs offered by private colleges might tend to be in subjects which attract lower-than-average per-student subsidies when they are offered in the public sector. However, the additional costs to government of replicating training currently offered in career colleges within public colleges would still be likely to run into hundreds of millions of dollars.

⁴² Office of the Auditor General of Ontario (2021) *Value-for-Money Audit: Public Colleges Oversight*
https://www.auditor.on.ca/en/content/annualreports/arreports/en21/AR_PublicColleges_en21.pdf p1, 4, 12-13

⁴³ Other than those enrolled with the Ontario Real Estate Association

⁴⁴ This is equal to \$10,000 x 62,000 domestic students attending Ontario career colleges, almost all full-time.

Student Loans and Grants

As noted earlier, career colleges do receive indirect support through the student financial assistance programs described above. Almost all public funding which flows to career colleges is indirect, with the funding being awarded to individuals who choose to attend either a public or a private college. Because this money follows students, how much money they receive is largely determined by their circumstances.

The calculation of OSAP, Second Career and WSIB support is complex, and formulae can change considerably with swings in policy, but the basic calculation for a student's total eligibility is based on the equation

$$\text{Tuition} + \text{living costs} \times \text{duration of program} - \text{financial support available} = \text{funding}$$

Students' living costs and the resources available to them such as savings, parental income, etc., would remain the same regardless of whether they attend a public college or a career college. The only difference between public and private college students would be in the tuition they need to cover and the length of training.

On an average, career colleges tend to charge students higher tuition fees than their public counterparts per hour of instruction. However, as noted earlier many career college programs are much shorter than the equivalent programs at public colleges.⁴⁵ This means that students need to be supported for a shorter period, reducing the total cost to the government to fund living costs while the student is enrolled. As the student assistance formula is driven largely by need, which would not change if students switched between sectors, the costs of student assistance to governments could remain roughly the same regardless of which sector the students attended.

⁴⁵ Office of the Auditor General of Ontario (2021) *Value-for-Money Audit: Private Career Colleges Oversight* https://auditor.on.ca/en/content/annualreports/arreports/en21/AR_PrivateColleges_en21.pdf p28

Conclusion

Career colleges contribute to the economies of Ontario communities

Ontario has about 500 private career colleges, spread widely around the province from small rural communities to major cities. They offer certificate and diploma programs in a variety of in-demand fields ranging from business to health services to electronics and trades.

Students chose to spend \$533 million on vocational training provided by career colleges in 2019 and career colleges also provide a variety of additional services.

The sector as a whole generates thousands of jobs (this report estimated roughly 8,500 full-time and 2,600 part-time).

Combining business income taxes with property taxes, sales taxes, owners' and employees' income taxes attributable to career colleges, for which precise figures are not available, total tax revenue from the sector may well run into the hundreds of millions.

Career college trained 10,368 international students to Ontario in 2019, leading to export earnings very roughly estimated at \$259 million.

Career colleges offer in-demand skills

The most common career college programs prepare students for occupations in which future prospects are rated as 'Good', the best possible rating, by Employment and Social Development Canada.

The COVID-19 pandemic illustrated career colleges' flexibility to address sudden shifts in demand. For example, career colleges responded to Ontario's call for additional personal support workers by training 3,000 in 2021 and early 2022.

Career colleges enroll diverse students who go on to find jobs

Compared to public colleges, a very large proportion of the students served by career colleges come from groups who traditionally have faced barriers to employment.

Respondents to a 2017 Career College Ontario survey were mainly mature students (57% aged over 31), with half having children and 12% reporting they were single parents. More than half were born outside Canada. Over 38% did not speak French or English as their first language while 30% self-identified as Visible Minorities and a further 4% as Indigenous. Relatively few had well-paid jobs before enrolling. Of respondents who were working immediately before they enrolled, 65% were earning less than \$30,000 per year. One quarter were receiving social insurance or assistance.

While a substantial proportion of career college students are in difficult circumstances when they enroll, graduates usually find work. In 2019 80% were in work within 6 months of completing their program.

Career colleges cost government relatively little

While they generate considerable economic activity, career colleges cost the government much less than other forms of post-secondary education. The net cost of administration was \$3,286,000 in 2019, or \$53 per full-time domestic student. By contrast, public colleges receive an average of \$10,000 per full-time-equivalent student, plus the costs of administration.

Many career college *students* are supported by the government through OSAP, Second Career and WSIB, at an estimated annual cost (after accounting for loans which will eventually be repaid) of \$147 million.

The data available shows billions of dollars in economic impact but provides only a partial picture of the impact of career colleges on Ontario. Further research could explore the types of jobs career college students move into in much more depth, community service by the colleges themselves, and their impact on the lives of Ontarians beyond the purely financial.



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