Evaluation of the Transitional Jobs Fund (TJF) (Phase I)

Final Report

Evaluation and Data Development
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Executive Summary

I. Background

In 1996, significant reforms were introduced to the Employment Insurance (EI) system in Canada. The reforms affected eligibility for benefits and the amount and length of claim. To assist high unemployment areas in Canada most affected by the changes, the Transitional Jobs Fund (TJF) was established by Human Resources Development Canada (HRDC) in July 1996. It is designed to provide support to affected communities by encouraging sustainable economic development through the creation of partnership initiatives and a favourable investment climate. To qualify for TJF funding, projects must meet certain criteria and receive approval from several partners at a variety of levels. In total, $300 million will be distributed over the life of the program to communities to create new, sustainable jobs.

II. Evaluation Issues

The main goal of this study is to provide preliminary evidence on the degree of success of the Transitional Jobs Fund in meeting its objectives. The information collected and presented in this report seeks to provide answers to four questions identified by HRDC:

1. What is the nature of projects that have been approved?
2. How many jobs have been created, and of what type?
3. Was TJF funding necessary?
4. To what extent are projects financially self-sufficient?

III. Methodology

The methodological approach for Phase I of the evaluation of the Transitional Jobs Fund included three components:

- a review of program documentation and administrative data which served to develop a thorough understanding of the program, estimate program activity and develop a sampling frame for the survey of project sponsors;

- key informant interviews which numbered 30 and which included representatives from HRDC staff at headquarters; regional TJF consultants; local Human Resource Centres of Canada (HRCC) officers; provincial/territorial representatives involved in the review of project proposals; and other partner organizations, including regional economic development agencies (e.g., the Atlantic Canada Opportunities Agency [ACOA]); and

- a survey of project sponsors that involved telephone surveys with 301 sponsors drawn from the program administrative database. Of the 301 project sponsors interviewed, in 116 cases the projects were completed and in 185 cases the projects were in progress.

Two caveats about the study should be noted. First, many projects are still in the early stages of delivery; less than 40 percent of projects included in this evaluation were completed at the time of the interview. Second, even completed projects have relatively short post-program periods (the majority of completed programs ended between January and March 1998). Therefore, issues of impacts and effects, particularly with respect to the sustainability of jobs, and lessons learned could not be fully assessed.

IV. Key Findings

What is the nature of projects that have been approved?

The profile of projects sponsored by TJF confirm the expected concentration of program activity in high unemployment regions, particularly Atlantic Canada and Quebec. The majority of projects are led by private sector sponsors from small and medium sized organizations. Projects emphasize industries such as manufacturing, tourism/hospitality and primary industries such as silviculture and aquaculture. Most projects focus on new job creation through expansion or new business creation.

Project financing typically involves several sources of funding from government and private sector sponsors. Overall, TJF represents about 14 percent of total project costs. This proportion is higher for lower cost projects. TJF is often used to cover labour expenses while other programs or private sector investment are used to cover capital expenses.

The program features a significant emphasize on partnerships with other government and community organizations and this is viewed as a key strength of TJF. While promotion of TJF was an underdeveloped aspect of the program, there have not been difficulties in soliciting client interest. Equity of access, however, may be a weakness. Project sponsors and delivery partners are generally satisfied with the program, with some concerns noted regarding the approval process in terms of its length and, in some cases, the presence of political factors. The need for enhanced monitoring for project sustainability, improving accountability by tying TJF funds to payroll reports and avoiding duplication with other economic development programs were also noted.

How many jobs have been created, and of what type?

The total jobs created on a per (completed) project basis was 25 which translated into a cost per job of about $7,500. Adjusting for full-time equivalents and incrementality[1], these figures are modified to 15.54 jobs per project and $12,000 per job. The findings on job creation are based on the approximately 100 TJF projects that had been completed at the time of the survey. Given the relatively short post-program period, the extent to which the jobs created are sustainable could not be adequately measured at this point in time.

A comparison of the survey data from the initially completed cases and the program administrative data for these projects indicated that the level of job creation is largely consistent with projected figures contained in the initial project contract. Extrapolating from the survey data to total TJF program expenditures, the predicted actual job creation would be 29,500 jobs, or 22,000 incremental jobs, or 18,500 full-time incremental jobs.

The majority of jobs created are permanent, year-round positions. Jobs are concentrated in the semi-skilled/labourer and skilled trades categories and feature wages that are above the minimum.

Was TJF funding necessary for the projects to proceed?

The incrementality of TJF funds was addressed based on the assessment of project sponsors themselves. In about one-quarter of cases, the incrementality of the program is questionable. Projects which feature a higher level of incrementality are those with public sector sponsors, projects in the tourism/hospitality industry, projects with a higher proportion of TJF funding and those in smaller communities.

To what extent are projects financially self-sufficient?

Financial self-sufficiency and the extent to which the jobs created under TJF will be sustainable over time are the most difficult questions to answer at this time. As mentioned previously, the proportion of projects that are completed at this time is modest and the post-program period for completed projects is quite short. Findings pertaining to sustainability, therefore, are largely speculative. Early results are positive with respect to sustainability of jobs. Among completed projects, sponsors expected that the majority of jobs created (84 percent) would be in place in 18 months. On the other hand, one in five expected that additional financing would be required to sustain and/or expand the project.

[1] Additional jobs created due to the program's funding.

Private sector investors were expected to be the largest contributors in terms of future financing.

V. Overall Conclusions

The results of this evaluation of TJF are mostly positive. Project sponsors and those that deliver TJF are satisfied with the program and impressed with its flexibility, rigour and partnership approach. The length of the approval process and the extent to which access to the program is equitable were the most important concerns raised around program delivery. Many favour more authority delegated to the local level to ease this process.

The level of job creation fostered by the program is largely consistent with initial targets provided by sponsors in their contracts with HRDC. The jobs that are created are of a moderate to high quality. Most of these jobs are expected to be in place in 18 months time. Enhanced monitoring of the program will be necessary, however, in order to verify longer-term sustainability of jobs.

The evaluation suggests that the issue of incrementality should be given attention in future. In a small portion of projects (about one-quarter), TJF funding did not have any impacts on job creation. This research shows that the program should continue its emphasis on small and medium sized operations, while improving the efficiency of the program with more careful targeting to those projects without access to other financing options. Issues around potential overlap with other repayable loans programs would also be resolved by ensuring TJF is the "last payer" program.

Management Response

Labour Market Directorate has reviewed the evaluation of the Transitional Jobs Fund (TJF) completed in September 1998 and fully endorses the evaluation's conclusions. Labour Market is pleased with the positive feedback received on the program from program sponsors and stakeholders. The evaluation finds that TJF is creating real jobs at a reasonable cost and that program sponsors and stakeholders are satisfied with the program and recommend that it be extended.

The evaluation identifies a number of suggestions to improve the delivery and results of the program. Labour Market agrees with these suggestions. In the coming months, Labour Market will endeavour to implement appropriate improvements to the program.

The evaluation found that TJF should target more small and medium-sized projects and that large projects should be considered only when they demonstrate a significant and pivotal role in incremental job creation. The evaluation speaks of the notion of incremental jobs being those that would not have been created without the program's contribution, as opposed to simply being new jobs that had not existed before. Further TJF contributions will focus on incremental job creation. This will be noted in the promotion of TJ, which will be linked more closely to other labour market information initiatives.

The evaluation also found that TJF should not be used in lieu of other financing options. It recognizes that this mechanism must respect the asymmetrical relationships between HRDC and the individual provinces and territories and must not impose undue constraints on the flexibility of the program. Labour market will seek to identify other potential sources of funding which may be more appropriate for these activities than is the TJ F and to potential funding partnerships which would work in concert with TJF to achieve incremental job creation. The strength of the program lies within its extensive partnerships and Labour Market will attempt to strengthen those partnerships.

A third finding is that TJF should improve monitoring and collect data on project participants. The success of TJF has been measured in terms of the numbers of jobs created and the contributions from partners. Project sponsors indicate that the jobs created by TJF will remain in place after TJF funding expires. Future monitoring and evaluation activities will focus on the sustainability of these jobs as we track individual workers who benefit from TJF.

The evaluation pointed out that enhanced training should be provided to personnel in the Human Resource Centres of Canada (HRCC) who deliver TJF in the community. Labour Market is taking steps to offer additional training and on-going self-learning on TJF to HRCC personnel who deliver the program. The training will allow HRCC personnel to better review business plans, complement the partners' expertise and accelerate the assessment process for proposals.

Labour Market views the evaluation as an opportunity to strengthen an already successful program. The project participant data to be gathered will enable HRDC to determine the extent to which TJF helps the Government of Canada meet its promise that no Canadian will be left behind as the country moves forward to greater prosperity.

1.0 Introduction

1.1 Background

In 1996, significant reforms were introduced to the Employment Insurance (EI) system in Canada. The reforms affected eligibility for benefits and the amount and length of claim. To assist high unemployment areas in Canada most affected by the changes, the Transitional Jobs Fund (TJF) was established by Human Resources Development Canada (HRDC) in July 1996. This three-year program is targeted to areas with a rate of unemployment of twelve percent or more. Traditionally, these areas have relied more heavily on Employment Insurance than other regions in the country. In total, $300 million will be distributed over the life of the program to communities to create new, sustainable jobs.

The Transitional Jobs Fund is an innovative approach to job creation. It is designed to provide support to affected communities by encouraging sustainable economic development through the creation of partnership initiatives and a favourable investment climate. Key elements underlying TJF delivery are its leveraging component and its increased flexibility in regards to the types of initiatives and activities funded.

1.2 Program Description

The TJF is an HRDC initiative intended to support job creation activities in high unemployment areas of the country. More specifically, the goal is to assist in the development of long-term sustainable employment in areas that have good prospects for future growth. A "sustainable" job is defined as one which continues or repeats year after year for an indefinite period. Projects which demonstrate that they will create seasonal jobs which meet this definition are also eligible for funding. Through TJF, funding is available to qualified project sponsors, which may include individuals, community organizations, businesses, band/tribal councils and public and non-public sectors.

TJF funding can be used for a variety of initiatives and purposes, such as: creating a new business; expanding existing operations; accelerating the creation or expansion of a business; and restarting operations or averting plant or business shutdowns.

To qualify for TJF funding, proposals must meet certain criteria. First, projects must be developed in areas of high unemployment (12 percent or more). Second, projects must demonstrate that they will lead to the creation of sustainable jobs. Third, project sponsors and other partners must contribute at least 50 percent of total project costs. Fourth, funding proposals must be consistent with local and regional strategic economic development plans. Finally, proposals must be supported by the province and the local Member of Parliament.

It is expected that the strategic plans, active partnering and increased flexibility of program delivery will help to maximize outputs by providing opportunities for partners to contribute financing or in-kind services to shared initiatives; avoiding duplication; and fostering a greater harmonisation of local, regional, provincial/territorial and federal initiatives.

Active partnering is a key feature of the TJF program. The TJF funding approval process involves several partners at a variety of levels. First, proposals are received by local Human Resource Centres of Canada (HRCCs), who review, analyze and evaluate applications. As part of this evaluation process, the HRCCs consult with partners, such as regional economic development agencies, and including the local Member of Parliament. Proposals being recommended for funding are then forwarded to the Regional TJF Coordinator along with a letter from the Member of Parliament.

Second, the proposals are reviewed at the regional level to ensure consistency with regional strategies and to ensure that funds are available. Provincial consultations occur at the local and/or regional levels. Positive recommendations are signed by the Regional Executive Head and forwarded to the Minister for approval along with the required MP and provincial letters of concurrence.

Third, the Minister's Office reviews the recommendation, obtains more information if required and forwards the file to the Minister. Finally, the Minister approves or rejects the proposal.

1.3 Evaluation Objectives and Issues

The main goal of this study is to provide preliminary evidence on the degree of success of the Transitional Jobs Fund in meeting its objectives. The information collected and presented in this report seeks to provide answers to four questions identified by HRDC:

1. What is the nature of projects that have been approved?
2. How many jobs have been created, and of what type?
3. Was TJF funding necessary for the projects to proceed?
4. To what extent are projects financially self-sufficient?

1.4 Methodology

The methodological approach for Phase I of the Transitional Jobs Fund evaluation included three components: a review of program documentation, key informant interviews, and a survey of project sponsors. Each of these components is described briefly below.

The review of program documentation and administrative data served to develop a thorough understanding of the program and objectives of the study. Key documents reviewed included Consulting and Audit Canada's Assessment of the Transitional Jobs Fund, 1997; summaries of projects funded under the TJF; and program guidelines and sample contracts. The HRDC administrative database, containing information on contracted TJF projects, was also consulted in the development of a profile of project activity and to form the sampling frame for the survey of project sponsors.

For the telephone survey of project sponsors, 301 interviews were conducted with TJF project sponsors. Respondents were drawn from the TJF project database. The response rate to the survey was 58 percent, resulting in a margin of error of plus or minus 4 percent at the 95 percent confidence interval (based on a worst case 50/50 split). The survey data were compared to the population of TJF projects as represented by the sampling frame and weighted by region to increase representativeness. Of the 301 project sponsors interviewed, in 116 cases the projects were completed and in 185 cases the projects were in progress.

The main objective of the interviews was to collect evidence of the preliminary impacts of the TJF, particularly, the extent to which the program has succeeded in terms of its job creation objectives. Three key issues were covered in the survey interviews: project profiles, project financing, and outcomes. Profile and descriptive information on the project itself included type of organization, partners and type of venture. Financing of the project related to information on types of expenditures, leverage from partners and incrementality of funding. Outcomes were measured by the number and types of jobs created.

For the key informant interviews, a total of 30 interviews were conducted with representatives of different respondent groups in order to obtain wide-ranging views on the issues from all perspectives. The respondent types included HRDC staff at headquarters; regional TJF consultants; local HRCC officers; provincial/territorial representatives involved in the review of project proposals; and other partner organizations, including regional economic development agencies (e.g., the Atlantic Canada Opportunities Agency [ACOA]). The interviews examined respondents' views about the TJF, as well as the nature and types of activity in their area. The interviews were also used to collect information on respondents' opinions about factors associated with the implementation, success, lessons learned to date and suggestions for improvement.

While Phase I of the Transitional Jobs Fund has collected information from multiple lines of evidence, two caveats should be noted. First, many projects are still in the early stages of delivery; less than 40 percent of projects included in this evaluation were completed at the time of the interview. Second, even completed projects have relatively short post-program periods (the majority of completed programs ended between January and March 1998). Therefore, issues of impacts and effects, particularly with respect to the sustainability of jobs, and lessons learned could not be fully assessed.

1.5 Organization of the Report

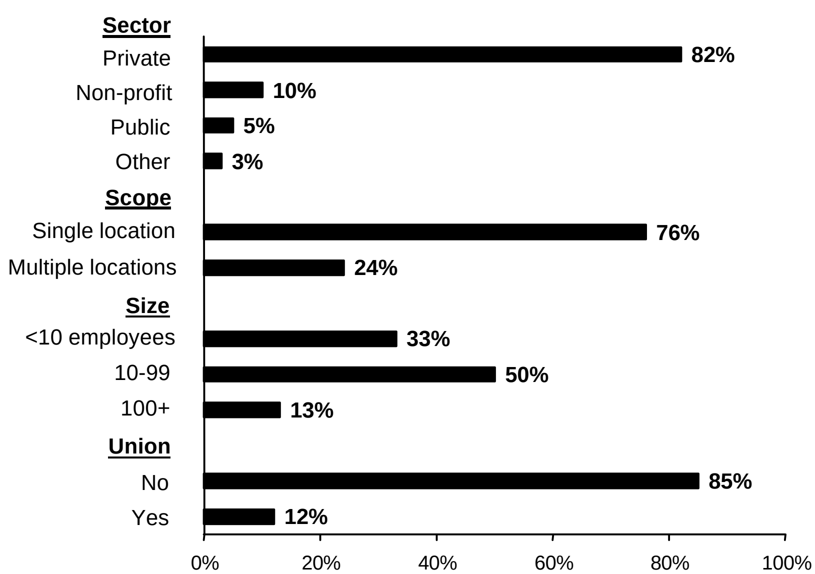
There are four additional chapters following this one. Chapter 2.0 examines program take-up and includes profiles of projects, project sponsors and project financing. Chapter 3.0 addresses questions related to program implementation, in particular, program promotion, the approval process, partnerships, monitoring and follow-up, duplication and overlap, satisfaction, program strengths and weaknesses as well as suggestions for improvement. Chapter 4.0 presents findings on the program's impacts and effects in relation to job creation and incrementality issues. In Chapter 5.0, a summary of the study results is presented.

2.0 Program Take-Up

2.1 Profile of Project Sponsors

One of the objectives of the evaluation study was to develop a profile of organizations that have received TJF funding and of the types of activities that have been funded under TJF. The majority of project sponsors are non-union (85 percent) private sector companies (82 percent) that operate out of one location (76 percent) (Exhibit 2.1). Private sector companies were more likely than public sector organizations to be involved in manufacturing (51 versus 8 percent respectively), whereas public sector organizations were more likely than private sector businesses to be involved in tourism (30 versus 5 percent respectively) and in social services (13 versus 2 percent respectively). In addition, projects led by public sector organizations were more likely than those with private sector companies to have been completed (59 versus 35 percent respectively) at the time of the survey. This is likely a function of the types of projects that were approved early in the TJF program.

Exhibit 2.1
Profile of Organizations



Source: TJF Survey, 1998

TJF was generally targeted toward small and medium sized organizations. Half of the project sponsors employ between 10 to 99 people (medium sized companies) but a large proportion (33 percent) have fewer than 10 employees (small companies). Small companies were more likely than larger (more than 100 employees) and medium sized companies to be in the tourism industry (18 versus 5 and 4 percent respectively). Conversely, the larger and medium sized companies were more likely than small companies to be in manufacturing (63 and 50 versus 27 percent respectively).

2.2 Profile of Projects

The majority of sponsors (94 percent) had only one agreement under TJF and at the time of the survey, 37 percent of these projects had been completed. Three quarters of the projects targeted new job creation and one quarter targeted new job creation and averting lay-offs. The largest proportion of TJF projects were located in the Atlantic provinces (42 percent) and Quebec (41 percent) and most involved year-round operations.

According to project sponsors, the main reason for applying for TJF funding was to expand an existing operation (47 percent), followed by creating a new business (35 percent), accelerated creation or expansion of a business (9 percent), and the introduction of a new business line (6 percent). A small minority of respondents (3 percent) mentioned maintaining the operation at its existing level as the main reason for applying (Exhibit 2.2).

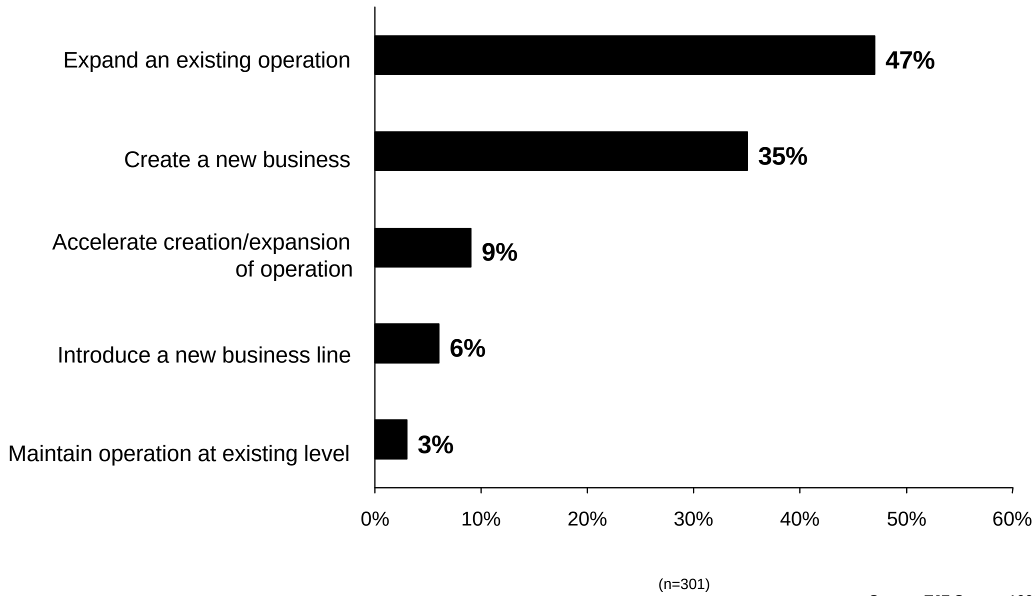
The largest proportion of projects were in manufacturing (43 percent), followed by tourism/hospitality (14 percent), aquaculture/silviculture/forestry/agriculture (14 percent), technology related businesses (8 percent) and sales/service businesses (7 percent). Projects in Quebec were more likely than those in the Atlantic provinces to involve manufacturing (63 versus 29 percent), whereas those in the Atlantic provinces were more likely than Quebec projects to involve aquaculture and related primary industry businesses (10 versus 1 percent respectively).

2.3 Project Financing

Across all projects included in the evaluation, the survey data indicate that the average total cost was about $1.4 million (Exhibit 2.3). This includes TJF funding, contributions from the project sponsors and other sources, if any. One in four sponsors reported their projects as under $250,000. Thirty percent reported their project as costing $1 million or more.

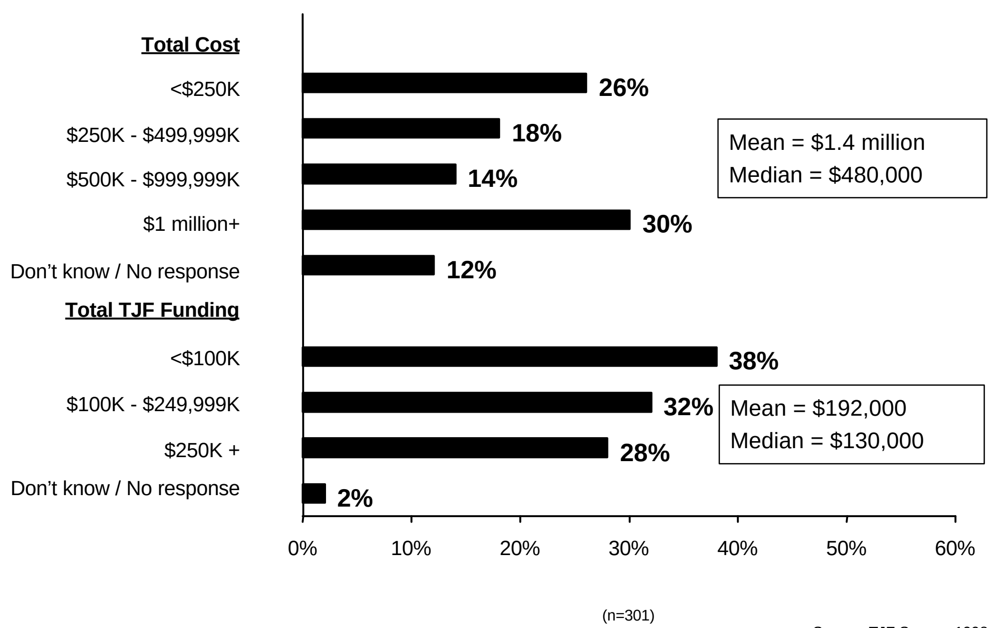
Exhibit 2.2

"What was the main reason you applied for TJF funding?"



Source: TJF Survey, 1998

Exhibit 2.3
Project Financing

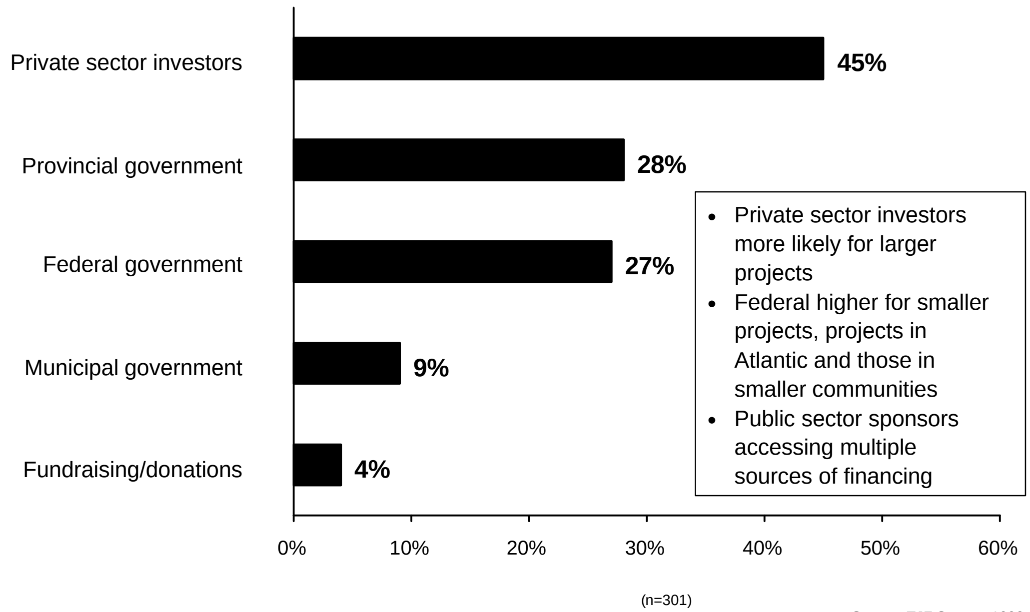


Source: TJF Survey, 1998

Projects were most likely to have received financing in addition to TJF through private sector investors (45 percent), provincial government (28 percent), and federal government (27 percent) (Exhibit 2.4). Private sector-led projects were more likely to have secured contributions from private sector investors, while public sector sponsors tended to access multiple sources of public and private sector funding. Federal government contributions were more likely in the Atlantic (likely a result of the presence of ACOA) and for smaller projects and projects in smaller communities (i.e., less than 10,000 population).

Exhibit 2.4

"What sources of financing other than TJF funds were obtained to help cover the costs associated with the project?"



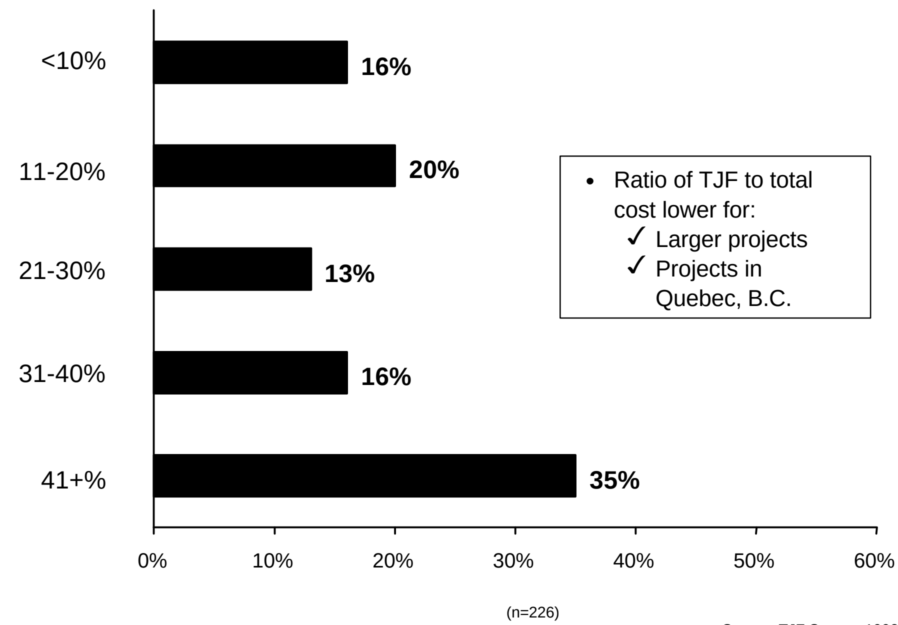
- Private sector investors more likely for larger projects
- Federal higher for smaller projects, projects in Atlantic and those in smaller communities
- Public sector sponsors accessing multiple sources of financing

Source: TJF Survey, 1998

The average TJF funding received was $192,000. Thirty-eight percent of projects received less than $100,000 from the program, while 28 percent received $250,000 or more. The proportion of TJF funding compared to total project cost was about 14 percent across all projects. This was calculated by dividing the average amount of TJF funding by the average total cost of projects across all cases in the sample.

The share of TJF funds as a proportion of total project cost varied significantly by project size – the proportionate contribution of TJF is significantly smaller in larger (i.e., higher cost) projects. Partner contributions were also higher for Quebec and British Columbia (Exhibit 2.5). Another way to calculate the ratio of TJF to total project cost is to average this ratio on a project-by-project basis; using this methodology, TJF funds account for an average of 33 percent of total project costs.

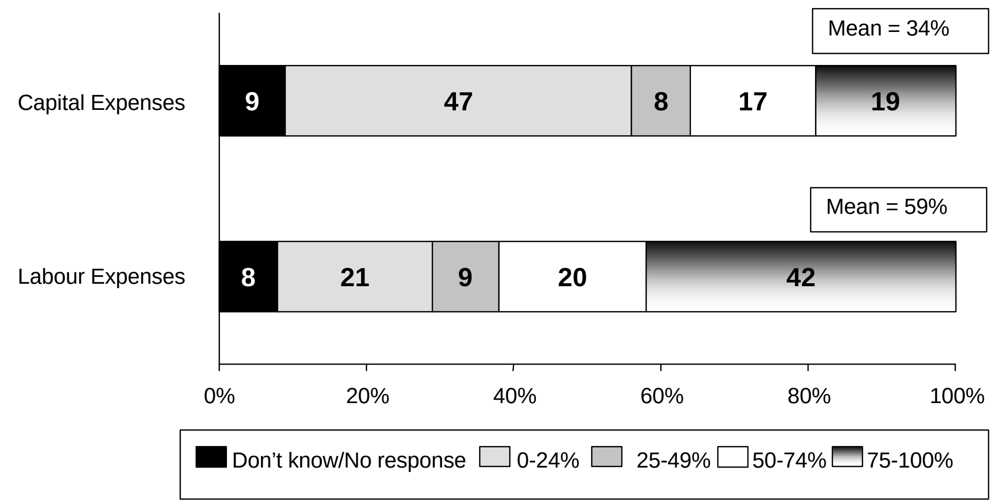
Exhibit 2.5
Proportion of Total Cost that is TJF



Source: TJF Survey, 1998

TJF funds were more likely to be used for labour expenses such as wages rather than for capital investments. Across all projects, about 60 percent of TJF funds were used for labour expenses (Exhibit 2.6). Forty-two percent of project sponsors reported that between 75 and 100 percent of their TJF funds were used to cover labour expenses. According to project sponsors, one-third (34 percent) of TJF funds on average were used to cover capital expenses. One in five project sponsors reported that between 75 and 100 percent of their TJF funds were used for capital expenses.

Exhibit 2.6
Proportion of TJF Project Funds Used for...



(n=301)

Source: TJF Survey, 1998

3.0 Program Implementation

This chapter presents a description of the findings related to program implementation and lessons learned from the delivery of TJF to date. At the time of the study, the program had been in place for approximately 20 months. The results are based primarily on qualitative evidence obtained from 30 key informant interviews. The perceived satisfaction of project sponsors with TJF and their suggestions for improvement based on the survey data are also incorporated into this chapter.

3.1 Program Promotion

In general, key informants indicated that they engaged in limited active promotion of TJF to communicate the program to prospective project sponsors. For the most part, promotion of the program was limited to contacts between HRCCs and TJF partners, such as federal economic development agencies, provincial government departments, and community groups.

According to key informants, the absence of active promotion of TJF did not appear to have a negative impact on the level of participation of sponsors, although, with the exception of Quebec, there was some concern with a lower than anticipated number of TJF applications received in the first year of the program. As awareness of the program increased in the second year, however, the number of applications for TJF funds generally surpassed original targets. In fact, most interview respondents reported that the non-repayable aspect of the program was a very attractive feature of the program, and as a result, few marketing efforts were required to stimulate interest and participation among sponsors.

Although active targeting of specific groups was typically not undertaken by TJF partners, the majority of recommended proposals were generally those which reflected local and/or regional priorities, and which were consistent with the target groups set out in local strategic economic plans. In the few instances where active targeting was undertaken, these included projects designed to serve the needs of social assistance recipients, persons with disabilities, visible minorities, and aboriginal groups.

3.2 Approval Process

The process for approving TJF funding is a fairly rigorous one involving several levels of approval and input from partners. Typically, proposals are received by HRCCs and reviewed by local assessment committees made up of representatives from various local, provincial and federal stakeholders. Applications which are deemed viable and which meet approval criteria are forwarded to TJF consultants at the district and/or regional level.

Proposals which do not meet the basic criteria are generally returned to the proponent for additional information or clarification, or are referred to other federal or provincial/territorial programs better suited for the proposed project.

At the regional level, TJF consultants confer with their provincial counterparts to ensure that the projects conform to provincial policy objectives and do not conflict with strategic economic plans. Written provincial concurrence is required for all TJF proposals. This stage of the approval process also ensures that approval from the local MP has been obtained, that all necessary licences and permits have been acquired, and that all affected provincial and federal government departments have been consulted on the project. Once the region is confident that all regional criteria have been met, recommended proposals are forwarded to National Headquarters (NHQ) for final Ministerial approval.

Although the funding criteria vary from one community/region to the next, the general TJF guidelines are applied to assess proposals. Generally, applications for TJF funding must demonstrate that the projects will create sustainable jobs. In addition, HRDC's total contribution to the project must not exceed 50 percent of total project costs. The business plan must be feasible, and must demonstrate the long-term viability of the project and value-added benefits to the community. A fourth core criterion is that the project must be consistent with local and regional economic priorities.

In addition to these criteria, proposal review teams also consider a number of other factors when assessing applications. These factors, however, vary across regions. For instance, Atlantic Canada appears to place considerable emphasis on the types of jobs created by the project. The creation of full-time rather than part-time opportunities, year-round rather than seasonal employment, and the wage levels and skill requirements associated with the jobs all play important roles in the assessment procedure in Atlantic Canada.

HRDC's cost per job created via the project is another commonly used criterion in the assessment of TJF proposals. For example, the criterion used by some areas is that HRDC's total contribution to the project from all program sources must not exceed $20,000 per job.

Particularly given the non-repayable aspect of TJF, in many communities, the potential for unfair competition with existing organizations is an important issue in reviewing funding proposals. As a result, a thorough analysis of the competitive impact of a proposed project is often conducted prior to the approval of funds.

A fourth commonly utilized criterion for funding is the level of personal investment and risk on the part of the sponsor, and likelihood that the sponsor will obtain financing from other sources. Projects are rarely approved until the review teams are satisfied that other sources of financing are in place, and that the sponsor will take on sufficient personal risk to help ensure long term project success.

As a result of the consultative approach utilized at the HRCC level, in which applicants are provided the opportunity to provide more information, clarify certain information, or modify portions of the proposal to better meet approval criteria, few TJF applications are rejected. Nevertheless, some projects are ultimately not approved. These typically consist of those which are too costly, cannot meet basic TJF guidelines, do not demonstrate long term viability, do not conform to local, provincial and/or federal policy objectives, display limited personal investment and risk from the sponsor, or are seen as capable of proceeding without TJF funding.

Overall, the approval process is generally perceived as highly effective among the key informants interviewed. The inherent flexibility of the program, in combination with the consultative approach to assessing proposals, helps to ensure that the projects most in need, as well as those most likely to benefit the community, will be approved. Moreover, there appears to be genuine interest from all partners to fund only those projects which will create "real" employment opportunities rather than "make-work" jobs.

3.3 Partnerships

According to the vast majority of key informants, partnerships form an important component of the effective delivery of TJF. The TJF program makes extensive use of formal and informal partnerships at the local and regional levels, particularly in the proposal review process. Based on interview responses, the sharing of expertise and information resulting from the partnership approach brings increased scrutiny to the proposal review process, and tends to lead to the approval of projects which are most likely to succeed. In addition, the various priorities and perspectives of the partners contribute to ensuring that projects reflect local, provincial/territorial and federal objectives and needs. Moreover, a good mix of partners helps sponsors identify and leverage additional funds from other sources.

For the most part, TJF partners include HRDC, other provincial/territorial and federal government departments and/or agencies, local economic development boards, municipalities, local industry, and community organizations. In addition, certain areas also involve tribal/band councils, education, and/or labour representatives.

Overall, partnerships which appear to be most successful include those which are built on established relationships, and which encourage extensive and open communication. Other less frequently cited characteristics of successful TJF partnerships include an equal voice among all partners, sufficient local representation, a vested interest in the creation of "real" jobs among all partners, and balanced decision-making authority in the proposal approval process.

3.4 Monitoring and Follow-up

Interview respondents indicated that the procedures currently in place for monitoring on-going job creation activities and for tracking the progress of business operations are adequate. For many projects, sponsors are required to submit periodic payroll reports which identify the wages paid to employees in the jobs created via the TJF program. The payment of TJF funds is frequently contingent on the information presented in these reports. In addition, TJF representatives occasionally conduct on-site visits to projects to assess the extent to which operations are proceeding as planned.

According to key informants at HRDC, however, a need may exist to develop and/or improve follow-up mechanisms for assessing the on-going sustainability of the jobs created, as well as for monitoring the use of capital expenses covered by TJF funds. The majority of HRDC respondents expressed concern with their ability to evaluate the extent to which specific jobs created within the projects would persist in the long run. The extent to which the program will create *sustainable* jobs is not well monitored.

Concern was also expressed with respect to monitoring the use of TJF funds allocated to capital expenses. The data from this study have indicated that use of TJF for capital expenditures is lower compared to wage-related expenses. Current reporting requirements are typically limited to the submission of invoices for capital purchases, and no formal mechanisms for tracking the purchase/sale of these goods have been implemented. Moreover, although NHQ provided TJF staff at the HRCC level with training in assessing business plans, because of staff turnover (e.g., due to implementation of federal-provincial labour market development agreements), some HRCCs indicated that they now lack some expertise in reviewing and assessing the progress of business operations.

3.5 Duplication and Overlap

In general, key informants reported that they consider the TJF to be a complement to other federal and provincial job creation and economic development programs. According to the majority of respondents, the TJF represents an additional source of financing for viable projects rather than a competing alternative. Particularly given the funding limits of the program, TJF funds are frequently used in conjunction with other federal and provincial sources of financing, and often serve to provide funding to projects which could not be obtained within the existing network of funding sources. Moreover, TJF funds, in combination with the financing obtained from other federal and provincial programs, are often sufficient for increasing the sponsors' equity, thus enabling them to leverage additional funds from traditional commercial lenders.

There is also some indication of complementary activities in the way in which the funds obtained from the various sources are used. Particularly given the job creation aspect of the program, TJF funds are typically used for labour expenses. Other similar federal and provincial economic development programs, however, appear to focus on providing funding to help cover capital expenses.

Although a minority of key informants expressed some concern with duplication between TJF and other programs, most respondents indicated that duplication was not an issue. TJF is highly flexible in terms of which projects qualify for funding, and the jobs created under the TJF projects are generally open to any worker. Many other HRDC job creation programs require that individuals hired into new employment opportunities be EI eligible, on social assistance or employment disadvantaged. In addition, sponsors are frequently referred to other federal and provincial programs should these be deemed more appropriate for the project.

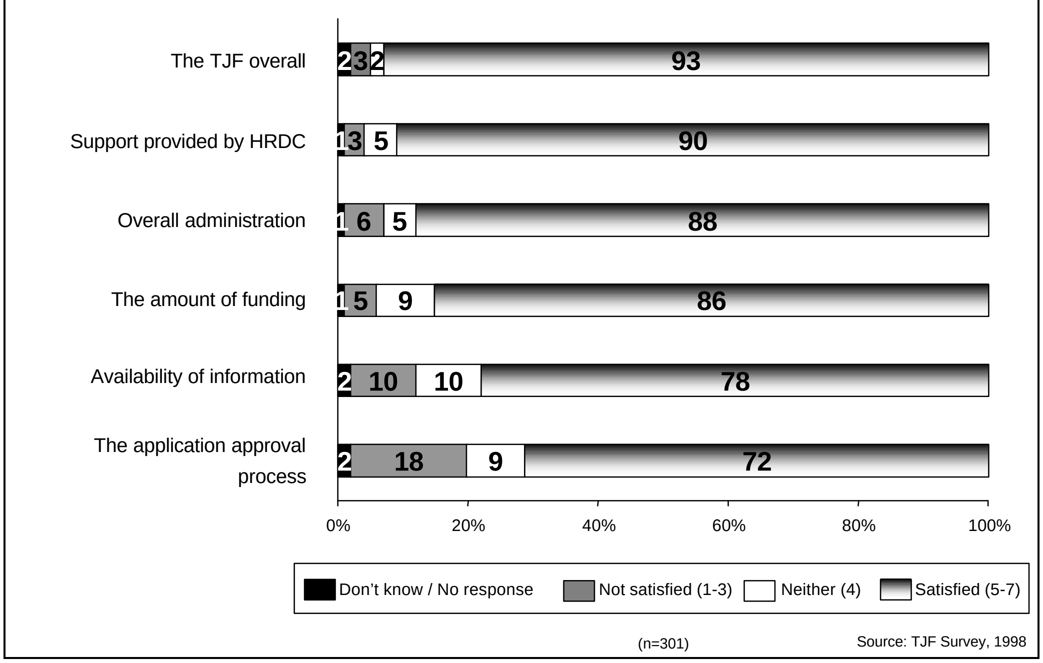
The primary concern with duplication expressed by some HRDC and partner organizations related to the potential for TJF activities to overlap with those of regional economic development agencies. These agencies provide financing opportunities to similar ventures as TJF projects, often in combination with TJF funds, but on a repayable basis. As a result, in some cases project sponsors will attempt to access TJF funds first before those of their repayable alternatives. Consequently, if TJF funds are used as a first resort and principal source of funding, the proportionate economic development role played by these agencies may be diminished for these projects.

3.6 Satisfaction

Project sponsors' overall ratings of satisfaction with the Transitional Jobs Fund were extremely high: 93 percent indicated they were satisfied (responded 5, 6 or 7 on a 7-point scale) overall and 81 percent stated they were very satisfied (responded 6 or 7 on a 7-point scale). Only 3 percent expressed dissatisfaction with the program. Overall satisfaction ratings were similar for private and public sector organizations. Responses were also not influenced by organizational size or the percentage of total costs that the TJF funding represented.

Respondents were asked to rate their satisfaction with various aspects of the program. Reflecting the overall satisfaction ratings, satisfaction with the implementation of TJF was also very high (Exhibit 3.1). The highest average ratings were for support provided by HRDC following approval of the project, with 90 percent of respondents indicating they were satisfied, and for the overall administration of the program (88 percent). The next highest approval ratings were for the amount of funding received (86 percent) and the availability of information about the Transitional Jobs Fund (78 percent).

Exhibit 3.1
Rated Satisfaction



The lowest average rating of satisfaction was for the application approval process (72 percent). Project sponsors in the public sector were less satisfied with the approval process: 22 percent indicated they were dissatisfied compared to 8 percent of those surveyed in the private sector. Smaller organizations and those in the Atlantic region were also more likely to be dissatisfied with the TJF approval process.

3.7 Lessons Learned

(a) Perceived Program Strengths

The most frequently cited strength of the TJF program among key informants was that it focuses on the creation of "real" sustainable jobs. One of the primary objectives of TJF is the creation of sustainable jobs, and the rigorous approval process was developed to help ensure that funded projects are sufficiently viable to achieve this objective. According to respondents, the procedure for reviewing proposals and for obtaining multi-level approval is an important component of the program, as it improves the program's ability to identify viable projects likely to create sustainable employment. There is also an indication that all TJF partners demonstrate continued commitment to recommending only those projects which create long term permanent employment. Moreover, the vast majority of interview respondents indicated that they thought that the TJF represented a fundamental attitudinal shift among all stakeholders from that of accepting "make-work" jobs as a feasible option, to that of creating "real" opportunities for sustainable employment.

Another commonly reported perceived strength of the TJF program was that it expanded financing options for project sponsors. According to respondents, it is frequently difficult for sponsors to obtain financing for projects from existing sources. Consequently, the TJF was seen as an essential alternative to these other sources of funding, particularly in areas where commercial lenders are reluctant to take risks. Moreover, the increased equity resulting from TJF funding often improves the sponsor's ability to leverage funds from these other sources.

Flexibility in the approval criteria was also a frequently reported strength of the TJF program. It appears that the open criteria for funding projects has allowed for the start or expansion of a variety of projects, and has led to community economic diversity. This was seen as particularly important in more depressed areas. In addition, as a result of the flexible hiring requirements for jobs created under TJF, key informants believed that sponsors have created employment opportunities which are more stable, higher paying, and more broadly skill-based than those of existing job creation programs.

A fourth strength of TJF identified by respondents was that the program tends to attract sponsors who are experienced and professional rather than "fly-by-night" business operators. According to key informants, this is primarily a result of the rigorous approval process in which business plans undergo considerable scrutiny, and the fact that approval of projects is often contingent on the level of personal investment and risk brought to the project by the sponsor. As a result, TJF partners can be fairly confident that approved projects are viable, and are likely to meet their job creation targets.

The final commonly reported strength of the program was the partnership approach to reviewing business plans and funding projects. The TJF approval process relies heavily on the input and perspectives of the various partners involved in reviewing business plans. Based on responses from key informants, joint consultation and sharing of expertise in this process not only increase the likelihood that approved projects are viable and create sustainable jobs, but also help to ensure that the needs of all federal, provincial, and local partners are met. Moreover, required partner consensus in the approval process, and the fact that projects are typically financed through a variety of sources (including the sponsor's portion) lead to a shared accountability for the projects, and necessarily result in a vested interest among all partners for projects to succeed.

(b) Perceived Program Weaknesses

Despite the reported strength of the proposal review process, this same process was, by far, the most frequently cited weakness of the program. While seen as effective for helping to ensure that TJF-approved projects are viable and meet federal, provincial and local needs and guidelines, the vast majority of key informants reported that the approval process was too lengthy and involved. According to respondents, many sponsors are not in a position to be able to wait six to eight weeks for a funding decision, as they require immediate financing in order for projects to proceed. In addition, knowledge of the lengthy process may have discouraged sponsors with viable projects from applying for TJF funding.

Some key informants also expressed concern with respect to some political presence in the program at times. While a certain amount of political involvement is expected in a program involving partners from the various levels of government, there was nevertheless some uneasiness among some respondents regarding projects which may have been approved for political reasons rather than based on the strength of the business plan.

The final commonly reported weakness of the TJF was the non-repayable feature of the program. As indicated by key informants, non-repayable funds may encourage sponsors to use TJF monies as a major source of funding rather than as a supplement to existing financing options. Moreover, particularly in Atlantic Canada, respondents reported that the provision of non-repayable funds to TJF projects may diminish the role played by federal economic development agencies and provincial/territorial programs which offer similar financing but on a repayable basis.

(c) Suggestions for Improvement

Key informants were asked for their opinions on any changes they would recommend in order to improve the TJF program. By far, the most common response received was to extend the life of the program. According to respondents, the TJF program is a cost-effective means of creating "real" sustainable jobs, and with a few minor adjustments, has the potential to bring considerable economic relief to communities experiencing high unemployment. Moreover, the majority of key informants ranked the TJF as being as good as or better than other previous or existing job creation programs.

The second most frequently cited suggestion for improvement was to delegate more decision-making authority to the local level. The current approval process only grants HRCCs the authority to recommend projects. Although the vast majority of projects recommended at the local level are ultimately approved, the need to obtain approval at all stages often results in unnecessary delays. Particularly for smaller projects (less than $100,000 of TJF funding) which frequently require the prompt payment of funds, local level authority to approve projects would help to speed up the process. It is important to note, however, that every respondent who recommended this change also indicated that the current multi-level approval process should be retained for larger projects.

Key informants also recommended making concerted efforts to continue to target small and medium sized projects in order to ensure that TJF helps projects which are most in need. Large projects typically possess more equity than do smaller ones, and are thus in a better position to leverage financing from other sources than are smaller ventures. It was also reported that it is difficult to assess the extent to which TJF funds are truly helping the larger projects when the proportion of total project financing covered by TJF funds is relatively small.

The implementation of a formal procedure for linking the payment of TJF funds to project payroll reports was another frequently mentioned suggestion for improving the program. Tying the payment of funds to confirmation of wages paid has been successfully utilized as a tool for monitoring the progress and job creation activities of several existing projects, and a formal system may help reduce the potential for abuse in the use of TJF funds.

A fifth suggestion for improving TJF was to solicit additional involvement of local agencies and boards in the proposal approval process. Additional input from community-based social and economic organizations would increase the likelihood that projects reflect strategic local priorities and better meet community level needs. Moreover, increased involvement of local representatives would help to ensure that the TJF program retains its bottom-up orientation. It is interesting to note that the majority of these recommendations were provided by respondents in Atlantic Canada, where local level input is currently solicited on a fairly extensive basis.

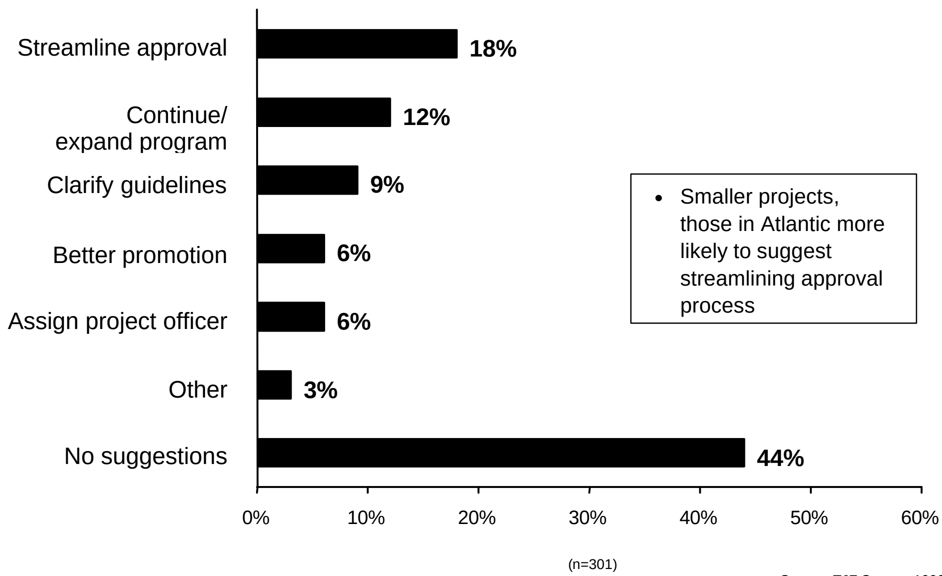
Several key informants noted that it is currently difficult to identify whether or not project sponsors are accessing TJF funds as a last resort. These respondents thus suggested developing formal mechanisms for assessing the extent to which applicants have exhausted all other financing possibilities prior to approving TJF funding and increase the incrementality of TJF funds. According to these individuals, a system such as this would provide assurances that approved projects are indeed those most in need of non-repayable TJF funds and increase the incrementality of TJF funds. In addition, this mechanism would help maintain the economic development role played by other funding agencies. Unfortunately, no respondent who made this recommendation could formulate a precise strategy for achieving this goal.

A final common recommendation provided by key informants, particularly in the central and western regions of the country, was to offer additional or on-going training to HRCC personnel. Additional business training would allow HRCCs to acquire sufficient expertise in reviewing business plans, thus reducing their reliance on partners in the assessment of proposals. In addition, this training would help improve the HRCCs ability to monitor the progress of approved projects and to assess sustainability of jobs. It was also noted that, because of staff turnover, the training should be available on an on-going basis.

Project sponsors who were surveyed as part of this evaluation were also asked to provide any suggestions for improving TJF. A substantial proportion (44 percent) offered no suggestions to improve the program (Exhibit 3.2). Reflecting the satisfaction ratings described in the previous section, the most frequently suggested improvement to TJF, mentioned by one in five respondents, was streamlining the approval process. Smaller projects and sponsors from the Atlantic region were most likely to suggest streamlining the approval process.

Exhibit 3.2

"Do you have any suggestions to improve the TJF program?"



Source: TJF Survey, 1998

4.0 Impacts

This chapter presents evidence on short-term impacts of TJF, based on job creation results from the survey of project sponsors. Among the issues addressed are the number of jobs created, the type of jobs created, the sustainability of the jobs, the issue of incrementality, and finally, the issue of cost. As indicated earlier, sponsors of 301 projects were interviewed in the survey. The fact that only one-third of surveyed projects are completed means that the results presented in this chapter underestimate final job creation impacts of these projects. Moreover, larger projects are more likely to be in progress, implying that projects with larger job creation potential are under-represented in the sample of completed projects. Where appropriate, outcome information is provided for projects overall and for completed projects only.

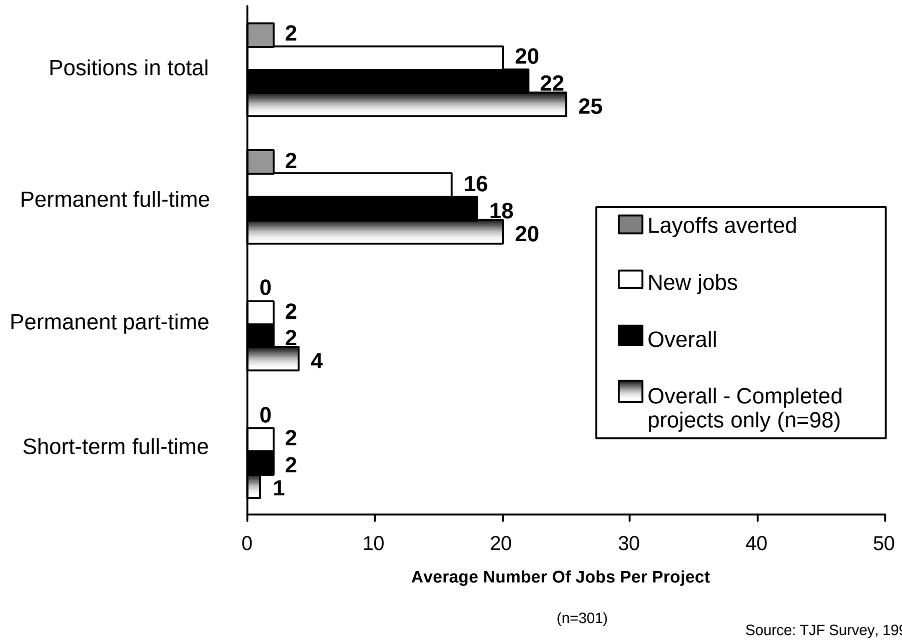
4.1 Job Creation

Exhibit 4.1 presents figures on the mean number of new and saved jobs by the TJF projects in the sample, according to type of job based on the survey responses. Three observations may be made about the results. First, in TJF projects, more new jobs are created than saved by averting layoffs. One reason is the fact that about three-quarters of respondents indicated that their projects created *only* new jobs, while the remainder indicated that their projects both created new jobs and averted layoffs (saved jobs). Job creation varied little by industry of the project and by the share of total funds contributed by the TJF. However, there is a good deal of regional variation in job creation. In Atlantic Canada, for example, the size of projects was relatively small, though the number of projects approved was greater.

Second, Exhibit 4.1 indicates that the majority of jobs created under the TJF are permanent, full-time jobs. Dividing the mean total number of new jobs created (about 20) by the mean number of new permanent full-time jobs (16) yields an estimate of 80 percent that are permanent full-time positions.[2] Another measure of the permanent, full-time job rate is the (unweighted) mean of the rates for each individual project, which yields a rate of 79 percent across projects. (Including part-time jobs, this rate rises to 95 percent.) This percentage tends to rise with organization size and to be lower in smaller communities (72 percent), public sector organizations (54 percent) and the tourism/hospitality sector (56 percent). The latter finding is not surprising given the seasonal nature of jobs in this sector.

2 The limitation of this measure is that the means used to compute the rate are based on different sets of projects owing to missing data. Another measure of the permanent, full-time-job rate, then, is to divide the total number of new jobs created by the total number of new permanent full-time jobs created only for all projects that have non-missing data reported for both types of jobs (i.e., based on the same set of projects, n=282). This computation yields a similar rate (81 percent of new jobs created are permanent). Including part-time jobs raises the rate to 89 percent.

Exhibit 4.1
Mean Jobs Created Per TJF Project



Source: TJF Survey, 1998

Data were also collected in the survey on seasonal and short-term jobs. These data indicate that 13 percent of all permanent full-time jobs were seasonal. The proportion that was seasonal was particularly high in tourism and primary industry projects, in smaller communities, and in Atlantic Canada. As for short-term jobs, the survey results indicate that the mean number of short-term jobs (which tended to be insignificant, as Exhibit 4.1 indicates) tended to be relatively high in public sector projects and projects in the tourism/hospitality and primary sectors.

Finally, it should be noted that the completed projects (bottom bar of each set) have, to date, generated a larger number of jobs than projects overall.[3] This is not unexpected, given that for a large number of uncompleted projects there is still job creation to take place. The results also indicate that, with 25 total positions and 20 permanent, full-time positions created by completed projects, the permanent full-time job creation rate (about 80 percent) is similar to the rate for all projects. This is confirmed by the (simple) mean of the individual projects rates, computed to be at 78 percent (not shown).

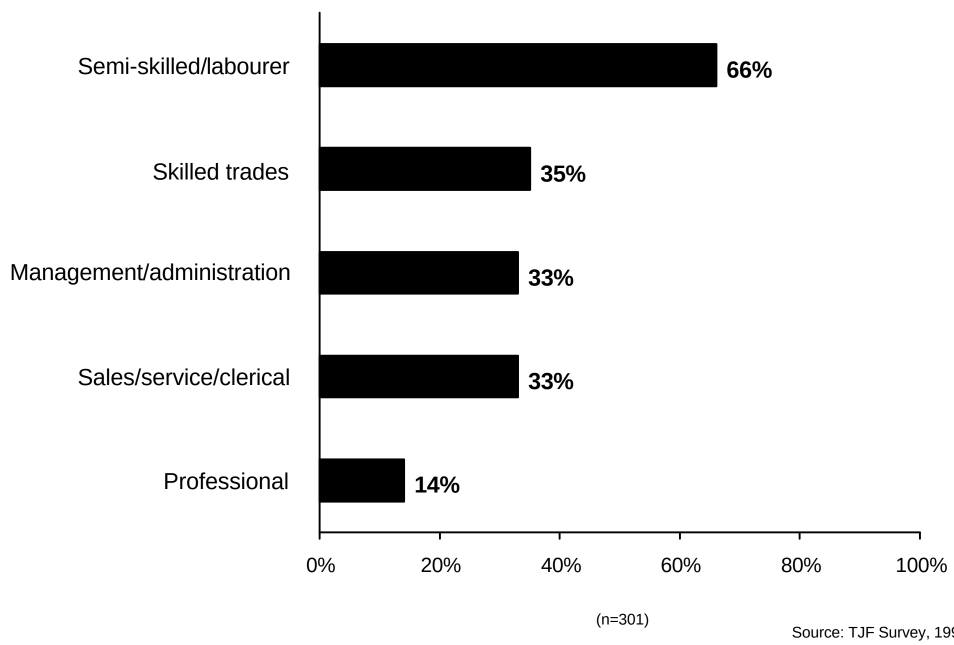
The above figures include part-time and seasonal jobs. The conversion from the mean number of jobs created to their full-time equivalent (FTE) is based on the mean number of permanent full-time jobs created for completed projects (20), adding half the number of

3 This is based on 98 cases. The sample size is less than the 116 completed cases in the survey owing to removal of cases without a valid response to all questions.

part-time jobs and half the number of seasonal jobs, to arrive at about 21 FTE jobs per completed project. This yields a FTE job rate of 84 percent.

The percentage of jobs created by occupational group is presented in Exhibit 4.2. Note that, as respondents were permitted multiple responses to this question, percentages add up to more than 100 percent. The results indicate that semi-skilled jobs are the predominant jobs created by TJF projects, with professional jobs being the least common job created. Not shown is the fact that semi-skilled jobs are most likely to be found in large organizations (80 percent) and in the manufacturing sector (85 percent) and least likely to be found in projects in Ontario (45 percent). On the other hand, higher skilled occupations are also most likely to be found in projects in larger organizations (20 percent) and in British Columbia (20 percent). Sales, service and clerical jobs are, as expected, generally found in hospitality and tourism sector projects (54 percent). The occupational mix of jobs is reflected in the mean wages of jobs created (not shown), as only 10 percent of TJF jobs earn more than $16 an hour. The overall mean is $13 an hour.

Exhibit 4.2
Percentage of Jobs Created by Occupation

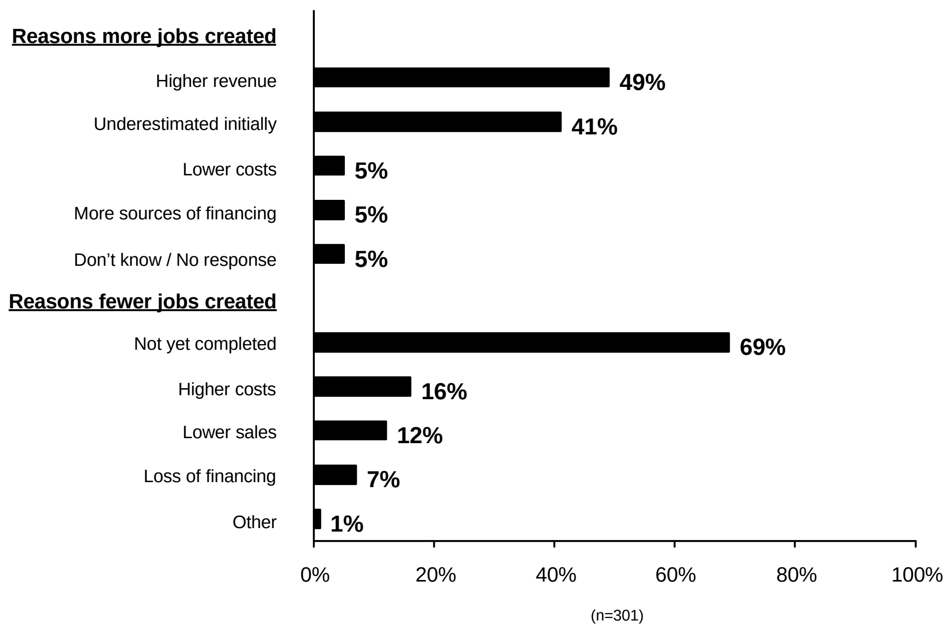


Source: TJF Survey, 1998

How do jobs created in TJF projects compare to targets set out in the original signed agreements? Survey results indicate that about one-half (47 percent) of projects matched their targets, with the rest fairly evenly split between those which exceeded targets and those which failed to reach targets. Other results indicate that it was the smaller organizations that tended to match targets (59 percent), while larger organizations tended to exceed them (31 percent).

As for the reasons why divergence occurred, Exhibit 4.3 indicates that the most common reasons, by far, for exceeding targets were higher revenues than expected and initial underestimation of job creation. As for shortfalls, the second panel of Exhibit 4.3 indicates that non-completion is the main reason why targets were not attained, which is not surprising given that about two-thirds of projects have yet to be completed. Other common reasons for shortfalls were higher costs and lower sales than expected.

Exhibit 4.3
Reasons More/Fewer Jobs Created Than Expected



Source: TJF Survey, 1998

4.2 Sustainability

One of the goals of the TJF was to create not just jobs, but jobs that would last. Obviously, given that the TJF has been implemented for under two years, it is too soon to tell if the jobs created are in fact durable, but, as a partial solution, project sponsors were asked in the survey if they *expected* jobs to be in place 18 months after completion of the project. Focusing on completed projects, whose sponsors are assumed to a have a relatively clear idea of the sustainability of the jobs created, responses to the preceding question indicate that most sponsors believed that the majority of the jobs created would be sustained. On average, sponsors of completed projects expected that 84 percent of jobs created would be sustained, a rate which rises with organization size and is particularly low for tourism projects (68 percent) and for projects in the Prairies (70 percent).

The above figures are based on the simple mean, calculated by dividing the number of permanent jobs created (new and saved) by the number of jobs expected to be sustained for each completed project (n=103), and then computing the mean across the projects. Another approach is to divide the total number of jobs created by the total number of permanent jobs expected to exist 18 months from now, for completed projects that have non-missing data for both variables (i.e., for the same group of projects, n=110). Under this approach, which in effect weights for the number of jobs created, we obtain a similar sustainability rate of 86 percent.

Note that the sustainability results must be treated with caution. While some measurement error has been eliminated by focusing on completed projects, the estimates are still based on mere expectations, not real experiences. Moreover, the length of time since project completion was typically short when the survey took place. It remains to be seen, in subsequent evaluations, if in fact these jobs can be sustained. It should also be noted that the other side of the coin, the possibility that firms could create *more* jobs than expected, was an issue that was not addressed in the survey.

Survey respondents were also asked if other funding would be necessary to sustain the jobs created. Returning to the full sample (n=301), about one-quarter of project sponsors said that other funding would be necessary to sustain jobs, with another 17 percent saying they were unsure. Affirmative responses to this question appeared to be inversely related to organization size and to the share of total project funding contributed by TJF.

Among respondents saying additional funding would be necessary, the predominant reported reasons were higher than expected costs (40 percent) and the need to finance expansion (33 percent). The majority of these respondents expected that additional financing would come from private sector sources or from the sponsors themselves (59 percent).

4.3 Incrementality

The goal of the TJF, like any job creation program, is to create incremental jobs, i.e., jobs that would not have been created in the absence of the program. Survey results provided three measures of TJF incrementality. First, almost 60 percent of project sponsors reported that the TJF influenced their decision to go ahead with the project to a great extent, while another 28 percent said TJF had some influence on their decision.

Another measure of incrementality is capacity to leverage additional funds. Survey results indicate that less than one-half said the TJF enabled them to leverage additional funds and one-third said it did not. A third measure is provided by a more direct question of whether or not the project would have gone ahead without TJF funds. Responses to this question indicate that 53 percent said their project would have not gone ahead, meaning that over one-half of TJF projects were incremental.

Incrementality was relatively higher in smaller organizations (63 percent), smaller communities (64 percent), public sector sponsors (79 percent), and tourism projects (78 percent). Incrementality was particularly low (38 percent) in projects with a low share of TJF funding (less than 25 percent).

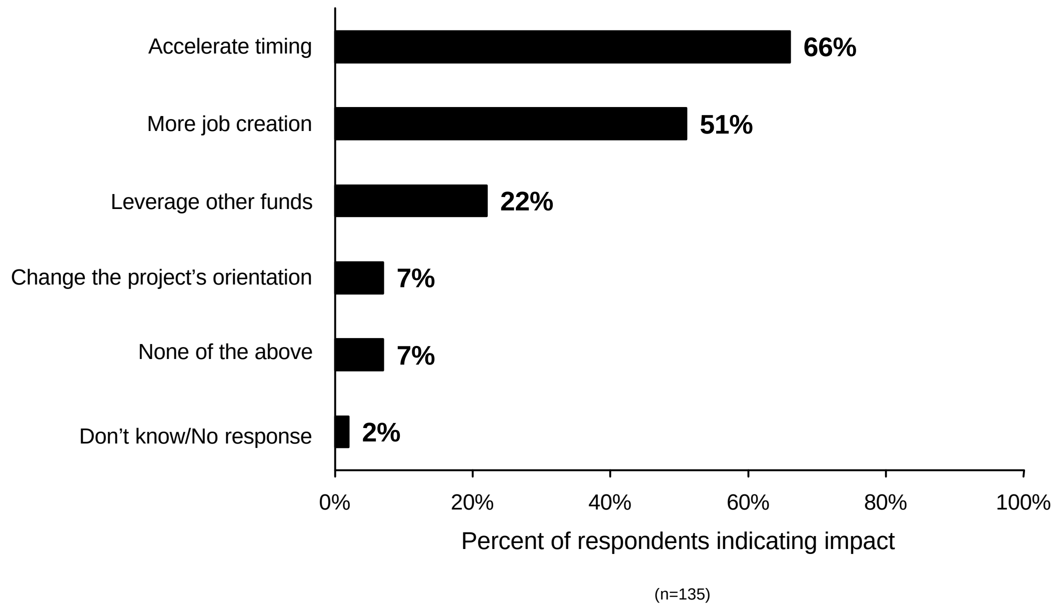
Beyond the issue of full incrementality is the extent to which the TJF altered projects. Exhibit 4.4 contains the results from a question on how the TJF affected projects, addressed to the 42 percent of sponsors whose projects would have gone ahead without the TJF. The results indicate that a large proportion reported that TJF funds accelerated the timing of the project (66 percent) or enabled the creation of more jobs than would otherwise have been created (51 percent). In other words, these projects would have gone ahead without the TJF but would have been implemented later if TJF funding had not been obtained or would not have created as many jobs as they did with TJF funding. Only 7 percent of the sponsors of projects that would have gone ahead without TJF indicated that none of the listed effects applied, implying complete non-incrementality for these projects.

How many jobs created by TJF projects could be considered to be incremental? Responses to the incrementality question indicated that about one-half of the projects were truly incremental, but that about one-half of non-incremental projects were in fact incremental because TJF funding enabled more job creation than would otherwise have been produced. In precise terms, about 74 percent of TJF jobs were incremental. This figure is obtained by adding the 53 percent of all projects which would not have gone ahead without TJF funding to 51 percent of the 42 percent of projects which would have gone ahead regardless, but which were expanded due to TJF funding.

4.4 Cost of Job Creation

Turning to the issue of costs, we first estimate the TJF cost per job based on completed projects (where the estimate of jobs created is more accurate). Survey results for completed projects indicate that TJF's cost per job created amounted to about $7,500. This result is based on the mean reported TJF contribution of all completed projects surveyed ($187,600 per project) and the mean number of jobs created across completed projects in the sample (24.8 jobs per project). This figure, in effect, considers the cost of each job created under TJF, calculating the return on investment for program expenditures.

Exhibit 4.4
Incremental Impacts of TJF Funding*



* Note: Among sponsors whose projects would have gone ahead without TJF funding

Source: TJF Survey, 1998

It is important to point out, however, that these estimates are biased downward. The reason is that the number of jobs (the denominator of the calculation) includes short-term, part-time, unsustainable jobs, and non-incremental jobs, thus inflating the estimated number of jobs created and underestimating the cost per job. To correct for this bias, first, we divide the mean TJF cost per project by the mean FTE jobs created per project based on the FTE job rate (84 percent) as described above. This yields a cost per FTE job of about $8,900 ($187,600 / (24.8 x 0.84)). Second, we adjust for incrementality by applying the mean incrementality rate (74 percent, described above) to the mean number of FTE jobs created per project. This computation gives us an estimated TJF cost per job of $12,100.

Exhibit 4.5 summarises the TJF cost per job estimates. Adjustment for the fact that not all jobs will likely be sustainable could not be made because, as indicated, project sponsors were asked only about how many jobs were additional and not about how many sustainable jobs might be created.

Exhibit 4.5
Summary: Mean Jobs Created and TJF Cost Per Job

	Mean Jobs Created Per Project[1]	TJF Cost Per Job[1] ($)
Total jobs	25	7,500
Full-time equivalent (FTE) jobs	21	8,900
Incremental FTE jobs	15.54	12,100

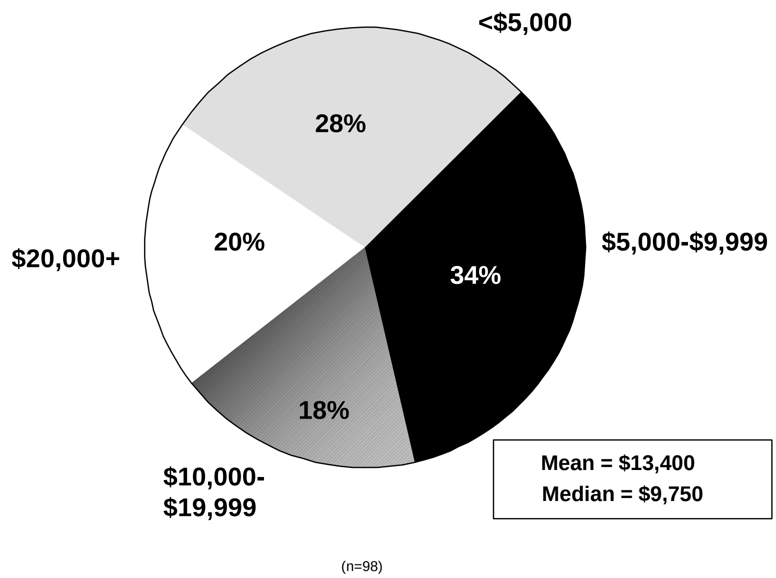
1 Based on survey results for completed projects, (n=98)

Source: TJF Survey (1998) and HRDC administrative data

In order to examine how the TJF cost per job varies across different types of projects, we calculated an average TJF per-job cost for each project included in our sample. Averaging the cost per job across all completed projects yields a figure of $13,400. (The estimated total cost per job is $64,300.) This is essentially an unweighted figure that considers the average cost per job of each project equally, regardless of the level of expenditures or number of jobs created. The distribution of this figure, however, is useful to provide a picture of trends across different types of projects.

Exhibit 4.6 breaks down TJF projects according to the average amount contributed by HRDC. The figures therein indicate that the majority of projects (62 percent) received less than $10,000 in funding per job from TJF. Other results indicate that the TJF cost per job was much higher in completed projects sponsored by larger organizations ($17,335) and public organizations ($22,638), and in projects that were new operations ($18,317) as opposed to those that were expanding operations ($9,204). Also, the mean cost per job appears to increase with the total cost of the project, so that for projects costing less than $250,000 the per-job cost is $7,478, rising to $20,659 for those costing in excess of $1 million.

Exhibit 4.6
TJF Cost Per Job*



* Not adjusted for incrementality and full-time equivalency.

Source: TJF Survey, 1998

4.5 Estimation of TJF Total Creation by March 1999

To estimate the total number of jobs created by TJF, one strategy would be to multiply the mean number of jobs created per completed project by the total number of projects. Since the completion of the initial phase of the evaluation, however, there has been a substantial increase in the number of approved projects and, potentially, differences in the types of projects approved. To generate a more rigorous estimate of total job creation, a predictive model of the jobs created as reported in the survey was developed for the completed projects. This model was then applied to the full administrative database to extrapolate the number of jobs created.

The first step in this analysis was to test a simple multivariate model using the survey cases for which complete data were available. Administrative data on the estimated job creation, the amount of TJF funding, total project cost and region were included in the model to predict the number of jobs created reported by the survey respondents. Based on the modelling results, the most significant predictors of the survey-reported job creation were the estimated number of jobs created (from the administrative data) and the total project cost.

This model, using the administrative data for the estimated jobs created and the total project funding, was then applied to 826 approved projects recorded on the program administrative database (the number of projects where there was complete data for all variables used in the model). These projects represent about $230 million in TJF program expenditures. Note that the model was based on a small number of projects and that this model was then applied to projects that were outside the range of cases for which the model was originally tested.

Assuming that the remaining project funds ($30 million) will be expended on projects by March 1999 similar in nature to those already approved, predicted actual job creation for the TJF program overall ($260 million) would be 29,500 jobs. Adjusting for incrementality, the number of jobs would be about 22,000. A further adjustment for full-time equivalency would yield 18,500 full-time incremental jobs.

Exhibit 4.7
Estimation of TJF Job Creation
By the end of this fiscal year (March 1999)

	Administrative Database	Evaluation Estimates
Projected TJF Jobs	35,500	29,500
Incremental Jobs		22,500
Incremental and FTEs		18,500

5.0 Conclusions

The purpose of this chapter is to summarise the key findings of Phase I of the evaluation of the Transitional Jobs Fund. While the program has been operational for just under two years, this study has provided some important information on the activities undertaken by the program and its early outcomes. The conclusions are organized based on the initial study issues.

What is the nature of projects that have been approved?

The profile of projects sponsored by TJF confirms the expected concentration of program activity in high unemployment regions, particularly in the Atlantic provinces and Quebec. The majority of projects are led by private sector sponsors from small and medium sized organizations. Projects emphasize industries such as manufacturing, tourism/hospitality and primary industries such as silviculture and aquaculture. Most projects focus on new job creation through expansion or new business creation.

Project financing typically involves several sources of funding from government and private sector sponsors. Across all projects, TJF represents about 14 percent of total project costs. This proportion is higher for lower cost projects. TJF is often used to cover labour expenses while other programs or private sector investment are used to cover capital expenses.

The program features a significant emphasis on partnerships with other government and community organizations and this is viewed as a key strength of TJF. While promotion of TJF was an underdeveloped aspect of the program, there have not been difficulties in soliciting client interest. Equity of access, however, may be a weakness. Project sponsors and delivery partners are generally satisfied with the program, with some concerns noted regarding the approval process in terms of its length and the presence of political factors in some cases. The need for enhanced monitoring for project sustainability, improving accountability by tying TJF funds to payroll reports, and avoiding duplication with other economic development programs were also noted.

How many jobs have been created, and of what type?

The findings on job creation are based on the approximately 100 TJF projects that had been completed at the time of the survey. Given the relatively short post-program period, the extent to which the jobs created are sustainable could not be adequately measured at this point in time.

The total jobs created on a per (completed) project basis was 25, which translated into a cost per job of about $7,500. Adjusting for full-time equivalents and incrementality[4], these figures are modified to 15.54 jobs per project and $12,000 per job. The findings on job creation are based on the approximately 100 TJF projects that had been completed at the time of the survey. Given the relatively short post-program period, the extent to which the jobs created are sustainable could not be adequately measured at this point in time.

A comparison of the survey data from the initially completed cases and the program administrative data for these projects indicated that the level of job creation is largely consistent with projected figures contained in the initial project contract. Extrapolating from the survey data to total TJF program expenditures, the predicted actual job creation would be 29,500 jobs, or 22,000 incremental jobs, or 18,500 full-time incremental jobs.

The majority of jobs created are permanent, year-round positions. Jobs are concentrated in the semi-skilled/labourer and skilled trades categories and feature wages that are above the minimum.

Was TJF funding necessary for the projects to proceed?

The incrementality of TJF funds was addressed based on the assessment of project sponsors themselves. In about one-quarter of cases, the incrementality of the program is questionable. Projects that feature a higher level of incrementality are those with public sector sponsors, projects in the tourism/hospitality industry, projects with a higher proportion of TJF funding, and those in smaller communities.

To what extent are projects financially self-sufficient?

Financial self-sufficiency and the extent to which the jobs created under TJF will be sustainable over time are the most difficult questions to answer at this time. As mentioned previously, the proportion of projects that are completed at this time is modest and the post-program period for completed projects is quite short. Findings pertaining to sustainability, therefore, are largely speculative. Early results are positive with respect to sustainability of jobs. Among completed projects, sponsors expected that the majority of jobs created (84 percent) would be in place in 18 months. On the other hand, one in five expected that additional financing would be required to sustain and/or expand the project. Private sector investors were expected to be the largest contributors in terms of future financing.

4 Additional jobs created due to the program's funding.

Overall Conclusions

The results of this evaluation of TJF are mostly positive. Project sponsors and those who deliver TJF are satisfied with the program and impressed with its flexibility, rigour and partnership approach. The length of the approval process and the extent to which access to the program is equitable were the most important concerns raised around program delivery. Many favour more authority delegated to the local level to ease this process.

The level of job creation fostered by the program is largely consistent with initial targets provided by sponsors in their contracts with HRDC. The jobs that are created are of a moderate to high quality. Most of these jobs are expected to be in place in 18 months' time. Enhanced monitoring of the program will be necessary, however, in order to verify longer-term sustainability of jobs.

The evaluation suggests that the issue of incrementality should be given attention in future. In a small portion of projects (about one-quarter), TJF funding did not have any impacts on job creation. This research shows that the program should continue its emphasis on small and medium sized operations, while improving the efficiency of the program with more careful targeting to those projects without access to other financing options. Issues around potential overlap with other repayable loans programs would also be resolved by ensuring TJF is the "last payer" program.